

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CABINET**

**DATE:** **TUESDAY, 15 JULY 2014**

**REPORT BY:** **CORPORATE FINANCE MANAGER**

**SUBJECT:** **REVENUE BUDGET MONITORING 2013/14**  
**(OUTTURN)**

### **1.00 PURPOSE OF REPORT**

1.01 To inform Members of the Council Fund and the Housing Revenue Account Outturn for 2013/14 (subject to audit) and the impact on the respective level of reserves at 31 March 2013/14 which will be reported to Audit Committee on 16 July 2014.

1.02

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### **2.00 EXECUTIVE SUMMARY**

The year end position at outturn is as follows:

#### **Council Fund**

- Net in year expenditure is £3.387m less than budget.
- Contingency Reserve balance as at 31 March 2014 of £5.328m

#### **Housing Revenue Account (HRA)**

- Net in year expenditure is £0.229m less than budget.
- Closing balance as at 31 March 2014 of £1.662m

## **CONSIDERATIONS**

3.01 The table below shows a final outturn positive variation of expenditure against budget of £3.387m

<b>TOTAL EXPENDITURE AND INCOME</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>In-Year Over / (Under) spend</b>	
			<b>Month 12</b>	<b>Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>DIRECTORATES (Service Groups)</u></b>				
Services for Adults	45.642	44.485	(1.434)	(1.413)
Services for Children	11.906	12.144	1.150	1.128
Housing Services	1.800	1.746	(0.281)	(0.281)
Development & Resources	1.688	1.628	0.013	0.010
<b>TOTAL : COMMUNITY SERVICES</b>	<b>61.036</b>	<b>60.003</b>	<b>(0.552)</b>	<b>(0.556)</b>
Assets and Transportation	6.015	5.139	(0.143)	(0.145)
Planning	1.708	1.717	(0.039)	(0.039)
Public Protection	3.455	3.465	(0.076)	(0.076)
Regeneration	0.715	0.705	0.027	0.027
Streetscene	19.320	20.005	0.306	0.306
Management, Support & Performance	1.088	1.076	(0.030)	(0.030)
<b>TOTAL : ENVIRONMENT</b>	<b>32.301</b>	<b>32.107</b>	<b>0.045</b>	<b>0.043</b>
Culture & Leisure	6.876	6.363	0.279	0.280
Inclusion Services	14.058	13.331	0.080	0.081
Primary School Services	43.374	43.723	(0.174)	(0.174)
Secondary School Services	36.638	37.725	0.003	0.000
Development & Resources	12.118	12.310	(0.264)	(0.264)
<b>TOTAL : LIFELONG LEARNING</b>	<b>113.064</b>	<b>113.452</b>	<b>(0.076)</b>	<b>(0.077)</b>
Chief Executive	2.356	2.303	(0.135)	(0.135)
Finance	14.265	14.225	(1.259)	(1.258)
HR & OD	2.427	2.749	(0.041)	(0.041)
ICT & Customer Services	4.922	5.048	(0.115)	(0.115)
Legal & Democratic Services	3.145	3.142	(0.146)	(0.146)
<b>TOTAL : CORPORATE SERVICES</b>	<b>27.115</b>	<b>27.467</b>	<b>(1.696)</b>	<b>(1.695)</b>
<b>TOTAL DIRECTORATES</b>	233.516	233.029	(2.279)	(2.285)
Central and Corporate Finance	26.236	26.723	(0.873)	(1.102)
<b>Total</b>	<b>259.752</b>	<b>259.752</b>	<b>(3.152)</b>	<b>(3.387)</b>

3.02 The original budget column reflects the budget approved by Council on 1 March 2013. The revised budget column reflects the in year virements which have been approved in compliance with Financial Procedure rules.

3.03 The significant in year variances at final outturn are detailed in Appendices 2 – 6 (Council Fund) and Appendix 8 (HRA). The significant changes for the

Council Fund from Month 12 are detailed in Appendix 1.

