

## CABINET

<b>Date of Meeting</b>	Tuesday, 14 March 2017
<b>Report Subject</b>	Revenue Budget Monitoring 2016/17 (Month 10)
<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 monthly report provides the latest revenue budget monitoring position for 2016/17 for both the Council Fund and Housing Revenue Account.

The report is based on actual income and expenditure as at Month 10 of the financial year. The report also projects how the budget would stand at the close of the financial year if all things remained equal.

The projected year end position, without any further action to reduce cost pressures or to identify new efficiencies would be as follows:-

#### **Council Fund**

- The net in year position comprises of an operating deficit of £0.705m; a decrease in the deficit of £0.095m from the position reported last month.
- The overall projected in-year position includes £2.886m due to the change in accounting policy for MRP as agreed by County Council. This has the effect of eliminating the operating deficit and net spend is projected to be £2.181m lower than budget.
- Projected contingency reserve balance of £5.333m.

## Housing Revenue Account

- Net in year expenditure forecast to be £0.037m greater than budget
- Projected closing balance as at 31 March 2017 of £1.061m

## RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 <sup>st</sup> March 2017 and continue to support the work on actions and options for mitigating action.
2	To note the projected final level of balances on the Housing Revenue Account.
3	To approve the income generation proposals for street naming and numbering and Deputyship and Court of Protection services (see paragraph 1.12)
4	To approve a contribution from the contingency reserve for £0.050m to support initial set up costs and final technical support for the Community Asset Transfer (CAT) of Holywell Leisure Centre and Alternative Delivery Model (ADM) (see paragraph 1.19)
5	To approve an earmarked reserve of £0.100m for the Catering Service which will be utilised to support investment costs for the ADM (see paragraph 1.22).

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MONTH 10 POSITION</b>
1.01	The operating deficit reported is £0.705m above budget which is a decrease of £0.095m from the deficit reported last month. The reasons for the variance to month 9 are included in appendix 1.
1.02	The operating deficit in-year is in effect 'written-off' by the change in the Council's policy for accounting for Minimum Revenue Provision (MRP) which was reviewed and approved by Council on 6 December 2016 as part of the 2017/18 budget proposals. This has resulted in a positive impact of £2.886m on the 2016/17 budget as part of providing a major efficiency for 2017/18, and means that the projected spend is now £2.181m less than the budget.
1.03	<b>Transport Costs</b>  Previous reports have referenced the issues encountered due to the liquidation of a major transport provider affecting school and public transport subsidised routes within the County with an additional cost of £0.410m within

this financial year.

A one off grant from Welsh Government has been agreed at a regional level and we now expect to recoup up to £0.165m of the costs incurred.

1.04 Council Fund Latest in Year Forecast

The table below shows the projected position by portfolio.

<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	58.534	60.651	60.587	(0.063)
Community & Enterprise	12.035	12.414	11.826	(0.558)
Streetscene & Transportation	27.011	28.525	29.175	0.650
Planning & Environment	4.978	5.083	5.353	0.270
Education & Youth	11.225	11.405	11.348	(0.057)
Schools	86.162	87.742	87.742	0.000
People & Resources	4.319	4.668	4.630	(0.038)
Governance	8.159	7.716	7.786	0.069
Organisational Change 1	5.560	5.968	6.057	0.088
Organisational Change 2	2.244	2.559	2.087	(0.472)
Chief Executive	3.204	2.930	2.888	(0.042)
Central & Corporate Finance	28.552	22.323	20.324	(1.999)
<b>Total</b>	<b>251.984</b>	<b>251.984</b>	<b>249.803</b>	<b>(2.181)</b>

1.05 The reasons for the projected variances are summarised within Appendix 2 with key significant portfolio variances explained in paragraphs 1.07 to 1.08.

1.06 **Significant Budget Movements between Original and Revised Budget**

An amount of £0.224m has transferred from the Chief Executive's Department to the Central & Corporate Finance budget. This transfer is for the offsetting of the Workforce Efficiency budget target set in the 2016/17 Budget.

An amount of £0.286m has transferred from portfolios to the Central & Corporate Finance budget. This transfer covers the budget saving achieved due to the implementation of new essential and casual car user allowance rates, for which the efficiency target is held within the Central & Corporate Finance budget.

