

CABINET

Date of Meeting	Tuesday, 18th February 2020
Report Subject	Revenue Budget Monitoring 2019/20 (Month 9)
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed revenue budget monitoring position for 2019/20 for the Council Fund and Housing Revenue Account for the financial year and presents the position, based on actual income and expenditure, as at Month 9. The report projects how the budget would stand at the close of the financial year if all things remained unchanged.

The projected year end position, without new actions to reduce cost pressures and/or improve the financial return on efficiency planning and cost control is:

Council Fund

- An operating deficit of £1.666m which is a favourable movement of £0.226m from the deficit figure of £1.892m reported at Month 8.
- A projected contingency reserve balance as at 31 March 2020 of £3.203m.

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.103m higher than budget which is a positive movement of £0.028m from the deficit figure of £0.131m reported at Month 8.
- A projected closing balance as at 31 March 2020 of £1.220m.

As reported in previous reports and to assist with mitigating the overall projected overspend the following measures were introduced from Month 6:-

- 1) All non-essential spend be reviewed and challenged with a view to ceasing/delaying where able and
- 2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying.

At Month 6, this resulted in identifying a one-off delay in spend of £0.530m which helped to significantly reduce the overall overspend position. Further reductions in the overspend since Month 7 have been achieved predominantly from the continuation of these measures. Work will continue from Month 10 and beyond with the same rigour and challenge in an attempt to further improve the overall position.

The current position meets the Chief Officer Team target of reducing the overspend position to within a range of £1.500m - £1.750m by the end of the financial year, although this would still be in excess of the performance indicator target set within the MTFS of £1.350m, being 0.5% of the Net Revenue Budget. Some specific areas that are under review are outlined in paragraph 1.01.

In addition, as in previous years towards the end of the financial year, there is always potential for late awards of Grant from Welsh Government that could be allocated against existing or future profiled spend, resulting in a positive effect on outturn.

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2020.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 9 POSITION
1.01	<p>Council Fund - Projected Position</p> <p>The projected year end position, without mitigation to reduce cost pressures and improve the yield on efficiency planning, is as follows:</p> <ul style="list-style-type: none"> • An operating deficit of £1.666m • A projected contingency reserve balance as at 31 March 2020 of £3.203m <p>To assist with mitigating the overall projected overspend the following measures have previously been introduced:-</p> <ol style="list-style-type: none"> 1) All non-essential spend is subject to ongoing review and challenge with a view to ceasing/delaying where able and

2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying

At Month 6, this resulted in identifying a one-off delay in spend of £0.530m which helped to significantly reduce the overall overspend position. Further reductions in the overspend since Month 7 have been achieved predominantly from the continuation of these measures. Work will continue from Month 10 and beyond with the same rigour and challenge in an attempt to further improve the overall position.

The Chief Officer Team has set a target of reducing the overspend position to within a range of £1.500m - £1.750m by the end of the financial year, although this would still be in excess of the performance indicator target set within the MTFs of £1.350m, being 0.5% of the Net Revenue Budget.

Some examples of specific areas currently under review are shown below :

- Winter Maintenance – monitoring the level of ongoing operations based around weather conditions
- Parc Adfer – taking account of the site becoming fully operational from December and the subsequent change to haulage and disposal arrangements
- School Transport – maximising the benefits of re-procurement and rationalisation of routes
- Single Person Discount Scheme – subject to on-going review
- Planning – maximisation of Planning Fee Income in year
- Central Loans and Investment Account – further review to determine potential financing split across Revenue and Capital

As in previous years towards the end of the financial year, there is always potential for late awards of Grant from Welsh Government that could be allocated against existing or future profiled spend, resulting in a positive effect on outturn. An example being Additional Winter Pressures Grant in Social Services (paragraph 1.07 refers).

