

## CABINET MEETING

<b>Date of Meeting</b>	Tuesday, 17 May 2016
<b>Report Subject</b>	Revenue Budget Monitoring 2015/16 (Month 11)
<b>Portfolio Holder</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 11, and projects forward to year-end.

The projected year end position is as follows:

#### **Council Fund**

- Net in year expenditure forecast to be £1.574m lower than budget
- Projected contingency reserve balance at 31 March 2016 of £5.210m

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

- Net in year expenditure forecast to be £0.093m lower than budget
- Projected closing balance as at 31 March 2016 of £1.330m

### 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.
3	To agree the carry forward requests as stated in Appendix 6.

4	To approve the use of £0.750m for organisation change (paragraph 1.14).
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## **REPORT DETAILS**

1.00	THE REVENUE BUDGET MONITORING POSITION FOR MONTH 11 - 2015/16																																																																											
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><tr><th>TOTAL EXPENDITURE AND INCOME</th><th>Original Budget</th><th>Revised Budget</th><th>Projected Outturn</th><th>In-Year Over/ (Under) spend</th></tr><tr><td></td><td>£m</td><td>£m</td><td>£m</td><td>£m</td></tr><tr><td>Social Services</td><td>59.696</td><td>59.113</td><td>58.944</td><td>(0.169)</td></tr><tr><td>Community &amp; Enterprise</td><td>12.598</td><td>12.917</td><td>12.156</td><td>(0.761)</td></tr><tr><td>Streetscene &amp; Transportation</td><td>27.782</td><td>28.478</td><td>29.358</td><td>0.880</td></tr><tr><td>Planning &amp; Environment</td><td>4.887</td><td>5.420</td><td>5.498</td><td>0.078</td></tr><tr><td>Education &amp; Youth</td><td>13.760</td><td>12.120</td><td>12.039</td><td>(0.081)</td></tr><tr><td>Schools</td><td>82.670</td><td>84.280</td><td>84.280</td><td>0.000</td></tr><tr><td>People &amp; Resources</td><td>4.595</td><td>4.624</td><td>4.516</td><td>(0.108)</td></tr><tr><td>Governance</td><td>8.689</td><td>8.711</td><td>8.827</td><td>0.116</td></tr><tr><td>Organisational Change</td><td>9.569</td><td>9.813</td><td>9.330</td><td>(0.283)</td></tr><tr><td>Chief Executive</td><td>3.296</td><td>3.087</td><td>2.929</td><td>(0.158)</td></tr><tr><td>Central &amp; Corporate Finance</td><td>23.915</td><td>23.094</td><td>22.006</td><td>(1.088)</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>249.883</b></td><td><b>(1.574)</b></td></tr></table>	TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend		£m	£m	£m	£m	Social Services	59.696	59.113	58.944	(0.169)	Community & Enterprise	12.598	12.917	12.156	(0.761)	Streetscene & Transportation	27.782	28.478	29.358	0.880	Planning & Environment	4.887	5.420	5.498	0.078	Education & Youth	13.760	12.120	12.039	(0.081)	Schools	82.670	84.280	84.280	0.000	People & Resources	4.595	4.624	4.516	(0.108)	Governance	8.689	8.711	8.827	0.116	Organisational Change	9.569	9.813	9.330	(0.283)	Chief Executive	3.296	3.087	2.929	(0.158)	Central & Corporate Finance	23.915	23.094	22.006	(1.088)						<b>Total</b>	<b>251.457</b>	<b>251.457</b>	<b>249.883</b>	<b>(1.574)</b>
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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><b>Significant budget movements between original and revised budget</b></p> <p>There has been a significant budget movement in month 11, £0.243m was transferred from the Central &amp; Corporate Finance budget to a number of other portfolios. Most of this transfer (£0.205m) relates to successful single status appeals, the balance relates to the allocation of non-standard inflation for Non Domestic Rates to car parks (£0.038m).</p>																																																																											
1.04	<p><b>Streetscene and Transportation</b></p> <p>The overall overspend within Streetscene &amp; Transportation has decreased</p>																																																																											