	<p>The budget virement approved for Social Services within the month 9 Revenue Budget Monitoring Report has been actioned and reflected in the budget figures presented in Appendix 2.</p>
1.07	<p><b>Streetscene and Transportation</b></p> <p>There is a significant variance within the portfolio of £0.650m which is a small increase of £0.008m from month 9. As referenced in 1.03 grant funding has been offered by Welsh Government to offset some of the costs incurred in securing the school and public transport subsidised routes. Negotiations are ongoing between the neighbouring authorities over the distribution of the grant, however an estimate has been included in the Streetscene &amp; Transportation outturn in month 10 for Flintshire County Council's proportion of this grant. Full details of all other variances are given in Appendix 2.</p>
1.08	<p><b>Social Services</b></p> <p>Within Social Services, increased level of demand continues to be experienced within Children's Services which is influenced by workforce pressures in a number of teams including Children's Integrated Disability Services (CIDS) and Prevention &amp; Support.</p> <p>This alongside an increase in the number of Child and Parent Placements made as part of Out of County Placements is placing increasing pressure on the service.</p> <p>This ongoing risk is referenced to in section 4 of the report alongside work being undertaken across services to mitigate the future impact.</p>
1.09	<p><b>Programme of Efficiencies</b></p> <p>The 2016/17 budget contains £11.282m of specific efficiencies which are being tracked and monitored. An amount of £0.761m was approved from the Contingency Reserve in the month 4 report to meet the impact of conscious decisions to change proposals for household recycling centres, community asset transfers, town centre car parking charging and workforce essential car user allowances resulting in a revised efficiency target of £10.521m.</p>
1.10	<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>
1.11	<p>It is currently projected that £9.421m (90%) of planned efficiencies will be achieved. This is an improvement of 1% since month 9. The changes in efficiency assumptions since month 9 are summarised below:</p>

		<b>Original Efficiency</b>	<b>Previous Month Revised Efficiency</b>	<b>Current Month Revised Efficiency</b>	<b>Increase/ (Decrease) between months</b>
<b>Portfolio</b>		<b>2016/17 £(m)</b>	<b>2016/17 £(m)</b>	<b>2016/17 £(m)</b>	<b>2016/17 £(m)</b>
	<b><u>Chief Executive</u></b>				
	Voluntary Sector Grants review	0.070	0.080	0.076	(0.004)
	<b><u>People &amp; Resources</u></b>				
	Finance Modernisation	0.135	0.108	0.120	0.012
	<b><u>Community &amp; Enterprise</u></b>				
	Council Tax Reduction Scheme	0.329	0.619	0.638	0.019
	<b><u>Streetscene &amp; Transportation</u></b>				
	Develop energy production at landfill	0.100	0.035	0.020	(0.015)
	Car Parking Charges	0.200	0.180	0.200	0.020
	Remove the subsidy for the Community Rail Officer	0.010	0.005	0.010	0.005
1.12	<p><b>Income Strategy</b></p> <p>The 2016/17 budget includes an efficiency of £0.500m for income generation. To date one off income of £0.200m has been identified in year, leaving a recurring shortfall of the full efficiency still to be identified.</p> <p>Increases in income that do not change agreed Council policy will continue to be managed through delegated powers. However, recommendations for income generating proposals that do change Council policy require Cabinet approval.</p> <p>Work on a number of options is continuing, although the following areas have been identified as new sources of income and it is recommended that they are implemented;</p> <p>Charging for street naming and numbering which, if implemented from 1 April 2017, could generate an additional £0.023m.</p> <p>Revised charging structure for Deputyship and Court of Protection services. The new proposed charging structure, if implemented on the 1 April 2017, could generate £0.050m.</p>				
1.13	<p><b>Inflation</b></p> <p>Included within the 2016/17 budget are provision for pay (£0.936m), targeted price inflation (£0.573m) and income (£0.185m).</p>				

1.14	Following the allocation to portfolios of the provisions described in paragraph 1.13 there is a remaining balance of £0.070m which is included within the overall outturn figure.
1.15	No provision has been made for non-standard inflation (NSI) in 2016/17. Areas that may be subject to NSI increases will be monitored throughout the year and any emerging pressures will be considered in future reports.
	<b>Reserves and Balances</b>
1.16	<b>Un-earmarked Reserves</b>  The 2015/16 outturn reported to Cabinet on 19 July 2016 showed un-earmarked reserves at 31 March 2016 (above the base level of £5.769m) of £4.375m.
1.17	Taking into account the current projected overspend at Month 10 and previously agreed allocations the balance on the Contingency Reserve at 31 March 2017 is projected to be £5.333m as detailed in appendix 4.
1.18	The Play Areas, Play Schemes and Strategic Play Forum Update report was presented to Cabinet on Tuesday 17 January 2017. This report requested an allocation of a one off fund of £0.040m, from the Contingency Reserve, to support a Flintshire play scheme programme. This request was approved and the contribution is reflected in Appendix 4.
1.19	Final due diligence on Holywell Leisure Centre CAT (Community Asset Transfer) plans and the setup of the new ADMs shows that a one off investment of £0.050m, which supports initial set up costs and enables final technical support, will assure delivery of next year's significant budget savings.
1.20	<b>Earmarked Reserves</b>  The Council adopted a reserves protocol in September 2015 which set out the principles around how the Council determines, manages and reviews its level of reserves. Within the protocol is reference to regular reporting of the latest position to Cabinet and Corporate Resources Overview and Scrutiny Committee.
1.21	A summary of earmarked reserves as at 1 April 2016 and their 2016/17 year-end balance will be included in the Outturn report.
1.22	A request is made to create a £0.100m reserve for the Catering Service. This will be funded by current underspends within the service and will be used for one off investment costs when the service is transferred to the ADM next financial year. The projected outturn for the Catering Service reflects the contribution to the reserve.
1.23	<b>Requests for Carry Forward of Funding</b>  Organisational Change Portfolio – An amount of £0.105m match funding to deliver the Play Areas and Play Scheme programme which was agreed in 2016/17, although the expenditure will not now take place until 2017/18.

