

## CABINET

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| <b>Date of Meeting</b> | Tuesday, 17 <sup>th</sup> November 2015              |
| <b>Report Subject</b>  | Revenue Budget Monitoring 2015/16 (Month 5)          |
| <b>Cabinet Member</b>  | Leader of the Council and Cabinet Member for Finance |
| <b>Report Author</b>   | Corporate Finance Manager                            |
| <b>Type of Report</b>  | 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 5, and projects forward to year-end.

The projected year end position, as estimated at Month 5 is as follows:

#### **Council Fund**

- Net in year expenditure forecast to be £0.595m higher than budget
- Projected contingency reserve balance at 31 March 2016 of £3.941m

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

- Net in year expenditure forecast to be £0.041m higher than budget
- Projected closing balance as at 31 March 2016 of £1.196m

### RECOMMENDATIONS

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

## REPORT DETAILS

| <b>1.00</b>                         | <b>EXPLAINING THE REVENUE BUDGET MONITORING POSITION FOR MONTH 5 - 2015/16</b>   |                                     |                          |                                    |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
|-------------------------------------|--|-------------------------------------|--------------------------|------------------------------------|--------------------------|------------------------------------|--|-----------|-----------|-----------|-----------|-----------------|--------|--------|--------|---------|------------------------|--------|--------|--------|---------|------------------------------|--------|--------|--------|-------|------------------------|-------|-------|-------|-------|-------------------|--------|--------|--------|---------|---------|--------|--------|--------|-------|--------------------|-------|-------|-------|-------|------------|-------|-------|-------|-------|-----------------------|-------|-------|-------|---------|-----------------|-------|-------|-------|---------|-----------------------------|--------|--------|--------|---------|--|--|--|--|--|--------------|----------------|----------------|----------------|--------------|
| 1.01                                | <p><b><u>Council Fund Latest In Year Forecast</u></b></p> <p>The table below shows the projected position by portfolio.</p> <table border="1"> <thead> <tr> <th><b>TOTAL EXPENDITURE AND INCOME</b></th> <th><b>Original Budget</b></th> <th><b>Revised Budget</b></th> <th><b>Projected Outturn</b></th> <th><b>In-Year Over/ (Under) spend</b></th> </tr> <tr> <td></td> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>59.696</td> <td>59.670</td> <td>59.645</td> <td>(0.025)</td> </tr> <tr> <td>Community &amp; Enterprise</td> <td>12.598</td> <td>12.706</td> <td>12.523</td> <td>(0.183)</td> </tr> <tr> <td>Streetscene &amp; Transportation</td> <td>27.782</td> <td>27.770</td> <td>28.878</td> <td>1.108</td> </tr> <tr> <td>Planning &amp; Environment</td> <td>4.887</td> <td>5.331</td> <td>5.506</td> <td>0.175</td> </tr> <tr> <td>Education &amp; Youth</td> <td>13.760</td> <td>13.563</td> <td>13.546</td> <td>(0.017)</td> </tr> <tr> <td>Schools</td> <td>82.670</td> <td>83.157</td> <td>83.157</td> <td>0.000</td> </tr> <tr> <td>People &amp; Resources</td> <td>4.595</td> <td>4.644</td> <td>4.674</td> <td>0.030</td> </tr> <tr> <td>Governance</td> <td>8.689</td> <td>8.728</td> <td>8.897</td> <td>0.169</td> </tr> <tr> <td>Organisational Change</td> <td>9.569</td> <td>9.635</td> <td>9.466</td> <td>(0.169)</td> </tr> <tr> <td>Chief Executive</td> <td>3.296</td> <td>3.195</td> <td>3.010</td> <td>(0.185)</td> </tr> <tr> <td>Central &amp; Corporate Finance</td> <td>23.915</td> <td>23.058</td> <td>22.750</td> <td>(0.308)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>251.457</b></td> <td><b>251.457</b></td> <td><b>252.052</b></td> <td><b>0.595</b></td> </tr> </tbody> </table> | <b>TOTAL EXPENDITURE AND INCOME</b> | <b>Original Budget</b>   | <b>Revised Budget</b>              | <b>Projected Outturn</b> | <b>In-Year Over/ (Under) spend</b> |  | <b>£m</b> | <b>£m</b> | <b>£m</b> | <b>£m</b> | Social Services | 59.696 | 59.670 | 59.645 | (0.025) | Community & Enterprise | 12.598 | 12.706 | 12.523 | (0.183) | Streetscene & Transportation | 27.782 | 27.770 | 28.878 | 1.108 | Planning & Environment | 4.887 | 5.331 | 5.506 | 0.175 | Education & Youth | 13.760 | 13.563 | 13.546 | (0.017) | Schools | 82.670 | 83.157 | 83.157 | 0.000 | People & Resources | 4.595 | 4.644 | 4.674 | 0.030 | Governance | 8.689 | 8.728 | 8.897 | 0.169 | Organisational Change | 9.569 | 9.635 | 9.466 | (0.169) | Chief Executive | 3.296 | 3.195 | 3.010 | (0.185) | Central & Corporate Finance | 23.915 | 23.058 | 22.750 | (0.308) |  |  |  |  |  | <b>Total</b> | <b>251.457</b> | <b>251.457</b> | <b>252.052</b> | <b>0.595</b> |
