

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 12 JUNE 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REVENUE BUDGET MONITORING 2011/12 (MONTH 11)**

1.00 PURPOSE OF REPORT

1.01 To provide Members with the revenue budget monitoring information at Month 11 for the Council Fund and the Housing Revenue Account in 2011/12, which has been updated for the latest information available.

1.02 The next budget monitoring report to Cabinet will be the Final Outturn on 10 July 2012.

1.03 INDEX OF CONTENTS

Section 2	Executive Summary
Paragraph 3.02	Council Fund Summary Table
Section 4	Non Standard Inflation / Central Contingencies
Section 5	Unearmarked Reserves
Section 6	Housing Revenue Account
Appendix 1	Council Fund - Movement in Variances
Appendix 2	Community Services - Variances Summary
Appendix 3	Environment - Variances Summary
Appendix 4	Lifelong Learning - Variances Summary
Appendix 5	Corporate Services - Variances Summary
Appendix 6	Central & Corporate Finance - Variances
Summary	
Appendix 7	Council Fund Unearmarked Reserves Summary
Appendix 8	Housing Revenue Account - Variances Summary

2.00 EXECUTIVE SUMMARY

Members are requested to note the projected year end position as estimated at Month 11 which is :

- Council Fund - Net underspend of £2.266m
- Housing Revenue Account - Net underspend of £0.497m

3.00 **CONSIDERATIONS**

3.01 The last report to Executive on 27th March detailed the position at month 9. Therefore the table below compares the latest position to month 9.

COUNCIL FUND

3.02 The table shows a projected in-year underspend of £2.266m.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 9	Month 11	Month 9	Month 11	Month 9	Month 11
	£m	£m	£m	£m	£m	£m	£m	£m
Directorates								
Community Services	57.374	57.109	(0.978)	(1.932)	(0.447)	(1.279)	(0.531)	(0.653)
Environment	32.262	33.157	(0.117)	(0.118)	(0.117)	(0.118)	-	-
Lifelong Learning	109.110	109.518	0.909	1.341	1.448	1.812	(0.539)	(0.471)
Corporate Services	16.436	18.384	0.188	(0.569)	0.188	(0.569)		
Total Directorates	215.182	218.168	0.002	(1.278)	1.072	(0.154)	(1.070)	(1.124)
Central and Corporate Finance	26.190	23.204	(0.923)	(0.988)	(0.923)	(0.988)		
Total	241.372	241.372	(0.921)	(2.266)	0.149	(1.142)	(1.070)	(1.124)

3.03 The Original Budget column reflects the budget approved by Council on 1st March 2011. The Revised Budget column reflects in-year virements which have been approved in compliance with Financial Procedure Rules, and includes a number of technical adjustments such as the allocations from central contingencies and non-standard inflation, single status project costs, and the contributions to the cost of employment efficiency being moved from Corporate Services to Central and Corporate Finance.

3.04 The significant in-year projected variances to date are detailed in Appendices 2 - 6 (Council Fund), and Appendix 8 (HRA), and in addition to giving the reasons for the variances, the actions required to address each variance is provided. The significant changes for the Council Fund from Month 9 are detailed in Appendix 1.

3.05 The underspend of £2.266m is made up of a £1.278m underspend on services, increased by a £0.988m underspend from Central and Corporate Finance.

3.06 The most significant underspend is within Community Services which is projected to be £1.932m. However, a large proportion of this is in relation to a planned underspend within Social Services for Adults of £0.868m (including one-off vacancy savings of £0.365m) in preparation for the Transforming Social Services for Adults review where efficiencies of £1.2m have been assumed in the 2012/13 budget. A further £0.451m of the underspend relates to the improved position on Out of County Placements which has been reflected as an efficiency in the 2012/13 budget and a one-off underspend of £0.256m in relation to Housing pending implementation of a restructure.

3.07 The underspend of £0.118m within Environment is after the transfer of the underspend of £0.245m on Winter Maintenance to a reserve. The underspend has occurred as a result of lower salt usage in 2011/12 and has been set aside to mitigate the effects of any adverse weather in 2012/13.

3.08 REQUESTS FOR CARRY FORWARD

A number of requests for carry forward of underspends have been received from Service Directorates and for Corporate Services. As there was no opportunity for member consideration of these requests prior to the deadline for the closure of the 2011/12 accounts, these have been dealt with as Actions taken under delegated powers.

3.09 PROGRAMME OF EFFICIENCIES

The 2011/12 budget contains £8.920m of specific efficiencies and the progress on these has been reported regularly over recent months, with the overall level of achievement being consistently around 86%. The Final Outturn report to Cabinet on 10 July 2012 will provide an analysis of the final position on the 2011/12 programme of efficiencies.

