

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 15 OCTOBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REVENUE BUDGET MONITORING 2013/14 (MONTH 4)**

1.00 PURPOSE OF REPORT

1.01 To provide Members with the most up to date revenue budget monitoring information (Month 4) for the Council Fund and the Housing Revenue Account in 2013/14.

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2.00 EXECUTIVE SUMMARY

2.01 The projected year end position, as estimated at Month 4, is as follows:-

Council Fund

- Net in year expenditure forecast to be £1.247m less than the budget. (A decrease of £0.818m on the £2.065m reported at Month 3)
- Projected contingency reserve balance at 31st March 2014 of £3.888m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to overspend the budget by £0.260m (£0.043m overspend reported at Month 3)
- Projected HRA balances at 31st March 2014 of £1.174m

The detail relating to the HRA is set out in Section 7.00 of this report

3.00 COUNCIL FUND LATEST IN YEAR FORECAST

- 3.01 The table below shows a projected positive variation of expenditure against budget of £1.247m :-

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend	
			Month 3	Month 4
	£m	£m	£m	£m
<u>DIRECTORATES (Service Groups)</u>				
Services for Adults	45.642	44.181	(2.036)	(0.832)
Services for Children	11.906	12.124	0.151	0.298
Housing Services	1.800	1.784	(0.226)	(0.288)
Development & Resources	1.688	1.648	(0.038)	(0.037)
TOTAL : COMMUNITY SERVICES	61.036	59.737	(2.149)	(0.859)
Assets and Transportation	6.015	6.041	(0.012)	(0.006)
Planning	1.708	1.699	0.046	0.023
Public Protection	3.455	3.447	(0.017)	(0.027)
Regeneration	0.715	0.706	(0.046)	(0.031)
Streetscene	19.320	19.112	0.296	0.356
Management, Support & Performance	1.088	1.086	(0.103)	(0.096)
TOTAL : ENVIRONMENT	32.301	32.091	0.164	0.219
Culture & Leisure	6.876	6.328	0.827	0.360
Inclusion Services	14.058	13.234	(0.401)	(0.102)
Primary School Services	43.374	43.374	(0.025)	(0.025)
Secondary School Services	36.638	37.463	0.000	0.002
Development & Resources	12.118	12.118	(0.225)	(0.164)
TOTAL : LIFELONG LEARNING	113.064	112.517	0.176	0.071
Chief Executive	2.356	2.325	0.010	(0.017)
Finance	14.265	14.243	(0.220)	(0.308)
HR & OD	2.427	2.450	0.005	0.000
ICT & Customer Services	4.922	4.901	(0.035)	(0.041)
Legal & Democratic Services	3.145	3.145	0.012	0.020
TOTAL : CORPORATE SERVICES	27.115	27.064	(0.228)	(0.346)
TOTAL DIRECTORATES	233.516	231.409	(2.037)	(0.915)
Central and Corporate Finance	26.236	28.343	(0.028)	(0.332)
Total	259.752	259.752	(2.065)	(1.247)

- 3.02 The revised budgets now shown in the above table reflect the recommended changes made in the Month 3 report which were approved by Cabinet on 17th September.

- 3.03 The original budget column reflects the budget approved by Council on the 1st March 2013. The revised budget column reflects in-year virements which have been approved in compliance with Financial Procedure Rules.
- 3.04 The Month 3 budget monitoring report to Cabinet indicated that as part of the commitment to strengthen financial management and formal reporting, the presentation of significant variances appendices will be revised to tie in clearly with the Table at paragraph 3.01 of the report. Appendices 2 to 6 have now been prepared on a basis which is consistent with the Council Fund summary table.

Programme of Efficiencies

- 3.05 The 2013/14 budget contains £5.331m of specific efficiencies and the table below summarises the current status of these items. This analysis indicates that it is currently projected that £4.469m (83.8 %) will be achieved, resulting in a net under-achievement of £0.862m.

Status of Efficiency	Value of Budgeted Efficiency £m	Value of Projected Efficiency £m	(Under) Over Achievement £m
ALREADY ACHIEVED	1.948	1.948	0.000
EXPECTED TO BE ACHIEVED IN FULL	2.219	2.219	0.000
ACHIEVABLE IN PART	0.699	0.302	(0.397)
NOT ACHIEVABLE	0.465	0.000	(0.465)
Total	5.331	4.469	(0.862)

- 3.06 Appendix 9 provides further details of the assumptions behind the projections, and where relevant the actions required to address items not currently expected to be achieved in full. It is important to note that the impact of this analysis has already been included in the overall Month 4 projected outturn position.

Out of County Placements

- 3.07 There has been a significant change in the projected outturn for Out of County placements since the Month 3 position was reported in September. At the time the Month 3 report was being prepared, the projected outturn position reflected a total underspend of £0.755m, made up of £0.344m on Children's Services within Community Services, and £0.411m on Inclusion (Schools Services) within Lifelong Learning. The position has now changed significantly whereby there is now a projected underspend of £0.152m, made up of a projected overspend of £0.031m on Children's Services, and a projected underspend of £0.183m on Inclusion.
- 3.08 There have been a number of influences on the significant reduction in the projected underspend position reported at Month 3, with the main ones being :-
- New placements at Bryn Tirion
 - Extensions of existing placements
 - High cost placements (including Mother and baby cases)
 - Recoupment charges from hospital schooling

- Volatile nature of placement demand
- Costs of remand placements - delegated to Local Authorities from April 2013

3.09 The Month 3 budget monitoring report reflected that there may be the potential for a further recurring efficiency for reflection in the Council's Medium Term Financial Plan (MTFP). In view of the significant change from the position reported at Month 3, it is now considered unlikely that any further recurring efficiency can be reflected within the MTFP.

