

CABINET

Date of Meeting	Tuesday, 24 th April 2018
Report Subject	Revenue Budget Monitoring 2017/18 (MONTH 11)
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. The report presents the position, based on actual income and expenditure, as at Month 11 of the financial year. The report projects how the budget would stand at the close of the financial year if there are no significant unforeseen events.

The next report on the Council's financial position to Cabinet will be on 17 July and will be the final outturn position following the closure of the 2017/18 accounts.

The projected year end position is:-

Council Fund

- Net in-year expenditure forecasts an operating surplus of £0.109m.
- The overall projected in-year position now includes £1.422m due to the change in accounting policy for Minimum Revenue Provision (MRP) charges as agreed by County Council on 1 March. This has the effect of eliminating the operating deficit with net spend projected to be £1.531m less than budget.
- Projected Contingency Reserve balance as at 31 March is £8.353m although this reduces to £5.948m when taking account of agreed contributions for the 2018/19 budget.

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 approve a transfer of £0.900m from the Contingency Reserve for invest to save projects, of which £0.550m has been allocated to fund the digital strategy (paragraph 1.20).
3	To approve a transfer of £0.050m from the Contingency Reserve to fund the contribution towards the detailed development of the Economic Growth Bid (paragraph 1.18).
4	To approve a transfer of £0.050m from the Contingency Reserve to a ring-fenced reserve to meet any unforeseen emergency remediation and support costs (paragraph 1.21).
5	To note the projected final level of balances on the Housing Revenue Account (HRA) (paragraph 1.25).
6	To approve the carry forward requests included in Appendix 6 (paragraph 1.22).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 11 POSITION
1.01	<p><u>Council Fund Overall Position</u></p> <p>The operating surplus is projected to be £0.109m which is a reduction of £0.484m from the outturn position reported last month, which is due to a reduction in anticipated pension contribution and an improved position on the Central Loans and Investment Account.</p> <p>On 1st March 2018 County Council agreed a change to the Council's policy for accounting for the Minimum Revenue Provision (MRP) charge. This has resulted in a positive impact of £1.422m on the projected outturn for the Central Loans and Investment Account, which now shows spend as being £1.531m less than the budget.</p>

1.02	<p>Council Fund Latest In-Year Forecast</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>61.471</td><td>62.472</td><td>62.996</td><td>0.524</td></tr><tr><td>Community & Enterprise</td><td>12.518</td><td>12.546</td><td>11.670</td><td>(0.876)</td></tr><tr><td>Streetscene & Transportation</td><td>27.467</td><td>27.652</td><td>29.847</td><td>2.194</td></tr><tr><td>Planning & Environment</td><td>5.043</td><td>4.932</td><td>5.188</td><td>0.256</td></tr><tr><td>Education & Youth</td><td>10.966</td><td>10.983</td><td>11.182</td><td>0.199</td></tr><tr><td>Schools</td><td>88.862</td><td>88.933</td><td>88.933</td><td>0.000</td></tr><tr><td>People & Resources</td><td>4.283</td><td>4.111</td><td>4.540</td><td>0.429</td></tr><tr><td>Governance</td><td>7.675</td><td>7.703</td><td>7.800</td><td>0.096</td></tr><tr><td>Organisational Change 1</td><td>5.801</td><td>5.537</td><td>5.615</td><td>0.078</td></tr><tr><td>Organisational Change 2</td><td>2.422</td><td>2.339</td><td>2.055</td><td>(0.284)</td></tr><tr><td>Chief Executive</td><td>3.008</td><td>2.926</td><td>2.797</td><td>(0.128)</td></tr><tr><td>Central & Corporate Finance</td><td>25.642</td><td>25.023</td><td>21.002</td><td>(4.021)</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Total</td><td>255.156</td><td>255.156</td><td>253.626</td><td>(1.531)</td></tr></table>	TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over / (Under) spend		£m	£m	£m	£m	Social Services	61.471	62.472	62.996	0.524	Community & Enterprise	12.518	12.546	11.670	(0.876)	Streetscene & Transportation	27.467	27.652	29.847	2.194	Planning & Environment	5.043	4.932	5.188	0.256	Education & Youth	10.966	10.983	11.182	0.199	Schools	88.862	88.933	88.933	0.000	People & Resources	4.283	4.111	4.540	0.429	Governance	7.675	7.703	7.800	0.096	Organisational Change 1	5.801	5.537	5.615	0.078	Organisational Change 2	2.422	2.339	2.055	(0.284)	Chief Executive	3.008	2.926	2.797	(0.128)	Central & Corporate Finance	25.642	25.023	21.002	(4.021)						Total	255.156	255.156	253.626	(1.531)
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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 1.10 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 shortfall.</p>																																																																																
1.04	<p><u>Streetscene & Transportation</u></p> <p>There is a projected overspend of £2.194m 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</p>																																																																																

