

CABINET MEETING

Date of Meeting	Tuesday 13 October 2015
Report Subject	Revenue Budget Monitoring 2015/16 (Month 4)
Portfolio Holder	Leader of the Council and Cabinet 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 4, and projects forward to year-end.

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

Council Fund

- Net in year expenditure forecast to be £0.425m higher than budget
- Projected contingency reserve balance at 31 March 2016 of £4.111m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.002m higher than budget
- Projected closing balance as at 31 March 2016 of £1.235m

RECOMMENDATIONS

1	Note the overall report and the projected Council Fund contingency sum as at 31 st March 2016.
2	Note the projected final level of balances on the Housing Revenue Account.

REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING POSITION FOR MONTH 4 - 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" data-bbox="300 465 1391 1283"> <thead> <tr> <th data-bbox="300 465 722 678">TOTAL EXPENDITURE AND INCOME</th> <th data-bbox="722 465 898 678">Original Budget</th> <th data-bbox="898 465 1074 678">Revised Budget</th> <th data-bbox="1074 465 1249 678">Projected Outturn</th> <th data-bbox="1249 465 1391 678">In-Year Over/ (Under) spend</th> </tr> <tr> <td></td> <td data-bbox="722 633 898 678">£m</td> <td data-bbox="898 633 1074 678">£m</td> <td data-bbox="1074 633 1249 678">£m</td> <td data-bbox="1249 633 1391 678">£m</td> </tr> </thead> <tbody> <tr> <td data-bbox="300 678 722 723">Social Services</td> <td data-bbox="722 678 898 723">59.696</td> <td data-bbox="898 678 1074 723">59.669</td> <td data-bbox="1074 678 1249 723">59.596</td> <td data-bbox="1249 678 1391 723">(0.073)</td> </tr> <tr> <td data-bbox="300 723 722 768">Community & Enterprise</td> <td data-bbox="722 723 898 768">12.598</td> <td data-bbox="898 723 1074 768">12.706</td> <td data-bbox="1074 723 1249 768">12.524</td> <td data-bbox="1249 723 1391 768">(0.182)</td> </tr> <tr> <td data-bbox="300 768 722 835">Streetscene & Transportation</td> <td data-bbox="722 768 898 835">27.782</td> <td data-bbox="898 768 1074 835">27.770</td> <td data-bbox="1074 768 1249 835">28.664</td> <td data-bbox="1249 768 1391 835">0.894</td> </tr> <tr> <td data-bbox="300 835 722 880">Planning & Environment</td> <td data-bbox="722 835 898 880">4.887</td> <td data-bbox="898 835 1074 880">5.332</td> <td data-bbox="1074 835 1249 880">5.499</td> <td data-bbox="1249 835 1391 880">0.167</td> </tr> <tr> <td data-bbox="300 880 722 925">Education & Youth</td> <td data-bbox="722 880 898 925">13.760</td> <td data-bbox="898 880 1074 925">13.573</td> <td data-bbox="1074 880 1249 925">13.575</td> <td data-bbox="1249 880 1391 925">0.002</td> </tr> <tr> <td data-bbox="300 925 722 969">Schools</td> <td data-bbox="722 925 898 969">82.670</td> <td data-bbox="898 925 1074 969">83.169</td> <td data-bbox="1074 925 1249 969">83.169</td> <td data-bbox="1249 925 1391 969">0.000</td> </tr> <tr> <td data-bbox="300 969 722 1014">People & Resources</td> <td data-bbox="722 969 898 1014">4.595</td> <td data-bbox="898 969 1074 1014">4.644</td> <td data-bbox="1074 969 1249 1014">4.679</td> <td data-bbox="1249 969 1391 1014">0.035</td> </tr> <tr> <td data-bbox="300 1014 722 1059">Governance</td> <td data-bbox="722 1014 898 1059">8.689</td> <td data-bbox="898 1014 1074 1059">8.728</td> <td data-bbox="1074 1014 1249 1059">8.866</td> <td data-bbox="1249 1014 1391 1059">0.138</td> </tr> <tr> <td data-bbox="300 1059 722 1104">Organisational Change</td> <td data-bbox="722 1059 898 1104">9.569</td> <td data-bbox="898 1059 1074 1104">9.635</td> <td data-bbox="1074 1059 1249 1104">9.525</td> <td data-bbox="1249 1059 1391 1104">(0.110)</td> </tr> <tr> <td data-bbox="300 1104 722 1149">Chief Executive</td> <td data-bbox="722 1104 898 1149">3.296</td> <td data-bbox="898 1104 1074 1149">3.195</td> <td data-bbox="1074 1104 1249 1149">3.062</td> <td data-bbox="1249 1104 1391 1149">(0.133)</td> </tr> <tr> <td data-bbox="300 1149 722 1216">Central & Corporate Finance</td> <td data-bbox="722 1149 898 1216">23.915</td> <td data-bbox="898 1149 1074 1216">23.036</td> <td data-bbox="1074 1149 1249 1216">22.723</td> <td data-bbox="1249 1149 1391 1216">(0.313)</td> </tr> <tr> <td data-bbox="300 1216 722 1283">Total</td> <td data-bbox="722 1216 898 1283">251.457</td> <td data-bbox="898 1216 1074 1283">251.457</td> <td data-bbox="1074 1216 1249 1283">251.882</td> <td data-bbox="1249 1216 1391 1283">0.425</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	59.669	59.596	(0.073)	Community & Enterprise	12.598	12.706	12.524	(0.182)	Streetscene & Transportation	27.782	27.770	28.664	0.894	Planning & Environment	4.887	5.332	5.499	0.167	Education & Youth	13.760	13.573	13.575	0.002	Schools	82.670	83.169	83.169	0.000	People & Resources	4.595	4.644	4.679	0.035	Governance	8.689	8.728	8.866	0.138	Organisational Change	9.569	9.635	9.525	(0.110)	Chief Executive	3.296	3.195	3.062	(0.133)	Central & Corporate Finance	23.915	23.036	22.723	(0.313)	Total	251.457	251.457	251.882	0.425
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1.02	The reasons for the projected variances occurring to date are summarised within appendix 2 with movements between periods summarised in appendix 1.																																																																						
1.03	<p>Significant budget movements between original and revised budget</p> <p>Changes in the revised budget are due in the main to the transfer of budget from Social Services to Central and Corporate as a result of the one off efficiency reported in Month 3 in relation to the Independent Living Fund (ILF).</p>																																																																						
1.04	<p>Social Services</p> <p>The overall underspend within Social Services has reduced from a projected £0.573m at Month 3 to £0.073m. This in part is due to the transfer of £0.300m to Central and Corporate in relation to (ILF) as referenced above in para 1.03. A number of further changes mainly within Adult Services are as a result of additional care packages. Full details of movements are explained in Appendix1.</p>																																																																						