1.02

Table 1. Projected Position by Portfolio

The table below shows the projected position by portfolio:

Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m
Social Services	65.944	66.064	0.120
Out of County Placements	9.033	11.088	2.055
Education & Youth	8.534	8.203	(0.331)
Schools	91.941	91.941	0.000
Streetscene & Transportation	30.354	31.760	1.406
Planning & Environment	5.897	5.893	(0.004)

	People & Resources	4.439	4.485	0.046
	Governance	9.203	8.969	(0.234)
	Strategic Programmes	5.272	5.272	0.000
	Housing & Assets	15.171	14.556	(0.615)
	Chief Executive	2.760	2.631	(0.129)
	Central & Corporate Finance	22.802	22.154	(0.648)
	Total	271.350	273.016	1.666
1.03	The reasons for the favourable movement of £0.226m from the previous month are shown in Appendix 1. The reasons for the overall projected variances are summarised within Appendix 2 showing the detail of all variances over £0.050m and a summary of minor variances for each portfolio. This provides the overall position for each portfolio and the overall position for the Council Fund.			
1.04	<p>Enhancements to the format of the Revenue Budget monitoring report have been made which aim to highlight the following key information for Members:</p> <ul style="list-style-type: none"> • The key major variances to bring to the attention of Cabinet • The tracking of in year financial risks • Potential MTFS Impact of the current in year monitoring position 			
	Major Variances to highlight this Month			
1.05	<p>Out of County Placements</p> <p>At this stage in the financial year, there is a projected overspend of £2.055m for the provision of Out of County Placements.</p> <p>The Council included an additional amount of £1.655m in the 2019/20 budget to reflect the number of clients and care packages at that particular time. However, throughout 2019/20 to date, there has been an increase in the number of high cost placements.</p> <p>This has created a projected overspend of £1.522m in Children’s Social Services and a projected overspend of £0.533m within Education & Youth Inclusion Services. This is based on current clients and their assessed need.</p> <p>The projection includes externally provided placement costs for over 150 children, some of which lie within Flintshire’s geographic boundary.</p> <p>A Report on ‘Improving the in-house offer for Out of County Placements for Children’ taken to the Joint Education & Youth and Social & Health Care Overview and Scrutiny Committees in July, 2019 outlined the Council’s strategy and commitment in ensuring safe, high quality, support for Children’s Services.</p>			

	<p>A separate report was also presented to Corporate Resources Overview and Scrutiny Committee on the key issues and latest position at the meeting on 19 September.</p>
<p>1.06</p>	<p>Streetscene and Transportation</p> <p>A considerable amount of financial challenge work is ongoing within the Streetscene and Transportation portfolio to address the overspend position and through the mitigation measures identified below, are committed to reducing this overspend further by financial year end.</p> <p>Transportation and Logistics - £0.979m Overspend</p> <p>The pressure in school transport costs totalling £0.931m is as a result of several factors:-</p> <ul style="list-style-type: none"> - The effect of non-statutory school transport arrangements and ongoing transport policy anomalies; - An increase in mainstream secondary education pupil transport and Special Educational Needs (SEN) pupil transport, both in-County and for Out of County placements, along with increases in the number of school escorts to accompany SEN pupils and in the number of single occupancy routes; - Transporting enrolment cohort to Connah’s Quay High School and placing duplicate vehicles on public bus services as a response to non-eligible pupil displacement; - An increase in number of school days for 2019/20 <p>A separate report was presented to Corporate Resources Overview and Scrutiny Committee on the key issues and latest position at the meeting on 19 September.</p> <p>Increased transport provision to Social Services service users of £0.048m.</p> <p>Service Delivery – £0.289m Overspend</p> <p>Following the extreme weather event during June 2019, the service has incurred additional revenue pressures from responding and resolving flooding issues across the County. The network damage was widespread and included road foundations being undermined, particularly on roads adjacent to water courses, and road surfaces being lifted by inspection covers, due to the pressure created by the sheer volume of water within the drainage system. The costs include the additional staffing costs towards responding and repairing the highway along with costs of plant and materials and currently total £0.150m. A claim to Welsh Government was submitted for these additional costs but unfortunately was not approved for funding.</p> <p>Following ongoing vandalism to Household Recycling Centres, additional costs of £0.055m have been incurred, with further costs of £0.014m projected to maintain security and safety of the sites.</p>

During the period before Christmas, staffing resources have been considerably impacted by an outbreak of Norovirus and this has resulted in unprecedented levels of sickness throughout the workforce. It should be noted that the level of staff absent due to sickness is averaging around 49 staff which includes 30 operatives, for which additional overtime or agency cover is required in order to maintain service delivery which is projected to cost in the region of £0.070m.

