

CABINET

Date of Meeting	Tuesday, 17 th July 2018
Report Subject	Revenue Budget Monitoring 2017/18 (Outturn)
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides the outturn revenue budget monitoring position (subject to audit) for 2017/18 for the Council Fund and Housing Revenue Account.

The final year end position is as follows;

Council Fund

- The net in-year outturn position is an operating surplus of £0.685m.
- The overall outturn includes a positive impact of £1.422m due to the change in accounting policy for Minimum Revenue Provision (MRP) as agreed by County Council on 1 March 2018. This had the effect of increasing the operating surplus with net spend being £2.107m lower than budget.
- A contingency reserve balance as at 31 March 2018 of £7.928m although this reduces to £5.523m when taking account of agreed contributions for the 2018/19 budget.

Housing Revenue Account (HRA)

- Net in year expenditure was £0.004m higher than budget.
- A closing un-earmarked balance as at 31 March 2018 of £1.116m.

RECOMMENDATIONS

1	Note the overall report and the Council Fund contingency sum as at 31 st March 2018.
2	Note the final level of balances on the Housing Revenue Account as at 31 March 2018.
3	To approve the carry forwards requested (paragraph 1.26).

REPORT DETAILS

1.00	THE REVENUE BUDGET MONITORING POSITION FOR OUTTURN - 2017/18
1.01	<p>Council Fund Overall Position</p> <p>The operating surplus for 2017/18 (subject to audit) is £0.685m which is an increase of £0.576m on the operating surplus previously reported in month 11. This is due to finalisation of accounting adjustments within the Central Loans and Investment Account (CLIA) within Central & Corporate Finance, a further improvement on the pension fund contribution account and additional income achieved through the maximisation of income from grants received by the Council as a result of late notifications and confirmations from grant bodies.</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.</p>

1.02 **Council Fund Outturn**

The table below shows the final outturn position by portfolio (subject to audit).

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m	£m
Social Services	61.471	62.494	63.250	0.756
Community & Enterprise	12.518	12.636	11.764	(0.873)
Streetscene & Transportation	27.467	27.770	29.928	2.158
Planning & Environment	5.043	4.887	5.132	0.245
Education & Youth	10.966	10.959	10.964	0.004
Schools	88.862	88.745	88.745	0.000
People & Resources	4.283	4.073	4.412	0.340
Governance	7.675	7.613	7.634	0.021
Organisational Change 1	5.801	5.621	5.702	0.081
Organisational Change 2	2.422	2.274	1.979	(0.295)
Chief Executive	3.008	2.926	2.805	(0.121)
Central & Corporate Finance	25.642	25.157	20.735	(4.423)
Total	255.156	255.156	253.049	(2.107)

1.03 The reasons for the variances are summarised within appendix 2 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 was due to a conscious change to policy or practice, the resulting variance was managed corporately with the relevant portfolio not expected to meet any shortfall.

1.04 Streetscene & Transportation

The Streetscene & Transportation portfolio overspent by £2.158m however this included 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.

The net position on the projected overspend excluding the conscious changes to policy and practice was an operating deficit of £0.822m which is a decrease of £0.036m from last month.

1.05	<p><u>Social Services</u></p> <p>The outturn for Out of County placements in Children's Services is £1.495m over budget and to the number and costs of high cost placements, which is an increase of £0.093m from the figure reported in month 11.</p>
1.06	<p><u>Education & Youth</u></p> <p>The outturn for the education element of Out of County placements was above budget by £0.323m, which is a decrease of £0.047m from the amount reported in Month 11.</p>
1.07	<p><u>Planning & Environment</u></p> <p>There is an in-year Planning Fee Income shortfall of £0.205m 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 was an underspend on the Council Tax Reduction Scheme (CTRS) of £0.625m and a favourable variance on the Council Tax Collection fund of £0.335m due to Single Person Discount review work.</p>
1.09	<p><u>Central & Corporate Finance</u></p> <p>There is a positive variance of £4.423m within this area which is an increase of £0.402m from the previous report. This is mostly due to further changes in pension fund contributions and an improved position on the Central Loans and Investment Account.</p> <p>Major variances within this area include an underspend of £1.711m 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 £0.707m, 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 £0.064m.</p> <p>There is also a positive variance due to the auto enrolment of employees to the pension scheme. As employers are now legally compelled to enrol eligible staff into a qualifying pension scheme budget provision was set aside to meet potential pension contribution costs. Early analysis indicated that the actual numbers were less than estimated, and when combined with the postponement of the auto enrolment date, gave a favourable in-year variance of £0.488m.</p>
1.10	<p>Included in the work undertaken on the budget for 2018/19, all in-year variances were assessed for their continued impact into subsequent financial years and those with a recurring impact were incorporated into the 2018/19 budget.</p>
1.11	<p><u>Significant Budget Movements between Month 11 and Outturn</u></p>

