

CABINET MEETING

Date of Meeting	15 September 2015
Report Subject	Revenue Budget Monitoring 2015/16 (Month 3)
Portfolio Holder	Leader of the Council and Lead Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This regular monthly report provides the latest revenue budget monitoring position for 2015/16 for the Council Fund and Housing Revenue Account. The position is based on actual income and expenditure as at Month 3, and projects forward to year-end.

The projected year end position, as estimated at Month 3 is as follows:

Council Fund

- Net in year expenditure forecast to be £0.212m lower than budget
- Projected contingency reserve balance at 31 March 2016 of £4.958m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.070m higher than budget
- Projected closing balance as at 31 March 2016 of £1.168m

RECOMMENDATIONS

1. Note the overall report and the projected Council Fund contingency sum as at 31st March 2016.
2. To Approve the transfer from Social Services of £0.300m of budget for Independent Living Fund (ILF) to be held within Central and Corporate Finance as a one off in year efficiency.
3. Note the projected final level of balances on the Housing Revenue Account.
4. Approve an allocation of £0.210m from the Contingency Reserve for the costs of the speed limit review which is an improvement plan priority.

REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING POSITION FOR MONTH 3 – 2015/16																																																																											
1.01	<p><u>Council Fund Latest In Year Forecast</u></p> <p>The table below shows the projected position by portfolio.</p> <table border="1"> <thead> <tr> <th style="text-align: center;">TOTAL EXPENDITURE AND INCOME</th> <th style="text-align: center;">Original Budget</th> <th style="text-align: center;">Revised Budget</th> <th style="text-align: center;">Projected Outturn</th> <th style="text-align: center;">In-Year Over/ (Under) spend</th> </tr> <tr> <th></th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td style="text-align: right;">59.696</td> <td style="text-align: right;">59.969</td> <td style="text-align: right;">59.396</td> <td style="text-align: right;">(0.573)</td> </tr> <tr> <td>Community & Enterprise</td> <td style="text-align: right;">12.598</td> <td style="text-align: right;">12.706</td> <td style="text-align: right;">12.397</td> <td style="text-align: right;">(0.309)</td> </tr> <tr> <td>Streetscene& Transportation</td> <td style="text-align: right;">27.782</td> <td style="text-align: right;">27.770</td> <td style="text-align: right;">28.578</td> <td style="text-align: right;">0.808</td> </tr> <tr> <td>Planning & Environment</td> <td style="text-align: right;">4.887</td> <td style="text-align: right;">5.332</td> <td style="text-align: right;">5.502</td> <td style="text-align: right;">0.170</td> </tr> <tr> <td>Education & Youth</td> <td style="text-align: right;">13.760</td> <td style="text-align: right;">13.538</td> <td style="text-align: right;">13.563</td> <td style="text-align: right;">0.025</td> </tr> <tr> <td>Schools</td> <td style="text-align: right;">82.670</td> <td style="text-align: right;">83.172</td> <td style="text-align: right;">83.172</td> <td style="text-align: right;">0.000</td> </tr> <tr> <td>People & Resources</td> <td style="text-align: right;">4.595</td> <td style="text-align: right;">4.644</td> <td style="text-align: right;">4.680</td> <td style="text-align: right;">0.036</td> </tr> <tr> <td>Governance</td> <td style="text-align: right;">8.689</td> <td style="text-align: right;">8.728</td> <td style="text-align: right;">8.852</td> <td style="text-align: right;">0.124</td> </tr> <tr> <td>Organisational Change</td> <td style="text-align: right;">9.569</td> <td style="text-align: right;">9.676</td> <td style="text-align: right;">9.521</td> <td style="text-align: right;">(0.155)</td> </tr> <tr> <td>Chief Executive</td> <td style="text-align: right;">3.296</td> <td style="text-align: right;">3.195</td> <td style="text-align: right;">3.090</td> <td style="text-align: right;">(0.105)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td style="text-align: right;">23.915</td> <td style="text-align: right;">22.727</td> <td style="text-align: right;">22.494</td> <td style="text-align: right;">(0.233)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">251.457</td> <td style="text-align: right;">251.457</td> <td style="text-align: right;">251.245</td> <td style="text-align: right;">(0.212)</td> </tr> </tbody> </table>	TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend		£m	£m	£m	£m	Social Services	59.696	59.969	59.396	(0.573)	Community & Enterprise	12.598	12.706	12.397	(0.309)	Streetscene& Transportation	27.782	27.770	28.578	0.808	Planning & Environment	4.887	5.332	5.502	0.170	Education & Youth	13.760	13.538	13.563	0.025	Schools	82.670	83.172	83.172	0.000	People & Resources	4.595	4.644	4.680	0.036	Governance	8.689	8.728	8.852	0.124	Organisational Change	9.569	9.676	9.521	(0.155)	Chief Executive	3.296	3.195	3.090	(0.105)	Central & Corporate Finance	23.915	22.727	22.494	(0.233)						Total	251.457	251.457	251.245	(0.212)
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1.02	The reasons for the projected variances occurring to date are summarised within appendix 1.																																																																											