Regulatory Services - £0.160m Overspend

The Car Park income shortfall of £0.193m is based on the average shortfall in income against monthly projections for each town using the first full ten months of implementation (received in 2018/19) of the increased tariff charges and projected for 2019/20. In recent months, a large section of car parking at Flint Retail Park has been closed for development, which will result in a displacement of vehicles into Council car parks providing a potential increase in car parking income for the remaining months of 2019/20.

The waste strategy service are currently projecting an improved position of £0.076m, based on the commissioning period for the North Wales Residual Waste Treatment Project (NWRWTP) being shorter than anticipated compared to when the original £0.425m pressure was calculated. Maximum WG grant funding is available from the full service period commencement in December 2019 and the service are currently reviewing the delivery of residual waste into the Parc Adfer site based on the most efficient method.

A reduction in the level of recycling income from cardboard and paper has occurred totalling £0.043m due to the third party implementing an immediate change to the tariff in January.

Other cumulative variances across the service reflect a £0.022m underspend.

1.07

Social Services

The overall position for Social Services is a projected overspend of £0.120m, an adverse movement of £0.127m since Month 8.

There are some significant variances both adverse and favourable that underpin this position due to overspends within Children's Services and net underspends within Adults Services.

All details of variances are provided in Appendix 2 and consideration has been given to further realignment of budgets within the Portfolio to address changes in service delivery.

Additional Winter Pressures Grant

On 1 October Welsh Government announced additional funding of £30 million to support the delivery of frontline health and social care services this winter.

	<p>Of the £30 million, £17 million will be allocated to Regional Partnership Boards to promote integrated, regional planning. For Flintshire the allocation from this regional funding is £0.805m and will be awarded between Flintshire County Council and BCUHB. This funding is to be used towards additional services to meet demands on social care resources linked to winter pressures. Some of these additional pressures have already been drawn down from budgets and are reflected in the projected outturn. Therefore, it is estimated that there will be £0.320m in funding to support these additional in-year front line pressures and this has been built into the figures since Month 7.</p> <p>On the 24 January, 2020, a further £10 million funding was confirmed by the Minister for Health and Social Services. This is on top of the £30m from earlier this financial year, to support health and social care delivery in recognition of increased pressure this winter. It was confirmed that these funds should be channeled through the Regional Partnership Board (RPB) for approval and allocation across North Wales. It is intended that this funding should be invested across both Health and Social Care, with the priority being for spend on discharge services, step down capacity and home care/domiciliary care.</p> <p>Once confirmation is received of how much will be allocated via the RPB, a subsequent update will be provided to report on any funding that can be allocated against in-year front line pressures.</p>
1.08	<p>Central & Corporate Finance</p> <p>Pension; £0.935m underspend</p> <p>There was a significant underspend on the pension contribution account in 2018/19 with £0.600m contributing towards the 2019/20 budget. Current monitoring analysis suggests that there is a further efficiency in-year.</p> <p>There are various factors affecting the position including the financial impact of the transfer of various services being less than anticipated and the recovery of a higher level of contribution to the deficit due to the increased pay award. The position is under review as part of the current work on the 2020/21 budget.</p> <p>Income Target; £0.150m un-achieved</p> <p>The Council is continuing to review its fees and charges and to investigate new sources of income. A report to Cabinet in July recommended a process for the annual review of fees and charges with the aim of achieving full cost recovery wherever possible. The position will continue to be reviewed in-year and any further improvement reported on in future monitoring reports.</p>
1.09	<p>Tracking of In-Year Risks and Emerging Issues</p> <p>At the time of setting the Budget for 2019/20 a number of significant risks were identified and an update is provided below.</p>