4.00 NON STANDARD INFLATION/CENTRAL CONTINGENCIES

4.01 NON STANDARD INFLATION

The 2011/12 budget included £0.547m for items where costs were likely to increase by more than the standard rate of inflation. These amounts have been held centrally until the additional requirement has been demonstrated. The likely final position in relation to these items is detailed below:-

- Fuel costs (£0.060m) - this has previously been allocated in full.
- Street lighting energy (£0.037m) - This has now been allocated in full.
- Energy costs (£0.450m) – an amount of £0.367m has previously been allocated. It is now anticipated that the remaining £0.083m will not be required and it is now shown as an underspend within central and corporate.

4.02 CENTRAL CONTINGENCIES

The budget for 2011/12 included base budget provision of £0.337m in respect of increased employers pension contribution and £0.150m relating to the review of relief staff. It has previously been reported that these amounts were no longer required and are shown as an underspend within central and corporate.

4.03 A further one-off contingency of £2.159m is also included in the 2011/12 budget relating to one-off exit costs associated with service modernisation. The likely final position is that £1.344m of this allocation is projected to be spent in 2011/12 with the remaining £0.815m requiring to be carried forward into 2012/13 in line with the timing of the completion of the relevant service reviews.

5.00 UNEARMARKED RESERVES

- 5.01** The 2010/11 final outturn reported to Executive on 19th July showed unearmarked reserves at 31st March 2011 (above the base level of £5.476m) of £2.099m.
- 5.02** Appendix 7 details the movements to date on unearmarked reserves and the level of contingency sum available. As a result of these movements, the estimated amount currently projected in the Contingency Reserve is £1.923m.
- 5.03** A separate report on this agenda provides a position statement on the challenges that the Council will need to address over the coming years in relation to the significant financial pressures it will be facing, against a backdrop of continued reduction in funding from Welsh Government.
- 5.04** It is recommended therefore that £1.500m of the available Contingency Reserve is ringfenced in 2012/13 to support Organisational Change costs. In each case, where investment is needed to improve services or make change to secure efficiencies, a business case will show the costs to be incurred, the change to be achieved and the 'payback'. This will also dovetail with the ongoing work on the Medium Term Financial Plan and early preparation for the 2013/14 budget by identifying how efficiencies can be delivered.
- 5.05** If the recommendation in 5.04 is approved the estimated amount available in the contingency reserve for other significant unforeseen pressures will be £0.423m. This would be £0.009m more than the £0.414m estimated when the 2012/13 Council Fund revenue budget was approved by County Council at the meeting on 1st March 2012.

6.00 HOUSING REVENUE ACCOUNT

- 6.01** On 15th February 2011, the Council approved a Housing Revenue Account (HRA) budget for 2011/12 of £25.262m. The budget provides for a closing balance of £0.885m, which at 3.5 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.
- 6.02** The 2010/11 final outturn reported to Executive on 19th July 2011 showed a closing balance at the end of 2010/11 of £1.487m which was £0.236m higher than when the 2011/12 budget was set. This had the effect of increasing the opening balance for 2011/12 by the same amount.
- 6.03** The overall projected underspend of £0.497m represents an increase of £0.107m on the position reported at Month 9. The HRA shows a projected closing balance at Month 11 of £1.617m which at 6.4% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
- 6.04** Appendix 8 details the reasons for significant variances occurring to date and the actions planned to deal with them.

7.00 RECOMMENDATIONS

7.01 Members are recommended to:-

- a) Note the overall report.
- b) Note that carry forward requests have been actioned under delegated powers (para 3.08).
- c) Note the Council Fund Contingency Sum available as at 31st March 2012. (Section 5).
- d) Approve the ringfencing of £1.500m for investment in change (para 5.04).
- e) Note the projected final level of balances on the Housing Revenue Account. (para 6.03)

8.00 FINANCIAL IMPLICATIONS

The financial implications are as set out in Sections 3.00 - 6.00 of the report.

9.00 ANTI-POVERTY/ENVIRONMENTAL IMPACT

None

10.00 PERSONNEL IMPLICATIONS

None

11.00 CONSULTATION UNDERTAKEN

None

12.00 APPENDICES

Council Fund - Movement in Variances from Month 7 - Appendix 1
Council Fund Variances - Appendices 2 - 6
Council Fund - Movements on unearmarked reserves - Appendix 7
Housing Revenue Account Variances - Appendix 8

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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