1.05	<p>Streetscene and Transportation</p> <p>There is a significant overall projected overspend within the service of £0.894m due in part to the delay in the implementation of a number of efficiencies as reported to the Programme Board. In addition fluctuations in recycle sales due to a volatile market has led to an increased pressure on income projections which have resulted in a shortfall of £0.236m.</p>
1.06	<p>Following a request for further information a report on the overall position in relation to the service will be presented to Corporate Resources Overview and Scrutiny Committee on 8th October.</p>
1.07	<p>Programme of Efficiencies</p> <p>The 2015/16 budget contains £12.874m of specific efficiencies which are being tracked through the relevant programme board.</p>
1.08	<p>Appendix 3 provides detail on the latest position where there is a variation to the level of efficiency achievable compared to the budget.</p>
1.09	<p>This shows that it is currently projected that £10.878m (84%) will be achieved resulting in a net underachievement of £1.996m. The position will continue to be monitored and reported throughout the monthly monitoring process.</p>
1.10	<p>Inflation</p> <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>
1.11	<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>
1.12	<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>Reserves and Balances</p>
1.13	<p>Unearmarked Reserves</p> <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 £4.746m.</p>
1.14	<p>Taking into account the current overspend at Month 4 the balance on the contingency reserve at 31st March 2016 is projected to be £4.111m.</p>
1.15	<p>This now takes into account the expenditure of £0.210m approved at Month 3 for the costs of the Speed Limit Review.</p>