1.24	Community & Enterprise Portfolio – An amount of £0.032m to contribute to the roll out of Universal Credit in 2017/18 and an amount of £0.031m to continue to fund the Welfare Reform Response Team in 2017/18.
1.25	Streetscene & Transportation Portfolio – An amount of £0.050m to complete patching works in April 2017 following damages to the roads during the winter months.
1.26	<b>Housing Revenue Account (HRA)</b>  The 2015/16 Outturn Report to Cabinet on 19 July 2016 showed an un-earmarked closing balance at the end of 2015/16 of £1.178m.
1.27	The 2016/17 budget for the HRA is £31.979m which includes a movement of £0.080m from reserves.
1.28	The Month 10 monitoring for the HRA is projecting in year expenditure to be £0.037m higher than budget and a closing balance as at 31 March 2017 of £1.061m, which at 3.3% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The Revenue Budget Monitoring Report reflects the planned use of the financial resources of the Council for the current financial year and details the variations in the first ten months and the risks as known.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<b>Achievement of Planned In-Year Efficiencies</b>  The Council sets a challenging level of specified efficiencies to be achieved in-year as part of its approach to annual budget planning. These efficiencies are generated from the three year service portfolio business plans and from corporate financial planning. In recent years the level of efficiency achievement has averaged at around 85%. The current assessment of the efficiency profile for 2016/17 shows that 90% of the efficiencies would be achieved. There is an ongoing risk that the shortfall cannot be mitigated other than by drawing on temporary funding from the Contingency Reserve. There is a further risk that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2017/18 budget as an efficiency target deficit would in effect be carried forward. Risk status: stable/green risk for 2016/17 only.

4.02	<p><b>Historic Child Abuse Settlements</b></p> <p>A number of historic child abuse cases, which predate the existence of Flintshire County Council, have been settled this financial year. There are still a number of outstanding cases to be settled and it is not possible to estimate the full financial impact of these at this stage. The financial provision set aside may not prove to be sufficient to meet the total liabilities of all cases when closed. Within the month 3 report a contribution from the contingency reserve was agreed to meet the settlement costs paid along with any future costs. The settlement costs incurred to date total £0.146m. Risk status: stable/green risk for 2016/17.</p>
4.03	<p><b>Orphaned Industrial Site at Sandycroft</b></p> <p>The contract for the removal of all Isosorbide Dinitrate (ISDN) chemical deposits, site cleansing and site close-down has come to a conclusion. Additional contracted work to remove deposits of contaminated waste discovered in the sump and tank systems on site is now completed with the aim of disposal at the end of March. Negotiations for the immediate disposal of the site, following completion of the additional contracted work, are well advanced. Risk status: stable/amber risk.</p>
4.04	<p><b>Procurement of Transport Services</b></p> <p>As explained in 1.03 there is an in-year budget risk of additional procurement costs for local transport services. The Welsh Government has offered a provisional one off grant award to the three North East Wales local authorities for 2016/17 only. An allocation of up to £0.165m from this grant has been assumed however negotiations are ongoing with the neighbouring authorities on grant distribution. Risk status: stable/green for 2016/17. Unstable/red risk for future years.</p>
4.05	<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. There is always a risk of significant variances occurring although this area continues to be closely monitored. The main influence on this increase is the new Social Services and Wellbeing Act which has led to a higher number of court outcomes and placements which has increased the financial pressure on this service area. Legal and Social Service Managers are making a compelling case for alternative care arrangements to placements at forthcoming court cases, and so reduce the level of Out of County placement being made. Risk status: unstable/red risk.</p>
4.06	<p><b>Children's Services</b></p> <p>Children's Services are experiencing high levels of demand including child protection work and the need for intensive support for older children with complex needs. Capacity has been increased to help respond to increasing service demand and to provide a greater range of targeted community</p>



	<p>support. A budget realignment within Social Services was approved in the month 9 report to help mitigate this risk. Risk status: unstable/amber risk.</p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1: Council Fund – Movement in Variances from Month 9 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Efficiencies Appendix 4: Council Fund – Movement on Un-earmarked Reserves Appendix 5: Housing Revenue Account Variances</p>

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

<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.
7.11	<b>Medium Term Financial Strategy:</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.
7.12	<b>Minimum Revenue Provision (MRP):</b> A charge made to the Council Fund to repay borrowing taken out for capital expenditure. Authorities must determine their own prudent MRP charge each year, taking into consideration statutory guidance issued by the Government.