

CABINET

Date of Meeting	Tuesday, 23 rd January 2018
Report Subject	Revenue Budget Monitoring 2017/18 (MONTH 8)
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the current revenue budget monitoring position for 2017/18 for the Council Fund and Housing Revenue Account. This report presents the position, based on actual income and expenditure, as at Month 8 of the financial year. The report projects how the budget would stand at the close of the financial year if all things remained equal.

The projected year end position, without mitigation to reduce cost pressures and improve the yield on efficiency planning is:-

Council Fund

- Net in year expenditure forecast to be £0.846m greater than budget
- Projected contingency reserve balance as at 31 March 2018 of £4.236m

Housing Revenue Account

- Net in-year expenditure forecast to be £0.035m higher than budget
- Projected closing balance as at 31 March 2018 of £1.081m

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2018.
2	To note the projected final level of balances on the Housing Revenue

Account (HRA).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 8 POSITION																																																																											
1.01	<p><u>Council Fund Overall Position</u></p> <p>The operating deficit reported is £0.846m greater than the budget which is a decrease of £0.416m from the deficit reported last month.</p>																																																																											
1.02	<p>Council Fund Latest In-Year Forecast</p> <p>The table below shows the projected position by portfolio.</p> <table border="1"> <thead> <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> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>61.471</td> <td>62.454</td> <td>63.227</td> <td>0.773</td> </tr> <tr> <td>Community & Enterprise</td> <td>12.518</td> <td>12.540</td> <td>11.617</td> <td>(0.923)</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>27.467</td> <td>27.580</td> <td>29.684</td> <td>2.104</td> </tr> <tr> <td>Planning & Environment</td> <td>5.043</td> <td>4.932</td> <td>5.253</td> <td>0.320</td> </tr> <tr> <td>Education & Youth</td> <td>10.966</td> <td>11.048</td> <td>11.171</td> <td>0.123</td> </tr> <tr> <td>Schools</td> <td>88.862</td> <td>88.862</td> <td>88.862</td> <td>0.000</td> </tr> <tr> <td>People & Resources</td> <td>4.283</td> <td>4.118</td> <td>4.572</td> <td>0.455</td> </tr> <tr> <td>Governance</td> <td>7.675</td> <td>7.651</td> <td>7.764</td> <td>0.114</td> </tr> <tr> <td>Organisational Change 1</td> <td>5.801</td> <td>5.768</td> <td>5.843</td> <td>0.075</td> </tr> <tr> <td>Organisational Change 2</td> <td>2.422</td> <td>2.288</td> <td>1.985</td> <td>(0.303)</td> </tr> <tr> <td>Chief Executive</td> <td>3.008</td> <td>2.926</td> <td>2.796</td> <td>(0.130)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td>25.642</td> <td>24.990</td> <td>23.228</td> <td>(1.763)</td> </tr> <tr> <td>Total</td> <td>255.156</td> <td>255.156</td> <td>256.002</td> <td>0.846</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	61.471	62.454	63.227	0.773	Community & Enterprise	12.518	12.540	11.617	(0.923)	Streetscene & Transportation	27.467	27.580	29.684	2.104	Planning & Environment	5.043	4.932	5.253	0.320	Education & Youth	10.966	11.048	11.171	0.123	Schools	88.862	88.862	88.862	0.000	People & Resources	4.283	4.118	4.572	0.455	Governance	7.675	7.651	7.764	0.114	Organisational Change 1	5.801	5.768	5.843	0.075	Organisational Change 2	2.422	2.288	1.985	(0.303)	Chief Executive	3.008	2.926	2.796	(0.130)	Central & Corporate Finance	25.642	24.990	23.228	(1.763)	Total	255.156	255.156	256.002	0.846
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1.03	<p>The reasons for the projected variances are summarised within Appendix 1 with key significant portfolio variances explained in paragraphs 1.04 to 1.09 below. As has been the practice in recent years where a variance has been due to a conscious change to policy or practice, the resulting variance is managed corporately with the relevant portfolio not expected to meet any</p>																																																																											