1.10	<p>Out of County Placements</p> <p>A key risk identified at the time of setting the 2019/20 budget was the general rising costs of social care and the upward trend in the number of cases of Out of County placements across Wales. The main influence on this increase is the 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.</p> <p>The impact of the current pressures on Out of County Placements have resulted in an increase in the Councils updated forecast for 2020/21.</p>
1.11	<p>School Transport</p> <p>Managing the increasing demand into future years in mainstream secondary education pupil transport and Special Educational Needs (SEN) pupil transport, both in-County and for Out of County placements, along with further potential increases in the number of school escorts to accompany SEN pupils and the number of single occupancy routes.</p>
1.12	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2019/20 budget contains £6.939m of specific efficiencies which are tracked and monitored throughout the year. In 2018/19 the level of efficiency achievement was 98% which was an improvement on the 94% achieved during the previous year. The Council aims to achieve a 95% rate in 2019/20 as reflected in the MTFs KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2019/20 shows that £6.197m or 90% of the efficiencies will be achieved. However when taking into account of the conscious decision of Cabinet to re-phase the efficiency target from the reduction in Aura Subsidy this improves the achievement rate to 91%.</p> <p>The risk remains that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2020/21 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 2020/21 being reviewed as part of the ongoing work on the MTFs.</p>
1.13	<p>Income</p> <p>The Council introduced its Income Strategy in late 2017. A target of £0.150m remained to be achieved from the identification of new sources of income and the review of fees and charges. The Council now has additional capacity to pursue this strategy with a number of potential opportunities being considered as part of business planning and annual review.</p>
1.14	<p>Recycling Income</p> <p>The market rate for income received from recycling plastic, paper and card are extremely volatile and can fluctuate rapidly. Recycling income has reduced over recent years and there is always a risk that the market rates</p>

may reduce further. At Month 10, there has been a reduction in recycling income due to the tariff in place being reduced at very short notice by the third party purchaser.

1.15

Schools Pressures

In recent years there has been considerable pressure on secondary school budgets. 7 out of 11 secondary schools in Flintshire carried forward deficits into 2019/20 and a summary is provided below. Schools are required to submit a licensed deficit application to the Council and this is reviewed by the Chief Officer, Education & Youth and the Section 151 Officer.

School	Deficit Balance brought forward	% of budget
Connah's Quay High School	-£34,477	-0.8%
St. Richard Gwyn	-£508,276	-16.2%
Ysgol Treffynnon	-£646,173	-29.5%
Castell Alun High School	-£8,674	-0.2%
Ysgol Maes Garmon	-£173,177	-6.7%
Argoed High School	-£56,000	-2.2%
St. David's High School	-£452,609	-23.9%

This position is being reviewed by the Council on a school by school basis due to concerns about the deteriorating position. The issue has also been highlighted by Estyn as a specific recommendation in its recent inspection report.

1.16

Winter Maintenance

The winter period to date has resulted in over 2,700 tonnes of salt being used on the roads and over 60 turnouts for the gritters to the end of January. With the uncertainty of weather for the remaining two months to the end of March, this will place further risk and uncertainty on maintaining a balanced position within the overall Winter Maintenance budget of £0.841m. As reported in paragraph 1.21, one-off Winter Maintenance Reserves totalling £0.250m are held in addition to the annual budget to meet extra costs in the event of an above average winter.

1.17

Other In-Year Issues

Inflation

Included within the 2019/20 budget are provision for Non Standard Inflation fuel (£0.034m), Energy (£0.329m) and NDR/Price (£0.204m). As in previous years, these amounts are held centrally until later in the year when actual cost pressures are known. It is currently assumed that all of these allocations will be required in 2019/20 but this will be kept under review throughout the financial year.

In previous years, the Council has had to make a payment associated with the Carbon Reduction Scheme. This scheme has now ended and the impact of this is likely to result in higher energy charges for the Council.

