

## **FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**               **TUESDAY, 16 JULY 2013**

**REPORT BY:**       **HEAD OF FINANCE**

**SUBJECT:**           **REVENUE BUDGET MONITORING 2013/14**

### **1.00 PURPOSE OF REPORT**

1.01 To provide Members with the first available revenue budget monitoring information for the Council Fund and Housing Revenue Account (HRA) for 2013/14.

### **2.00 BACKGROUND**

2.01 The HRA budget for 2013/14 was agreed by Council on 19th February 2013 and the Council Fund budget was agreed by Council on 1<sup>st</sup> March 2013.

### **3.00 CONSIDERATIONS**

3.01 As in previous years, during the early part of the financial year 2013/14, resources are dedicated to the closure of the accounts for 2012/13. The draft Statement of Accounts is to be presented to the Audit Committee on 17th July and the 2012/13 revenue final outturn report is included on the agenda for this meeting. Early reporting of the progress of the annual budget and a forecast for the remainder of the year is given a secondary priority until this key task is completed. In addition, the new financial year has to be allowed to settle to monitor patterns of service demand and success in making planned service and efficiency-led changes to establish trends and reliable forecasts for the year. This is most possible at the close of the first full financial quarter. Given the increasing importance of early and more precise forecasts, and interventions as necessary as resources come under more challenge, these practices will need to be reviewed.

3.02 It is practice therefore for this first budget monitoring report of the year not to provide the level of detail which follows from month three onwards but to highlight any significant budget variations at an early stage, the management action in response and if necessary to control them.

- 3.03 In recent times the factors which have caused budget variations and budget risk are changing service demands, changes in service demands caused by demographic change, fluctuations in non-standard inflation and the impacts of the economic downturn on income levels. As required by the Council's financial procedure rules, Directors and Heads of Service are working on the basis of managing within overall cash limited budgets.
- 3.04 This year, it is important to also include some early information on the potential impacts for 2013/14 of the 2012/13 year end position. As reported in the final outturn, Council Fund spending in 2012/13 was £4.229m less than the budget for the year. At setting of the 2013/14 annual budget, the significant areas of budget variation in 2012/13, as then reported, were taken account of in the budget agreed by Council. However, there was an increase in the net reported underspend of £3.618m in the latter months of the year. This position has been discussed at Cabinet and the Corporate Resources Overview and Scrutiny Committee meetings last month.
- 3.05 The final outturn report refers to the reasons why the full projected year end position could not be reported earlier and the range of actions agreed and implemented to strengthen financial control, budget management and reporting from 2013/14 onward, noting that the Council has decreasing financial flexibility year on year and therefore needs to tighten its reporting and control arrangements.
- 3.06 The key actions to strengthen financial control, budget management and reporting are:
- Clear lines of accountability
  - Strengthened links between service / budget managers and finance managers
  - Earlier warnings or "alerts" from service managers in changes in service demand and costs bases
  - Improved forecasting techniques which are sufficiently sophisticated to take account of historical trend analysis, demand sensitivity and best use of local and national intelligence.
  - Accurate and timely tailored financial information which meet the needs of the service.
  - Actions to counter any adverse variances with a view to ensuring that expenditure is managed within the overall budget unless exceptional. Formal agreement is needed for an in-year budget virement.

- 3.07 As a result of the outturn position, the potential impact for the 2013/14 financial year and the Medium Term Financial Plan for 2014/15 onwards is being assessed. Specifically, reductions in budgets where an 'underspend' was shown are being reviewed, for recommendation, where the trend of demand management and base cost reduction can be confidently controlled. This report refers to the key service functions under review. The information provided is an indication of the possible impacts for 2013/14 and beyond based on the 2012/13 outturn. The service trends analysis and forecasts are being reviewed and quality assured so that any recommendations for in-year budget change have a sound and reliable basis.
- 3.08 The first detailed monitoring report of the year which will be reported in September and will include the outcomes of this review work. This will also prompt decisions to re-align budgets both in the current year and over the period of the Medium Term Financial Plan.
- 3.09 Appendix 1 attached shows that based on the current forecasts there is a potential positive variation to the 2013/14 budget of £1m which would have a £0.540m positive impact on the assumptions already in the MTFP. The following information gives a brief description to the reasons for the variation.
- 3.10 There is a further potential saving of £0.750m on **Out of County Placements** in addition to the £0.900m reduction made in the 2013/14 base budget. This results from the proactive work on the commissioning of placements and the use of fostering placements within Flintshire supported by local education within our own County schools. There is a mirror increased cost in the family placement budget. The costs of **child protection** are projected to be continue to be greater than the base.
- 3.11 On **Adults Services**, the impact of the Council's programme to modernise service delivery through the "Transforming Social Services for Adults" programme is showing a positive budget variance of £1.220mn in 2013/14 which could be sustained. This has been achieved through new approaches to the transition of young people from childrens to adult services, re-ablement for the elderly and clients with disabilities, and supporting more clients to switch to direct payments for their care.
- 3.12 The recently agreed restructures of the **Homelessness Service** and **Warden Services** to improve service delivery to clients also make a combined positive financial impact of £0.160m in 2013/14 and £0.100m on an ongoing basis.