	<p>There were a few budget movements resulting from accounting adjustments since the previous report. The most significant of these was the transfer from the Schools budget to the Streetscene & Transportation portfolio for an amount of £0.188m which was for transport transition costs for John Summers students transferring to other schools.</p> <p>Another significant budget movement was the centralisation of insurance budgets from portfolios to the Central & Corporate Finance budget.</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 as part of its approach to annual budget planning. These efficiencies were generated from the three year service portfolio business plans and from corporate financial planning. The 2017/18 budget contained £8.433m of specific efficiencies which were tracked and monitored. In recent years the level of efficiency achievement has averaged at around 85% though the council aspired to raise this to 95% in 2017/18 as reflected in the MTFS KPI's.</p> <p>Within the year £7.967m (94%) of planned efficiencies were achieved. Although this is below the achievement target of 95% this is an improvement upon the previous year where 91% of planned efficiencies were achieved.</p>
1.13	<p>Brief Overview of the Year – Council Fund</p> <p>The Council set its 2017/18 budget on 14 February 2017 and as part of that reported a number of risks that could impact on the financial position due to ongoing negotiations with partners. These related in particular to a potential reduction in the Single Environment Grant and ongoing negotiations with Welsh Government over future funding of transportation costs.</p>
1.14	<p>Month 4 was the first detailed Revenue Monitoring Report for 2017/18 and an initial working deficit of £1.256m was forecast. This position incorporated the areas identified in 1.13 which had an impact of £0.786m as well as further variations due to conscious decisions relating to a delay in the review of subsidised bus routes, additional transport costs and some new pressures emerging such as the level of income anticipated from renewable energy production.</p>
1.15	<p>Pressure on Children's Services due in particular to the increased demand on Out of County placements was partly mitigated by underspends within the Social Services portfolio though the volatility and risk of this service was highlighted early on as an area requiring close monitoring throughout the year.</p>
1.16	<p>Positive variances in Community and Enterprise were reported due to lower than anticipated demands on the Council tax reduction scheme (CTRS) and better than anticipated performance on Council Tax collection scheme and this, together with positive variances within Central and Corporate Finance due to additional funding from the Intermediate Care Fund and lower than anticipated pressures, offset the position reported.</p>

1.17	At Month 8 the position improved with the in year working deficit reduced by £0.416m due in the main to lower than anticipated impact on the effect of auto enrolment of employees into the pension fund and of further improvement on the Council Tax reduction scheme mainly due to a review of single person discounts.
1.18	At its meeting in March 2018, the Council agreed to change the accounting policy for Minimum Revenue position. The impact of the change together with a positive movement on pension fund contributions reduced in the projected outturn at Month 10 to be £1.047m less than budget. The position improved further in month 11 due to positive movements in Central Loans and Investment Account and a further reduction in the anticipated pension contributions.
1.19	The final outturn is an operating surplus of £0.685m, which when taking into account the change in accounting policy for the MRP results in spend being £2.107m less than budget.
1.20	<p>Inflation</p> <p>Included within the 2017/18 budget were provision for pay (£0.915m), targeted price inflation (£0.313m), food (£0.051m), fuel (£0.033m) and Energy (£0.061m).</p>
1.21	A limited amount of funding was set aside in the 2017/18 budget for non-standard inflation (NSI) which was allocated to relevant portfolios.
1.22	<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>
1.23	<p>Taking into account the outturn underspend and previously agreed allocations the balance on the Contingency Reserve at 31 March 2018 is £7.928m as detailed in appendix 4.</p> <p>As agreed in 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 £5.523m.</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>
1.24	The table below gives a summary of earmarked reserves as at 31 st March

2018. A full analysis of the movement in reserves from 1st April 2017 to 31st March 2018 is contained within the Statement of Accounts.

1.25 Council Fund Earmarked Reserves 2018/19

Reserve Type	Balance as at 01/4/17	Balance as at 31/3/18
Service Balances	1,610,873	1,515,041
Schools Balances	1,556,300	1,284,798
SingleStatus/Equal Pay	4,484,743	1,620,888
Investment & Organisational Change	937,736	1,439,029
Budget Strategy - General Reserves	2,891,326	208
Benefits Equalisation	119,070	318,370
County Elections	137,840	170,144
Supporting People	386,638	0
Local Development Plan (LDP)	480,000	180,000
Building Control	121,719	54,427
Waste Disposal	312,080	129,300
Flintshire Enterprise Ltd	67,387	107,918
Design Fees	200,000	200,000
Winter Maintenance	215,000	215,000
Car Parking	26,252	47,531
Insurance Funds	1,471,156	1,805,026
Cash Receipting Review	79,337	83,625
LMS Curriculum	785,204	779,262
Flintshire Trainees	397,814	475,662
Kitchen Refurb	110,000	0
Rent Income Shortfall	300,000	150,000
Schools Kitchen Ventilation	200,000	0
Customer Service Strategy	129,000	103,000
Capita One	108,827	18,827
PSBA	530,000	0
Supervision Fees	141,224	48,798
Transportation Review	170,200	170,200
Emergency Remediation	0	50,000
ADM Contingency	0	830,000
Ewloe Dilapidation	0	155,000
Grants & Contributions	£2,554,749	2,924,390
Total	20,524,475	14,876,443

1.26 Requests for Carry Forward of Funding

Late capital funding changes resulted in Core Capital being prioritised and the revenue contributions which were anticipated to be made to the Highways Asset Management Plan (HAMP) within the Capital Programme are not required at the level previously anticipated. It is requested that £0.200m is carried forward for additional HAMP works to be undertaken in 2018/19.

There was late notification from Welsh Government of additional Bus Service

	Support Grant (BSSG) for Flintshire County Council. Welsh Government allowed for different options to account for this additional funding of which the preferred option was to use the additional BSSG in lieu of bus network support expenditure incurred and funded from the Authority's own funds, provided equivalent funding was ring-fenced and committed for use in 2018/19. An amount of £0.152m is requested to be carried forward for this purpose.
1.27	Housing Revenue Account 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.
1.28	The 2017/18 budget for the HRA is £33.633m which includes a movement of £0.035m from reserves.
1.29	The final outturn for the HRA reports expenditure to be £0.004m higher than budget (subject to audit) and an un-earmarked closing balance as at 31 March 2018 of £1.116m, which at 3.3% satisfies the prudent approach of ensuring a minimum of 3%. The £0.004m overspend is mitigated by the use of earmarked reserves which as at 31 March 2018 are £0.802m.

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 reporting the final outturn position there are no further risks for 2017/18. Any known 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 11 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 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.</p>

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.