	<p>The funding associated with this has now been added to the central inflation budget and will be allocated according to need.</p>
1.18	<p>MTFS Impact</p> <p>The latest projection for the MTFS was considered by Cabinet in October and this was followed by consideration of pressures and efficiencies at specific Scrutiny Committees throughout November and December. County Council endorsed the pressures and solutions identified to date at its meeting on 11th December.</p> <p>The Provisional Settlement for Flintshire was received on 16th December and the implications were reported to County Council on 28th January as part of the Stage 2 Budget update for 2020/21.</p> <p>The County Council report on the MTFS can be accessed via the link in 6.01.</p> <p>Further Risks for MTFS</p> <p>All Portfolios will continue to consider their financial position, the risks within their service and the impacts on the Medium Term on a monthly basis as part of their Portfolio Management Team meetings.</p> <p>The in-year position will continue to be monitored as we move to finalise the budget process for 2020/21.</p>
1.19	<p>Reserves and Balances</p> <p>Un-earmarked Reserves</p> <p>The 2018/19 outturn reported to Cabinet in July showed un-earmarked reserves at 31 March 2019 (above the base level of £5.769m) of £8.252m.</p> <p>As approved in the 2019/20 budget an amount of £2.221m was utilised as part of the strategy to balance the budget. In addition an amount of £0.062m was approved to operate a Sustainable Drainage System (SuDS) Approving Body (SAB), £1.000m for investment in change and an amount of £0.100m for the ongoing resourcing of the Victim Contact Team within Social Services.</p>
1.20	<p>Taking into account the current projected overspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2020 is projected to be £3.203m as detailed in Appendix 4.</p>
1.21	<p>Earmarked Reserves</p> <p>The table below gives a summary of earmarked reserves as at 1 April 2019 and provides an estimate of projected balances as at the end of the current financial year.</p>

Council Fund Earmarked Reserves 2019/20

Monitoring Summary Month 9

Reserve Type	Balance as at 01/04/19	Balance as at 31/03/20
Service Balances	776,994	431,446
Specific Service Balances	78,081	77,337
Schools Balances	1,335,087	0
Single Status/Equal Pay	1,184,187	638,187
Investment in Organisational Change	1,039,115	1,747,892
Budget Strategy	208	208
Benefits Equalisation	318,370	318,370
County Elections	204,561	204,561
Local Development Plan (LDP)	180,000	180,000
Waste Disposal	82,648	67,648
Enterprise Centres	52,554	0
Design Fees	200,000	0
Winter Maintenance	250,000	250,000
Car Parking	47,440	0
Insurance Reserves	2,113,852	2,413,852
Cash Receipting Review	568	568
Flintshire Trainees	540,766	265,383
Rent Income Shortfall	70,000	0
Customer Service Strategy	33,000	22,468
Capita One	18,827	18,827
Supervision Fees	48,798	48,798
Transportation Review	84,200	0
LMS Curriculum	383,440	255,559
Organisational Change/ADM	99,965	61,902
Solar Farms	42,440	0
Tribunal Costs	150,000	0
Property Claims	45,000	0
Grants & Contributions	3,933,806	2,690,262
Total	13,313,906	9,693,267

1.22 The projected level of school balances are currently being reviewed as part of the first detailed monitoring of the new academic year. At this stage there is the potential for a significant reduction in overall balances. However, in the past schools have benefitted from the notification in-year of external grant funding opportunities. An update will be provided in future monitoring reports.

1.23 **Housing Revenue Account**
The 2018/19 Outturn Report to Cabinet on 16 July 2019 showed an un-earmarked closing balance at the end of 2018/19 of £1.165m and a closing balance of earmarked reserves of £1.056m.

1.24 The 2019/20 budget for the HRA is £36.239m which includes a movement of £0.158m to reserves.

1.25	The monitoring for the HRA is projecting in year expenditure to be £0.103m greater than budget and a closing un-earmarked balance as at 31 March 2020 of £1.220m, which at 3.37% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
1.26	The budget contribution towards capital expenditure (CERA) is £13.717m.

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	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The Revenue Budget Monitoring Report reflects the three categories of risks covered in the main section of the report. These are in-year risks and emerging issues, achievement of planned in-year efficiencies and other tracked risks. These risks are included from paragraph 1.09 to 1.17.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None required

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 8 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	Medium Term Financial Strategy and Council Fund Revenue Budget 2020/21 Stage Two http://committeemeetings.flintshire.gov.uk/documents/g4472/Public%20reports%20pack%2028th-Jan-2020%2014.00%20Flintshire%20County%20Council.pdf?T=10&LLL=0

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Dave Ledsham (Strategic Finance Manager) Telephone: 01352 704503 E-mail: dave.ledsham@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<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. When referring to income the actual income achieved exceeds the budget.</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>
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