1.03	<p>Significant budget movements between original and revised budget</p> <p>Changes in the revised budget are due to accounting adjustments such as the transfer of budgeted allocations to fund the impact of pension increases to Portfolios from the actuarial valuation.</p> <p>Key issues</p>
1.04	<p>Social Services</p> <p>There is a projected underspend within Social Care of £0.573m which is mainly due to the additional allocation included in the budget for Independent Living Fund (ILF) of £0.338m now met by grant from Welsh Government. As a result of this, it is proposed that £0.300m of this allocation is held centrally as a one off in year efficiency with the potential for any permanent efficiency to be assessed, once confirmation has been received from Welsh Government.</p> <p>Programme of Efficiencies</p>
1.05	<p>The 2015/16 budget contains £12.874m of specific efficiencies. These are being tracked through the programme boards.</p>
1.06	<p>Appendix 2 provides detail on the latest position where there is a variation to the level of efficiency achievable compared to the budget.</p>
1.07	<p>This shows that it is currently projected that £10.876m (84%) will be achieved resulting in a net underachievement of £1.998m. The position will be continue to be monitored and reported throughout the monthly monitoring process.</p> <p>Inflation</p>
1.08	<p>Included within the 2015/16 budget are provisions for pay (£1.304m), targeted price inflation (£0.421m), non-standard inflation (£0.102m) and income (£0.254m).</p>
1.09	<p>For 2015/16 the amounts for non-standard inflation (NSI) include an allocation for food (£0.064m) and an allocation for Non Domestic Rates (£0.038m).</p>
1.10	<p>There is also an amount of £0.240m remaining from 2014/15 which is currently also being held centrally. Areas subject to NSI increases will be monitored throughout the year and allocations made to portfolio areas only where a critical funding need is evidenced.</p> <p>Unearmarked Reserves</p>
1.11	<p>The 2014/15 outturn reported to Cabinet on 14th July 2015 showed unearmarked reserves at 31 March 2015 (above the base level of £5.769m) of £4.745m (subject to Audit)</p>
1.12	<p>Taking into account the current underspend at Month 3 the balance on the contingency reserve at 31st March 2015 is projected to be £4.958m.</p>
1.13	<p>A report to Cabinet on 16 June approved expenditure of £0.210m for the costs of the Speed Limit Review (included within Highways Strategy). It is recommended that these costs are met from the Contingency Reserve</p>

	Housing Revenue Account
1.14	On 17 February 2015 the Council approved a Housing Revenue Account (HRA) budget for 2015/16 of £30.776m.
1.15	The budget provided for a closing balance of £1.396m which at 4.5% of total expenditure, satisfies the prudent approach of ensuring a minimum level of 3%
1.16	The 2014/15 Outturn Report to Cabinet on 14 th July 2015 showed a closing balance at the end of 2014/15 of £1.510m (subject to Audit)
1.17	The Month 3 monitoring report for the HRA in projecting in year expenditure to be £0.070m higher than budget and a projected closing balance as at 31 March 2016 of £1.168m.

2.00	RESOURCE IMPLICATIONS
2.01	The Budget Monitoring Report reflects the planned use of the financial resources of the Council for the current financial year and details the variations occurring to date.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	KEY RISKS AND MITIGATION
4.01	Recycling The recycling market (paper in particular) is going through a volatile period with fluctuating re-cycle sale values. This is likely to impact on 2015/16 recycling income levels for the Council. There is a risk of under achieving 2015/16 income targets (Range of potential risk £0.050m - £0.250m). Status: unstable/amber risk.
4.02	Waste services The interim Waste Treatment Contract is currently out to tender and subject to the value of the returned tender (Range of potential risk £0.050m - £0.500m). Status stable/amber risk.
4.03	Out of County Placements The risk is the volatility in demand and the impacts on service costs which cannot be predicted with any certainty. Therefore there is always a risk of significant variances occurring although this area will continue to be closely monitored. Status: unstable/amber risk.
4.04	Former Euticals Site Provision has been made in the 2014/15 accounts for the phase 1 and 2

	decommissioning, decontamination and clearance of the former chemical site in Sandycroft. Monthly costs for ongoing security and maintenance of the site are in the region of £0.030m and will accumulate throughout the financial year until site disposal. Status: unstable/amber risk.
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5.00	APPENDICES
5.01	Appendix 1 – Council Fund – Movement in Variances Appendix 2 – Council Fund – Efficiencies Appendix 3 – Council Fund – Movement on Council Fund Unearmarked Reserves Appendix 4 – Housing Revenue Account Variances

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Gary Ferguson Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Budget – A statement expressing the Council’s policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.
7.02	Council Fund – The fund to which all the Council’s revenue expenditure is charged.
7.03	Financial Year – The period of twelve months commencing on 1 April.
7.04	Housing Revenue Account – The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.
7.05	Projected Outturn – Projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.
7.06	Reserves – These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.

7.07	Revenue – A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.
7.08	Underspend – When referring to expenditure the actual expenditure incurred is less than budget. Shown as a –ve. When referring to income the actual income achieved exceeds the budget. Shown as a –ve.
7.09	Variance – Difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.
7.10	Virement – The transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.