- 3.13 In the **non-delegated schools** budget, there is a continuing pressure of £0.060m for the cost of free school meals which was a feature in 2012/13 as family circumstances led to more children being eligible for meals. This is offset by an ongoing reduction which can be made in the budget held for mobile classrooms.
- 3.14 The budget pressures in Leisure were reported in detail in 2012/13. They come from a combination of a downturn in income across all centres, maintenance costs, and the introduction of a new workforce structure taking place later than planned. The 2013/14 budget included an additional £0.359m to support some longstanding unmet pressures in Leisure, however, after taking this into account, the forecast spend for the current year is £0.900m greater than the budget.
- 3.15 2013/14 has seen the introduction of the new **Council Tax Reduction Scheme (CTRS)** which replaced Council Tax Benefit. An initial assessment of the council tax collection rate in 2013/14 was made at 97.5% in anticipation of CTRS coming into place. Following a revision to the scheme in January, providing support at 100% to eligible claimants, it was anticipated that there would be a surplus on the collection fund of some £0.750m, from which CTRS related costs of £0.420m would be met if 98.5% collection could be achieved. In the first three months collection has been maintained at the previous level of 99%. If this continues to the end of the year, then the net positive impact to the in year budget will be £0.680m after taking account of the associated costs.
- 3.16 On CTRS, the projected cost of the current caseload would indicate an in year cost £0.400m in excess of WG funding of £9.642m and the £0.100m additional budget allocated locally. The full cost of CTRS in 2013/14 cannot be met and the budget need was understated by £0.330m. CTRS is demand led and subject to change as the caseload and the cost of the caseload changes according to the circumstances of eligible claimants.
- 3.17 The position on CTRS and the collection rate are being monitored. Based on the current projections, the position across the two areas is positive at £0.280m compared to the budget.
- 3.18 There are no significant variations identified at this stage within the Housing Revenue Account.

### **COUNCIL FUND CONTINGENCY RESERVE**

- 3.19 The final level of Council Fund contingency reserve brought forward into 2013/14 was £3.409m as detailed in the 2012/13 final outturn report.

- 3.20 The final outturn report notes that this figure is after taking into account the commitment of £0.297m for the funding of one-off costs as approved in the 2013/14 budget.
- 3.21 The Final Outturn report on this agenda recommends reinstating the Winter Maintenance Reserve by £0.250m which brings the amount available in the Contingency Reserve to £3.159m as at 31<sup>st</sup> March 2013.
- 3.22 As detailed in the Final Outturn report it is recommended that this amount is held in the contingency reserve and its use considered within the context of the MTFP and the 2014/15 budget strategy as a key decision.
- 3.23 The Council has not yet received notification as to whether it will receive Welsh Government (WG) support for its application for cost support for the severe weather period of earlier in 2013. The 2012/13 costs were met by a combination of the use of the winter maintenance reserve and a contribution from the contingency reserve. Recovery costs in 2013/14 were estimated at £0.620m and if no WG support is provided will need to be met from the Contingency Reserve.

#### **4.00 RECOMMENDATIONS**

- 4.01 Cabinet is recommended to note the report.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 As set out in the report.

#### **6.00 ANTI POVERTY IMPACT**

- 6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

- 7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

- 8.01 None directly as a result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

- 9.01 None directly as a result of this report.

#### **10.00 CONSULTATION REQUIRED**

- 10.01 None directly as a result of this report.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None directly as a result of this report.

**12.00 APPENDICES**

12.01 Appendix 1 – Initial Council Fund Budget Forecast.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

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