| <b>TOTAL EXPENDITURE AND INCOME</b> | <b>Original Budget</b>   | <b>Revised Budget</b>               | <b>Projected Outturn</b> | <b>In-Year Over/ (Under) spend</b> |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
|                                     | <b>£m</b>  | <b>£m</b>                           | <b>£m</b>                | <b>£m</b>                          |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Social Services                     | 59.696   | 59.670                              | 59.645                   | (0.025)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Community & Enterprise              | 12.598   | 12.706                              | 12.523                   | (0.183)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Streetscene & Transportation        | 27.782   | 27.770                              | 28.878                   | 1.108                              |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Planning & Environment              | 4.887  | 5.331                               | 5.506                    | 0.175                              |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Education & Youth                   | 13.760   | 13.563                              | 13.546                   | (0.017)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Schools                             | 82.670   | 83.157                              | 83.157                   | 0.000                              |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| People & Resources                  | 4.595  | 4.644                               | 4.674                    | 0.030                              |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Governance                          | 8.689  | 8.728                               | 8.897                    | 0.169                              |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Organisational Change               | 9.569  | 9.635                               | 9.466                    | (0.169)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Chief Executive                     | 3.296  | 3.195                               | 3.010                    | (0.185)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| Central & Corporate Finance         | 23.915   | 23.058                              | 22.750                   | (0.308)                            |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
|                                     |  |                                     |                          |                                    |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| <b>Total</b>                        | <b>251.457</b>   | <b>251.457</b>                      | <b>252.052</b>           | <b>0.595</b>                       |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| 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><b>Significant budget movements between original and revised budget</b></p> <p>There were no significant budget changes between portfolios in month 5.</p>  |                                     |                          |                                    |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| 1.04                                | <p><b>Streetscene and Transportation</b></p> <p>The overall overspend within Streetscene &amp; Transportation has increased from a projected £0.894m at Month 4 to £1.108m. The projected overspend within the service is 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 £0.347m. Full details of movements are explained in Appendix 1.</p>   |                                     |                          |                                    |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |
| 1.05                                | <p><b>Programme of Efficiencies</b></p> <p>The 2015/16 budget contains £12.874m of specific efficiencies which are</p>   |                                     |                          |                                    |                          |                                    |  |           |           |           |           |                 |        |        |        |         |                        |        |        |        |         |                              |        |        |        |       |                        |       |       |       |       |                   |        |        |        |         |         |        |        |        |       |                    |       |       |       |       |            |       |       |       |       |                       |       |       |       |         |                 |       |       |       |         |                             |        |        |        |         |  |  |  |  |  |              |                |                |                |              |