Former chemical plant - Sandycroft (Euticals Ltd.)

3.10 The vacation of this site by its owners represents a major public protection risk. Under emergency planning arrangements, Flintshire has taken Gold command in co-ordinating the involvement of strategic partners. Although the Council does not have legal responsibility for the site, it is incurring costs in securing and managing the site and its contents, pending resolution with Welsh Government on financial support to return the site to a stable condition. Some costs are being met by Natural Resources Wales. The current potential monthly cost to the Council is in the order of £0.060m. On the assumption of six months to resolve matters, the cost to the Council would be in the region of £0.400m. This would be offset by any contribution from Welsh Government which is being pursued but, at this stage, has not been quantified or agreed. Updates will be provided in future budget monitoring reports, and we should be in a position to provide more accurate estimates of longer term costs when the Month 5 budget monitoring report is considered in November. Please also note the reference to potential costs within the Risks and Assumptions section of the report.

4.00 INFLATION

4.01 **Pay inflation** of £0.734m was included in the 2013/14 budget in anticipation of a possible national pay award in 2013/14. An assessment of the implications of the pay award has now been completed and the full £0.734m will be allocated to service budgets to meet the costs of the pay award. The budget changes are not currently reflected in the Table at paragraph 3.01 above but will be reflected in the Month 5 budget monitoring report to Cabinet in November.

4.02 **Non standard price inflation** - amounts of £0.255m in respect of Energy for Street Lighting, £0.197m in respect of Energy, £0.187m in respect of Fuel and £0.141m in respect of Food costs are included in the budget but held centrally. The budgets which incur the costs affected by non standard inflation are being monitored closely and the funds will be released when a full assessment of the need has been verified. At this stage, the current projected outturn assumes that these amounts will be required in full.

5.00 MONITORING BUDGET ASSUMPTIONS & NEW RISKS

5.01 There are some areas which are being specifically monitored which potentially could have impacts on the budget beyond the current assumptions:

- Outcome Agreement Grant - full allocation of grant applicable to 2012/13 is subject to future agreement by Welsh Government (WG). However, a recent meeting with WG officers concluded that the Council has met the requirements for full payment of the grant and the WG Minister will be advised of this.
- Former chemical plant - Sandycroft (Euticals Ltd.) - along with its strategic partners, the Council has intervened in relation to this site and is in discussion with Welsh Government about solutions, roles and responsibilities - indicative costs for six months are shown at paragraph 3.10 but costs may increase if the current situation extends beyond six months
- Social Services for Children - the trend of referrals currently being experienced is increasing
- Waste Services - risks of impacts of changes in market demand on future recycling income (plastics), and further reductions of specific Welsh Government grant for Sustainable Waste management (SWMG)

6.00 UNEARMARKED RESERVES

- 6.01 The 2012/13 final outturn reported to Cabinet on 16th July showed unearmarked reserves at 31st March 2013 (above the base level of £5.564m) of £3.409m, after taking into account a commitment in 2013/14 for use of £0.297m to meet one-off / time limited costs. In July, Cabinet allocated £0.250m to the Winter Maintenance reserve, bringing the level in the reserve to £3.159m.
- 6.02 After taking account of an allocation of £0.518m for recovery costs following the March 2013 severe weather, and bringing in the impact of the projected in year budget position the current projected level of the contingency reserve at the end of March 2014 is an amount of £3.888m. Details are shown in Appendix 7.

7.00 HOUSING REVENUE ACCOUNT

- 7.01 On 19th February 2013, the Council approved a Housing Revenue Account (HRA) budget for 2013/14 of £28.259m. The budget provided for a closing balance of £0.903m, which at 3.2 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.
- 7.02 The 2012/13 final outturn reported to Cabinet on 16th July 2013 showed a closing balance at the end of 2012/13 of £1.931m (subject to audit) which was £0.861m more than when the 2013/14 budget was set. This had the effect of increasing the closing balance for 2012/13 by the same amount.
- 7.03 There is an overall projected overspend of £0.260m and a projected closing balance at Month 4 of £1.174m, which at 4.1 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.

7.04 Appendix 7 details the reasons for significant variances occurring to date and the actions planned to deal with them.

8.00 RECOMMENDATIONS

8.01 Members are recommended to :-

- a) Note the overall report
- b) Note the projected Council Fund contingency sum as at 31st March 2014 (paragraph 6.02)
- c) Note the projected final level of balances on the Housing Revenue Account (paragraph 7.03)

9.00 FINANCIAL IMPLICATIONS

9.01 The financial implications are as set out in Sections 3.00 - 7.00 of the report.

10.00 ANTI POVERTY IMPACT

10.01 None.

11.00 ENVIRONMENTAL IMPACT

11.01 None.

12.00 EQUALITIES IMPACT

12.01 None.

13.00 PERSONNEL IMPLICATIONS

13.01 None.

14.00 CONSULTATION REQUIRED

14.01 None.

15.00 CONSULTATION UNDERTAKEN

15.01 None.

16.00 APPENDICES

16.01 Council Fund - Movement in Variances from Month 3 - Appendix 1
Council Fund Variances - Appendices 2 - 6
Council Fund - Movements on unearmarked reserves - Appendix 7
Housing Revenue Account Variances - Appendix 8
Council Fund - Achievement of Efficiencies - Appendix 9

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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