	shortfall.
1.04	<p><u>Streetscene & Transportation</u></p> <p>There is a projected overspend of £2.104m within this portfolio.</p> <p>The overspend partly comprises of the materialisation of some of the known significant risks identified when the 2017/18 budget was set by Council and other conscious changes to policy or practice which were detailed in the Month 4 report.</p> <p>The net position on the projected overspend excluding the conscious changes to policy and practice is a now an operating deficit of £0.767m.</p> <p>Work is ongoing to assess any potential impact on these in year variances on the Medium Term Financial Strategy (MTFS) forecast for 2018/19.</p>
1.05	<p><u>Social Services</u></p> <p>The projected outturn for Out of County placements in Children's Services is currently £1.365m over budget due to the number of high cost placements, this is an increase of £0.135m from the figure reported in month 7.</p>
1.06	<p><u>Education & Youth</u></p> <p>The projected outturn for the education element of Out of County placements is reporting an overspend of £0.245m. This is an increase of £0.121m from the amount reported in month 7. This increase is due to a number of new placements which have commenced within this period.</p>
1.07	<p><u>Planning & Environment</u></p> <p>There is a projected in-year Planning Fee Income shortfall of £0.255m due to the impact of the Welsh Government requirements for major developers to enter into pre consultation as detailed in the previous report.</p>
1.08	<p><u>Community & Enterprise</u></p> <p>There is a projected underspend on the Council Tax Reduction Scheme (CTRS) of £0.530m based on current demand which will be kept under review throughout the year together. There is also a favourable variance on the Council Tax Collection fund of £0.466m due to the conclusion of the Single Person Discount review work, this is a significant increase of £0.321m on the underspend reported in month 7.</p>
1.09	<p><u>Central & Corporate Finance</u></p> <p>There is a positive variance of £1.763m projected within this area which is mainly due to the finalisation of social care funding issues as previously reported.</p> <p>The underspend reported in month 7 has increased by £0.410m and is mostly due to a reduction in the in-year pension costs resulting from the auto</p>

	<p>enrolment of employees into the pension scheme. This became effective in October 2017 and an early analysis indicates that the actual numbers are less than originally estimated which results in a favourable variance of £0.442m for 2017/18. Further work is required to assess the impact on 2018/19.</p> <p>Other major variances within this area include a positive variance on the pension fund contributions due to a lower than anticipated pressure to fund the in-year increase due to the actuarial review of £0.295m offset by a shortfall in the income target of £0.412m and lower than anticipated levels of car parking income at County Hall of £0.080m.</p>
1.10	<p><u>Significant Movements between Month 7 and Month 8 Budget</u></p> <p>There has been no significant budget transfers between portfolios this month.</p>
1.11	<p><u>Achievement of Planned In-Year Efficiencies</u></p> <p>The Council set a challenging target for the level of 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. The 2017/18 budget contains £8.433m of specific efficiencies which are tracked and monitored. In recent years the level of efficiency achievement has averaged at around 85% though the council aspires to raise this to 95% in 2017/18 as reflected in the recent MTFS KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2017/18 shows that £7.940m (94%) of the efficiencies would be achieved which is 1% lower than the target. There is a further risk that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2018/19 budget. Further details on the current status on efficiencies can be seen in Appendix 3 with the overall impact in relation to any impact for 2018/19 being reviewed as part of the ongoing work on the MTFS.</p>
1.12	<p>Tracking of In Year Risks and Emerging Issues</p> <p>At the time of setting the Budget for 2017/18 a number of significant risks were identified including the costs of procuring local public and school bus services and the potential reduction of the Single Environment Grant.</p>
1.13	<p>In addition to the known risks referred to above there are also a number of new risks emerging in-year which have been incorporated into the projected outturn and will also need carefully assessing for the potential impact on the 2018/19 budget.</p>
1.14	<p>These new issues are being monitored as part of the ongoing review of the Councils financial position and are shown in the table below with the current M8 variances included as part of the overall position:</p> <p>Council Tax Reduction Scheme (CTRS) – Reduction in demand (0.530)</p>