	Earmarked Reserves		
1.16	The Council has developed a reserves protocol which was considered by Audit Committee and approved by County Council on 24 th September 2015. This sets out the principles around how the council will determine, manage and review the level of its reserves and includes reference to regular reporting of the latest position to Cabinet and Corporate Resources Overview and Scrutiny Committee.		
1.17	As such, from Month 4 the revenue monitoring report will now include an additional section on earmarked reserves and will continue to be provided on a quarterly basis.		
1.18	The table below gives a summary of earmarked reserves as at 1 st April 2015 and also provides an estimate of projected balances as at the end of the financial year.		
1.19	This will continue to form part of regular monitoring discussions with Senior Managers to ensure regular review and challenge thus ensuring that any reserves that are no longer required, can be made available for other purposes, subject to the agreement of Cabinet.		
1.20		Actual 31/03/2015 as per Final Accounts £	Estimated 31/03/2016 £
	Reserve Type		
	Schools	3,540,315	1,153,000
	Specific Reserves:		
	Single Status/Equal Pay	12,864,332	7,337,269
	General Reserve - Review of Reserves	4,666,025	3,871,630
	General Reserve - Investment in Organisational Change	855,391	0
	Self Insurance Funds	813,486	794,486
	Benefits Equalisation Reserve	213,044	213,044
	Supporting People Reserve	1,511,083	1,511,083
	County Elections	154,310	154,310
	North East Wales Community Equipment Service	178,991	0
	Winter Maintenance	250,000	250,000
	Waste Disposal Sites	367,475	217,475
	Car Park Reserve	217,494	0
	Building Control Trading	97,697	97,697
	Planning Control Gain NEWTS	190,510	190,510
	Flintshire Enterprise Reserve	96,932	96,932
	Design Fees	120,000	120,000
	Other Specific Reserves of less than £0.025m	64,965	60,886
	Service Balances	4,047,375	1,061,355
	Total	30,249,425	17,129,677

1.21	The reserves protocol is included as appendix 6 to this report as additional information on the types of reserves.
1.22	Housing Revenue Account On 17 February 2015 the Council approved a Housing Revenue Account (HRA) budget for 2015/16 of £30.776m.
1.23	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%.
1.24	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.
1.25	The Month 4 monitoring report for the HRA is projecting in year expenditure to be £0.002m higher than budget and a projected closing balance as at 31 March 2016 of £1.235m.

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. This is now reflected in the Month 4 projections but will need to be monitored throughout the year. Status: unstable/amber risk.
4.02	Car Parking Due to car parking charges being introduced in some Flintshire towns later than anticipated during 2015/16, it is likely that there will be an increased shortfall in achieving the increased car park income targets. Therefore, work is currently ongoing to take account of the revised implementation dates and the subsequent affect this will have on revised income projections so an updated outturn position will be reflected in Month 5 monitoring.

4.03	<p>Out of County Placements</p> <p>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.</p>
4.04	<p>Former Euticals Site</p> <p>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.</p>

5.00	APPENDICES
5.01	<p>Council Fund – Movement in Variances from Month 3 – Appendix 1</p> <p>Council Fund – Budget Variances – Appendix 2</p> <p>Council Fund – Programme of Efficiencies – Appendix 3</p> <p>Council Fund – Movement on unearmarked reserves – Appendix 4</p> <p>Housing Revenue Account Variances – Appendix 5</p> <p>Reserves and Balances Protocol – Appendix 6</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None required</p> <p>Contact Officer: Sara Dulson Finance Manager</p> <p>Telephone: 01352 702287</p> <p>E-mail: sara.dulson@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>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.</p>
7.02	<p>Council Fund – The fund to which all the Council’s revenue expenditure is charged.</p>
7.03	<p>Financial Year – The period of twelve months commencing on 1 April.</p>
7.04	<p>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.</p>
7.05	<p>Projected Outturn – Projection of the expenditure to the end of the financial</p>

	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.