	<p>from a projected £0.908m overspend at Month 10 to £0.880m as at Month 11. 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 £0.355m. Full details of movements are explained in Appendix 2.</p>
1.05	<p><b>Programme of Efficiencies</b></p> <p>The 2015/16 budget contains £12.874m of specific efficiencies which are being tracked.</p>
1.06	<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>
1.07	<p>This shows that it is currently projected that £10.623m (83%) will be achieved resulting in a net underachievement of £2.251m. The underachieved efficiencies are included within the projected outturn figure. The position will continue to be monitored and reported throughout the monthly monitoring process.</p>
1.08	<p><b>Inflation</b></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>
1.09	<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 an amount of £0.240m remaining from 2014/15 which is 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>
1.11	<p>It is anticipated that the £0.064m for food inflation will not be required. In addition to this there is a surplus of £0.061m remaining from inflation set aside for pay. Therefore £0.125m is now projected to underspend. The balance of the 2014/15 inflation and £0.110m from the in-year inflation have been included as an efficiency within the 2016/17 budget.</p>
	<p><b>Reserves and Balances</b></p>
1.12	<p><b>Unearmarked Reserves</b></p> <p>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</p>

	£4.746m.
1.13	Taking into account previous allocations and the current underspend at Month 11 the balance on the contingency reserve at 31 <sup>st</sup> March 2016 is projected to be £5.210m.
1.14	The previous allocation for investment in organisational change is now fully committed therefore it is recommended that £0.750m is set aside to meet future investment costs in relation to future organisation change. If approved this will reduce the balance on contingency reserve to £4.460m.
1.15	<p><b>Earmarked Reserves</b></p> <p>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.</p> <p>The next updated position on earmarked reserves will be included in the outturn monitoring report.</p>
	<b>Housing Revenue Account</b>
1.16	On 17 February 2015 the Council approved a Housing Revenue Account (HRA) budget for 2015/16 of £30.776m. The budget provided for a closing balance of £1.396m.
1.17	The 2014/15 Outturn Report to Cabinet on 14 July 2015 showed a closing balance at the end of 2014/15 of £1.510m.
1.18	The Month 11 monitoring report for the HRA is projecting in year expenditure to be £0.092m lower than budget and a projected closing balance as at 31 March 2016 of £1.330m, which at 4.3% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
1.19	<p><b>Carry Forward Requests</b></p> <p>Various requests to carry forward funding into 2016/17 have been identified. Details of all carry forward requests are shown in appendix 6 and are recommended for approval.</p>

<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.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p><b>Municipal Mutual Insurance (MMI)</b></p> <p>MMI was the predominant insurer of public sector bodies prior to 1992 when it failed. To ensure an orderly “run off” Flintshire, along with other local authorities, was required to pay a levy of 15% of its share of claims paid previously and of any future claims. MMI’s administrator has recently published their 2015 accounts which shows that due to an increase in the number of claims generally, there will be a need to increase the levy in the future, affecting claims paid previously and future claims. A recommendation was approved to meet a significant liability which reflects a 20% increase in the levy however there remains a risk that the future provision may escalate further.</p> <p>Status: stable/green risk.</p>
4.02	<p><b>Recycling</b></p> <p>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 11 projections and continues to be monitored throughout the year. A budget pressure for this income has been included in the 2016/17 budget to help mitigate this risk for future years.</p> <p>Status: unstable/red risk.</p>
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 continues to be closely monitored.</p> <p>Status: unstable/amber risk.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Council Fund – Movement in Variances from Month 10 – 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>Council Fund – Carry Forward Requests – Appendix 6</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
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6.01	<p>None required</p> <p><b>Contact Officer:</b> Sara Dulson 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	<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.
7.02	<b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.
7.03	<b>Financial Year:</b> the period of twelve months commencing on 1 April.
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.
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