## **BRIEF OVERVIEW OF THE YEAR**

- 3.04 The early projections as at Month 3 for the Council Fund was a positive budget variation with net expenditure forecast to be £2.065m less than budget.
- 3.05 A review was undertaken to analyse service trends and forecasts in key areas. Following this review, it was identified within Social Services for Adults, that there were projected savings of £1.670m and as a result in-year budgets were reduced. As part of this, additional recurring savings of £1.185m were identified and have been included as future budget efficiency within the 2014/15 budget.
- 3.06 As a result of the overall review of Community Services, a budget pressure of £0.250m was identified within the Professional Support budget (Children's Services) due to the increase in the demand for statutory child care support an additional base budget was allocated to this service.
- 3.07 In month 3, challenges remained with regard to the financial sustainability of the leisure service including meeting the capital cost of the refurbished facilities at Flint and Deeside directly from the Leisure budget. The ongoing revenue financing costs of the capital expenditure incurred on the improvements amounted to an annual cost of £1.052m. The budget and expenditure for such costs was moved to the Central and Corporate Finance budget where it was included with all other capital financing repayments.
- 3.08 Following the period of severe weather in March 2013 a delegated powers authority was approved in May for the recovery cost expenditure associated with this event. An initial allocation of £0.518m was ring fenced to be met from the contingency reserve to finance these costs. The actual severe weather costs were £0.473m, and this has been allocated to the appropriate Council Fund service account at the end of the financial year.
- 3.09 During the year there was a significant change in the projected costs for Out of County placements. In the early part of the year the projected position reflected an underspend of £0.755m; although by Month 8 costs had increased and there was a projected overspend of £0.452m with the final outturn position being a £0.646m overspend. Out of County placements are demand led and costs are dependent on service user need, many of these placements are expensive given the severity of need. The numbers of these young people change throughout the year and these changes significantly affected projected expenditure.
- 3.10 In 2013, along with its strategic partners, the Council intervened in relation to the former chemical plant in Sandycroft (Euticals Ltd). At Month 5 the costs were initially estimated at £0.400m, however this figure was revised later in the year to £0.300m and the actual expenditure incurred within 2013/14 was £0.288m.

- 3.11 The projected under spend increased in Month 9 due to the accounting treatment of current year income from Deeside Power (£0.200m). In Lifelong Learning the projected under spend on Primary School Services increased by £0.135m primarily relating to the reduced demand for Early Entitlement services and there was additional one off windfall income (£0.243m) which was received from the Welsh Government in respect of the First Steps Improvement Package.
- 3.12 In the latter part of the year, the positive movement in the variance was due to in part an increase in the underspend within Community Services (£0.344m) which relates to a number of factors including additional income from charging clients for care within residential services through charges on their property (£0.199m) and additional income from the Health Board (£0.046m) within Social Services for Adults as well as lower than anticipated care costs for transition due to the timing of clients entering the service.
- 3.13 Corporate Services (Finance) also reflected an overall improved position (£0.220m) the majority of which related to the net impact of year end changes in relation to the Revenues and Benefits Service, including the level of bad debt provision, subsidy receivable and collection fund surplus. Within Central & Corporate Finance additional rental income was received (£0.134m) together with various year end accounting changes in relation to the Central Loans and Investment Account.

#### **ACHIEVEMENT OF EFFICIENCIES**

- 3.14 The 2013/14 budget contains £5.331m of specific efficiencies and the table below summarises the final position in relation to the achievement of these items. The analysis shows that £4.213m (79%) was achieved resulting in a net underachievement of £1.118m. Full details are shown in Appendix 9.

<b>Status of Efficiency</b>	<b>Value of Budgeted Efficiency £m</b>	<b>Value of Projected Efficiency £m</b>	<b>(Under) Over Achievement £m</b>
Already Achieved	3.454	3.454	0.000
Expected to be Achieved	0.451	0.451	0.000
Achievable in Part	0.516	0.308	(0.208)
Not Achievable	0.910	0.000	(0.910)
<b>Total</b>	<b>5.331</b>	<b>4.213</b>	<b>(1.118)</b>

#### **4.00 NON STANDARD INFLATION**

- 4.01 The 2013/14 budget included amounts for non-standard inflation for elements where costs were likely to increase by more than the standard rate of inflation. During the year these amounts have been held centrally until the additional requirement could be demonstrated. The final position in relation to these elements is detailed below:

- £0.255m in respect of Energy for Street Lighting
- £0.161m in respect of Energy (electricity and gas for property)
- £0.187m in respect of Fuel
- £0.141m in respect of Food

An amount of £0.036m was not allocated and forms part of the underspend within Central & Corporate.