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|      | being tracked through the relevant programme board.   |
| 1.06 | Appendix 3 provides detail on the latest position where there is a variation to the level of efficiency achievable compared to the budget.  |
| 1.07 | This shows that it is currently projected that £10.803m (84%) will be achieved resulting in a net underachievement of £2.071m. The position will continue to be monitored and reported throughout the monthly monitoring process.   |
|      | <b>Inflation</b>  |
| 1.08 | 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).   |
| 1.09 | 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).   |
| 1.10 | 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.   |
|      | <b>Reserves and Balances</b>  |
|      | <b>Unearmarked Reserves</b>   |
| 1.11 | The 2014/15 outturn reported to Cabinet on 14 <sup>th</sup> July 2015 showed unearmarked reserves at 31 March 2015 (above the base level of £5.769m) of £4.746m.  |
| 1.12 | Taking into account the current overspend at Month 5 the balance on the contingency reserve at 31 <sup>st</sup> March 2016 is projected to be £3.941m.  |
| 1.13 | This includes the expenditure of £0.210m approved at Month 3 for the costs of the Speed Limit Review.   |
| 1.14 | The Council will shortly be commencing with a number of Community Engagement events to gain feedback on its Medium Term Financial Strategy. There is a requirement for £0.050m of one-off funding for animation, video and presentational costs and it is recommended that this is funded from the Contingency reserve.   |
|      | <b>Earmarked Reserves</b>   |
| 1.15 | The Council has developed a reserves protocol which was considered by Audit Committee and approved by County Council on 24 <sup>th</sup> 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. |

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| 1.16 | A summary of earmarked reserves was included as at Month 4. Quarter 2 information will be reported as part of the Revenue Monitoring Report 2014/15 (Month 6).               |
| 1.17 | <b>Housing Revenue Account</b><br>On 17 February 2015 the Council approved a Housing Revenue Account (HRA) budget for 2015/16 of £30.776m.                                   |
| 1.18 | 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%.                   |
| 1.19 | The 2014/15 Outturn Report to Cabinet on 14 <sup>th</sup> July 2015 showed a closing balance at the end of 2014/15 of £1.510m.   |
| 1.20 | The Month 5 monitoring report for the HRA is projecting in year expenditure to be £0.041m higher than budget and a projected closing balance as at 31 March 2016 of £1.196m. |

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| <b>2.00</b> | <b>RESOURCE IMPLICATIONS</b>   |
| 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. |

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| <b>3.00</b> | <b>CONSULTATIONS REQUIRED / CARRIED OUT</b> |
| 3.01        | None Required.                              |

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| <b>4.00</b> | <b>RISK MANAGEMENT</b>   |
| 4.01        | <b>Recycling</b><br>The recycling market (paper in particular) is going through a volatile period with fluctuating re-cycle sale values. This will impact on 2015/16 recycling income levels for the Council. The current impact is reflected in the Month 5 projections and will continue to be monitored throughout the year. Status: unstable/amber risk.   |
| 4.02        | <b>Car Parking</b><br>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, the updated outturn position is reflected in the Month 5 projections. Status: unstable/amber risk. |

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| 4.03 | <p><b>Out of County Placements</b></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><b>Former Euticals Site</b></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>  |
| 4.05 | <p><b>In Year Reductions in Specific Government Grants</b></p> <p>This is a generic risk associated with the risk of some Government grants reducing in year. Whilst these are being managed and mitigated where known, they can add to cumulative cost pressures. Status: unstable/amber risk.</p>                          |

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| <b>5.00</b> | <b>APPENDICES</b>  |
| 5.01        | <p>Council Fund – Movement in Variances from Month 4 – 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> |

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

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| <b>7.00</b> | <b>GLOSSARY OF TERMS</b>  |
| 7.01        | <p><b>Budget:</b> 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><b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.</p>   |
| 7.03        | <p><b>Financial Year:</b> the period of twelve months commencing on 1 April.</p>  |

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| 7.04 | <b>Housing Revenue Account:</b> 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 | <b>Projected Outturn:</b> projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.   |
| 7.06 | <b>Reserves:</b> 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 | <b>Revenue:</b> 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 | <b>Underspend:</b> 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 | <b>Variance:</b> 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 | <b>Virement:</b> 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. |