	changes to policy and practice is a now an operating deficit of £0.858m which is a small decrease of £0.006m from last month.
1.05	<p><u>Social Services</u></p> <p>The projected outturn for Out of County placements in Children's Services is £1.401m over budget due to the number of high cost placements, this is a decrease of £0.032m from the figure reported in month 10 and is the net impact of new and ended placements.</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 £0.369m which is an increase of £0.023m from the amount reported in Month 10.</p>
1.07	There is a continuing risk in the volatility of demand for Out of County Placements and the impact on service costs which cannot be predicted with any certainty. There is always a risk of significant variances occurring such as those reported in paragraphs 1.05 and 1.06 above. This area continues to be closely monitored.
1.08	<p><u>Planning & Environment</u></p> <p>There is a projected in-year Planning Fee Income shortfall of £0.230m due to the impact of the Welsh Government requirements for major developers to enter into pre consultation as detailed in the previous report.</p>
1.09	<p><u>Community & Enterprise</u></p> <p>There is a projected underspend on the Council Tax Reduction Scheme (CTRS) of £0.609m 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 £0.381 due to Single Person Discount review work.</p>
1.10	<p><u>Central & Corporate Finance</u></p> <p>There is a positive variance of £4.021m projected within this area which is an increase of £0.460m from month 10 which is mostly due to changes in projected pension fund contributions and an improved position on the Central Loans and Investment Account.</p> <p>Major variances within this area include 1.664m within the Central Loans and Investment Account of which £1.422m is due to the change in accounting policy for MRP charges, an underspend of £0.254m on centrally held inflation, a positive variance on the pension fund contributions of £0.508m, offset by a shortfall in the corporate income target of £0.407m and lower than anticipated levels of car parking income at County Hall of £0.080m.</p> <p>There is also a positive variance due to the auto enrolment of employees to the pension scheme which became effective in October 2017 (now deferred until January 2018). As employers are legally compelled to enrol eligible</p>

	<p>staff into a qualifying pension scheme budget provision was set aside to meet potential pension contribution costs. Early analysis indicates that the actual numbers are less than originally estimated, and when combined with the postponement of the auto enrolment date, gives a favourable in year variance of £0.488m.</p>
1.11	<p><u>Significant Movements between Month 10 and Month 11 Budget</u></p> <p>Since last month's report the largest budget movement has been due to the distribution of street lighting inflation from Central & Corporate to Streetscene for £0.061m and distribution of pension budget due to auto enrolment from Central & Corporate to Governance for £0.048m.</p>
1.12	<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 £7.970m (95%) of the efficiencies would be achieved which meets the agreed target.</p>
1.13	<p>Winter Maintenance</p> <p>The recent adverse weather continues to put pressure on the winter maintenance budget which only provides for 'average' winter conditions comprising of 70 turnouts and 5 snow affected days. At month 11 the service has exceeded this number of turnouts and it is projected that spend will be £1.094m which exceeds the budget of £0.844m by £0.250m. However, this will be offset by the drawdown of a grant which is ring-fenced for rock salt.</p>
1.14	<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>
1.15	<p>A limited amount of funding was set aside in the 2017/18 budget for non-standard inflation (NSI) which has now been allocated to relevant portfolios and any unallocated budget is reported as an in-year underspend included within Central and Corporate Finance.</p>
1.16	<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</p>

	£5.133m.
1.17	<p>Taking into account the current projected underspend at Month 11 and previously agreed allocations the balance on the Contingency Reserve at 31 March 2018 is projected to be £8.353m as detailed in appendix 4.</p> <p>Agreed as part of the 2018/19 budget an amount of £1.945m will be utilised to balance the budget on a temporary basis. In addition County Council on 1 March approved an additional amount of £0.460m for schools, again on a temporary basis. The available Contingency Reserve after taking account of these contributions is therefore £5.948m.</p> <p>As presented to Council on 1 March it is essential that a sizeable contingency reserve is maintained to safeguard against some of the significant risks that the Council will face in 2018/19 and include the outcome of national pay negotiations, social care demands such as out of county placements and any shortfall in budgeted efficiencies and other unforeseen variances.</p>
1.18	A report to Cabinet on 26 September 2017 on the North Wales Economic Growth Deal Bid Progress recommended delegated authority to authorise an initial revenue contribution from 2017/18 expenditure for the detailed development of the Growth Deal Bid up to a maximum of £0.050m. It is recommended this amount is funded from the Contingency Reserve.
1.19	A report to Cabinet on 20 February 2018 for Digital Strategy-Digital Customer identified a funding requirement of £0.550m for the project. It is recommended that this amount is met from the Contingency Reserve. However it is anticipated that this project will return this amount through the identification of future efficiencies.
1.20	At the Council budget meeting on 20 February 2018 an amount of £0.900m was included within the projected level of prudent reserves for invest to save funding to help achieve future efficiencies. After taking into account the allocation for the Digital Strategy-Digital Customer project it is recommended that the remaining £0.350m is ring-fenced for this purpose.
1.21	A recent incident whereby hazardous substances had to be removed safely from a property in Flintshire has highlighted the requirement for funding to meet any unforeseen emergency remediation and related support requirements. It is recommended a contribution of £0.050m from the Contingency Reserve is earmarked for this purpose.
1.22	<p>Requests for Carry Forward of Funding</p> <p>A number of requests to revenue carry forward funding into 2018/19 are included in Appendix 6 and are recommended for approval.</p>
1.23	<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>

1.24	The 2017/18 budget for the HRA is £33.633m which includes a movement of £0.035m from reserves.
1.25	The Month 11 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%.

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	As we are nearing the end of the financial year and the closure of the 2017/18 accounts it is not anticipated that there are any significant risks to the final outturn position. Any risks with an impact on 2018/19 were included within the 2018/19 budget which was approved at Council on 20 February 2018.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 10 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 Appendix 6: Council Fund - Carry Forward Requests

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	<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> <p>Council Fund: the fund to which all the Council's revenue expenditure is charged.</p> <p>Financial Year: the period of twelve months commencing on 1 April.</p> <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> <p>Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