## **5.00 UNEARMARKED RESERVES**

- 5.01 The 2012/13 final outturn reported to Cabinet on 16 July showed unearmarked reserves at 31 July 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.
- 5.02 In accordance with International Accounting Standards (IAS 19), any known costs that are associated with termination benefits in relation to the workforce efficiencies must be accounted for in the current financial year. The Senior Management phase 1 meets the criteria for this requirement due to its advanced stage. A budget provision has been made in the 2014/15 budget for the exit costs associated with this. However to meet the requirements of IAS 19 and to ensure this is accounted for correctly; this is being made from contingency reserve in 2013/14, but will be repaid in 2014/15 from the budgeted allocation.
- 5.03 Appendix 7 details the movement in-year on unearmarked reserves and the level of contingency sum available. As a result of these movements the final level of Contingency Reserve as at the end of March 2014 is £5.328m. This amount will be increased to £6.073m in 2014/15 when the exit costs provision in relation to phase 1 of the senior management review are repaid to the reserve after the need to account for these costs in 2013/14 as reported in the month 12 report. However, this will be offset by projected costs associated with the Organisational Change and Redesign Programme totalling £0.696m which will be incurred in 2014/15 and have been approved via delegated powers. They include essential expenditure in relation to the continuation of various Programme costs and also include costs associated with office relocation.
- 5.04 When the 2014/15 budget was set it was estimated that an amount of £3.7m would be available to contribute to the Investment Strategy. It is recommended that the additional amount of £1.677m be held in the Contingency Reserve and its use considered for in-year and future use in relation to investment in organisational change in the context of the MTFP.

## **6.00 HOUSING REVENUE ACCOUNT**

- 6.01 On 19 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%.
- 6.02 The 2012/13 final outturn reported to Cabinet on 16 July 2013 showed a closing balance at the end of 2012/13 of £1.931m which was £0.861m more than when the 2013/14 budget was set. This had the effect of increasing the opening balance for 2013/14 by the same amount.
- 6.03 The final outturn for the HRA is an underspend of £0.229m which results in a final closing balance (subject to audit) at 31 March of £1.662m which at 5.81% of the total expenditure exceeds the recommended minimum level of 3%.

### **BRIEF OVERVIEW OF YEAR**

- 6.04 The 2013/14 HRA budget provided a total revenue contribution of £5.942m towards the funding of capital expenditure (CERA) an increase of £1.250m on the previous year.
- 6.05 As detailed in this report, the final position is a surplus of £1.662m. The Council anticipated an opening balance of £1.545m in the HRA budget 2013/14 approved at Council on the 18<sup>th</sup> February 2014 and therefore accounted for these additional funds within the budget creating additional spend on Welsh Housing Quality Standard works (WHQS). The remaining balance of £0.117m is proposed also to be utilised towards additional investment in meeting the WHQS.
- 6.06 The continued improvement in the financial management of the HRA during 2013/14 has helped to enable delivery of the following service developments and improvements.
- Additional funding for WHQS delivery plan.
  - Voids- turn around 31 days (59 days for majors)
  - Arrears, 25k less at week 41 than same week last year
  - Repairs- all categories out performing target
  - 99.5% of properties with gas safety certificate
  - ASB successes and service improvement
  - Tenant satisfaction improved from 74% to 81%
  - Extended tenant involvement

### **7.00 RECOMMENDATIONS**

- 7.01 Members are recommended to:-
- a) Note the overall report
  - b) Note the Council Fund Contingency Sum available as at 31<sup>st</sup> March 2014

(para 5.03)

c) Note the final level of balances on the Housing Revenue Account (para 6.03)

d) Approve that the additional contingency sum of £1.677m be held and its use considered for in-year and future use in relation to investment in organisational change in the context of the MTFP (para 5.04)

**8.00 FINANCIAL IMPLICATIONS**

8.01 As set out in the report.

**9.00 ANTIPOVERTY IMPACT**

9.01 None

**10.00 ENVIRONMENTAL IMPACT**

10.01 None

**11.00 EQUALITIES IMPACT**

11.01 None

**12.00 PERSONNEL IMPLICATIONS**

12.01 None

**13.00 CONSULTATION REQUIRED**

13.01 None

**14.00 CONSULTATION UNDERTAKEN**

14.01 None

**15.00 APPENDICES**

15.01 Council Fund – Movement in Variances from Month 12 – Appendix 1  
Council Fund Variances – Appendices 2 – 6  
Council Fund Movement on Unearmarked Reserves – Appendix 7  
Housing Revenue Account Variances – Appendix 8  
Achievement of Efficiencies – Appendix 9

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

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