	Council Tax Collection in year efficiency	(0.466)
	Social Care Additional Funding in 17/18 – Estimated amount	(0.595)
	Intermediate Care Fund (ICF) – Continuation of funding	(0.500)
	Pension Deficit Recovery – Due to opt out and surplus allocation from budget pressure for actuarial review	(0.295)
	Auto Enrolment – based on early information uptake is less than estimated	(0.433)
	Markets Income – Decline in levels of income	0.054
	Gas Engine Income – Further decrease to level of income over and above pressure included in 2017/18 budget (£0.150m)	0.200
	Planning Fee Income – In year shortfall due to pre consultation	0.255
	Shared Specialist Plant – Previous year efficiency not achieved	0.050
	Motor Insurance Premium Increase - In year increase not anticipated	0.100
	Street Lighting increase in 2017/18 of 16%	0.131
	County Hall Parking – Lower than anticipated efficiency on parking permits	0.080
	Procurement Supplier Charging – Previous year efficiency not achievable	0.116
	Environmental Health Officer temporary posts	0.120
	Central and Corporate Support Service pressure offset by efficiency on Audit Fees	0.127
	Single Environment Grant – reduction in grant allocation	0.111
	Transportation Costs – procuring local and school transport	0.675
	Out of County Placements – projected care package costs	1.365
	Income – shortfall on income target	0.412
	Total New Emerging Risks	0.977
1.15	Winter Maintenance	
	There is a potential risk of overspend in the winter maintenance budget due	

	to the recent snow event which may result in the use of winter maintenance reserves. Average winter consists of 70 turnouts and 5 snow days. The service has currently had 54 turnouts to date with the potential for further adverse weather over the next few months. 2,024 tonnes of salt was spread during the snow period in December.
1.16	<p>Inflation</p> <p>Included within the 2017/18 budget are provision for pay (£0.915m), targeted price inflation (£0.313m), food (£0.051m), fuel (£0.033m) and Energy (£0.061m).</p>
1.17	Portfolios have received their allocations for pay and price and there is a remaining balance of £0.014m which is included within the overall outturn figure.
1.18	No allocations have been made so far for non-standard inflation (NSI) in 2017/18. Areas that may be subject to NSI increases will be monitored throughout the year and any emerging pressures will be considered in future reports though at present it is anticipated that the allocation will be spent in full.
1.19	<p>Reserves and Balances</p> <p><u>Un-earmarked Reserves</u></p> <p>The 2016/17 outturn reported to Cabinet on 18 July 2017 showed un-earmarked reserves at 31 March 2016 (above the base level of £5.769m) of £5.133m.</p>
1.20	Taking into account the current projected overspend at Month 8 and previously agreed allocations the balance on the Contingency Reserve at 31 March 2018 is projected to be £4.236m as detailed in appendix 4.
1.21	<p><u>Earmarked Reserves</u></p> <p>Earmarked reserves are monitored in accordance of the reserves protocol and summary of earmarked as at 1 April 2017 and an estimate of projected balances as at the end of the financial year will be included in the month 9 report.</p>
1.22	<p>Housing Revenue Account</p> <p>The 2016/17 Outturn Report to Cabinet on 18 July 2017 showed an un-earmarked closing balance at the end of 2016/17 of £1.116m and a closing balance of earmarked reserves of £0.526m.</p>
1.23	The 2017/18 budget for the HRA is £33.633m which includes a movement of £0.035m from reserves.
1.24	The Month 8 monitoring for the HRA is projecting in year expenditure to be £0.035m lower than budget and a closing un earmarked balance as at 31 March 2018 of £1.081m, which at 3.2% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

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2.00	RESOURCE IMPLICATIONS
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 four months and the risks as known.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	There are in-year risks and emerging issues which are covered in the main section of the report from paragraph 1.12 to 1.15. Details of these risks were reported in full within the Month 4 report.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 7 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

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None required. Contact Officer: Sara Dulson (Finance Manager) Telephone: 01352 702287 E-mail: sara.dulson@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. Council Fund: the fund to which all the Council’s revenue expenditure is charged.

Financial Year: the period of twelve months commencing on 1 April.

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.

Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.

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.

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.

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.

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.

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.

Medium Term Financial Strategy: 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.