

CABINET

Date of Meeting	Tuesday, 20 th June 2017
Report Subject	Revenue Budget Monitoring 2016/17 (Month 12)
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 final revenue budget position for 2016/17 for both the Council Fund and Housing Revenue Account.

The final outturn will be reported in July following the completion of the closure of the accounts for 2016/17.

Council Fund

- The net in year position comprises of an operating deficit of £0.836m; an increase in the deficit of £0.131m from the position reported at Month 10.
- The overall projected in-year position includes £2.886m due to the change in accounting policy for MRP as agreed by County Council. This has the effect of eliminating the operating deficit and net spend is projected to be £2.050m lower than budget.
- Projected contingency reserve balance of £5.144m.

Housing Revenue Account

- Net in year expenditure forecast to be £0.047m greater than budget
- Projected closing balance as at 31 March 2017 of £1.050m

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2017.
2	To note the projected final level of balances on the Housing Revenue Account.
3	To approve the carry forward requests included in Appendix 6.

REPORT DETAILS

1.00	EXPLAINING THE MONTH 12 POSITION																																																																																
1.01	<p>Council Fund Latest in Year Forecast</p> <p>The table below shows the 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>58.534</td> <td>60.551</td> <td>60.821</td> <td>0.270</td> </tr> <tr> <td>Community & Enterprise</td> <td>12.035</td> <td>12.492</td> <td>11.868</td> <td>(0.624)</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>27.011</td> <td>28.556</td> <td>29.364</td> <td>0.808</td> </tr> <tr> <td>Planning & Environment</td> <td>4.978</td> <td>5.052</td> <td>5.368</td> <td>0.316</td> </tr> <tr> <td>Education & Youth</td> <td>11.225</td> <td>11.389</td> <td>11.196</td> <td>(0.193)</td> </tr> <tr> <td>Schools</td> <td>86.162</td> <td>87.751</td> <td>87.751</td> <td>0.000</td> </tr> <tr> <td>People & Resources</td> <td>4.319</td> <td>4.660</td> <td>4.574</td> <td>(0.086)</td> </tr> <tr> <td>Governance</td> <td>8.159</td> <td>7.722</td> <td>7.779</td> <td>0.057</td> </tr> <tr> <td>Organisational Change 1</td> <td>5.560</td> <td>6.042</td> <td>6.112</td> <td>0.070</td> </tr> <tr> <td>Organisational Change 2</td> <td>2.244</td> <td>2.423</td> <td>1.967</td> <td>(0.456)</td> </tr> <tr> <td>Chief Executive</td> <td>3.204</td> <td>2.930</td> <td>2.892</td> <td>(0.038)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td>28.558</td> <td>22.423</td> <td>20.250</td> <td>(2.174)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>251.990</td> <td>251.990</td> <td>249.940</td> <td>(2.050)</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	58.534	60.551	60.821	0.270	Community & Enterprise	12.035	12.492	11.868	(0.624)	Streetscene & Transportation	27.011	28.556	29.364	0.808	Planning & Environment	4.978	5.052	5.368	0.316	Education & Youth	11.225	11.389	11.196	(0.193)	Schools	86.162	87.751	87.751	0.000	People & Resources	4.319	4.660	4.574	(0.086)	Governance	8.159	7.722	7.779	0.057	Organisational Change 1	5.560	6.042	6.112	0.070	Organisational Change 2	2.244	2.423	1.967	(0.456)	Chief Executive	3.204	2.930	2.892	(0.038)	Central & Corporate Finance	28.558	22.423	20.250	(2.174)						Total	251.990	251.990	249.940	(2.050)
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1.02	The operating deficit reported is £0.836m above budget which is an increase of £0.131m from the deficit reported at Month 10. The reasons for the variance to month 10 are included in appendix 1.																														
1.03	The operating deficit in-year is in effect 'written-off' by the change in the Council's policy for accounting for Minimum Revenue Provision (MRP) which was reviewed and approved by Council on 6 December 2016 as part of the 2017/18 budget proposals. This has resulted in a positive impact of £2.886m on the 2016/17 budget as part of providing a major efficiency for 2017/18, and means that the projected spend is now £2.050m less than the budget.																														
1.04	<p>Significant Budget Movements between Original and Revised Budget</p> <p>An amount of £0.138m has transferred to the Central & Corporate Finance budget from Social Services to reflect the current accounting treatment of pensionable pay budgets.</p> <p>An amount of £0.136m has transferred from the Organisational Change 2 Portfolio to distribute the Repairs and Maintenance budget in line with repairs and maintenance expenditure with the other portfolios.</p>																														
1.05	<p>Programme of Efficiencies</p> <p>The 2016/17 budget contains £11.282m of specific efficiencies which are being tracked and monitored. An amount of £0.761m was approved from the Contingency Reserve in the month 4 report to meet the impact of conscious decisions to change proposals for household recycling centres, community asset transfers, town centre car parking charging and workforce essential car user allowances resulting in a revised efficiency target of £10.521m.</p>																														
1.06	Appendix 3 provides detail on the latest position where there is a variation to the level of efficiency achievable compared to the budget.																														
1.07	<p>It is projected that £9.557m (91%) of planned efficiencies will be achieved. This is an improvement of 1% since month 10. The changes in efficiency assumptions since month 10 are summarised below:</p> <table border="1"> <thead> <tr> <th></th> <th>Original Efficiency</th> <th>Month 10 Revised Efficiency</th> <th>Current Month Revised Efficiency</th> <th>Increase/ (Decrease) between months</th> </tr> <tr> <th>Portfolio</th> <th>2016/17 £(m)</th> <th>2016/17 £(m)</th> <th>2016/17 £(m)</th> <th>2016/17 £(m)</th> </tr> </thead> <tbody> <tr> <td>Central & Corporate Finance</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Essential Car User Allowance</td> <td>0.500</td> <td>0.500</td> <td>0.494</td> <td>(0.006)</td> </tr> <tr> <td>Additional Income Generating Activities</td> <td>0.500</td> <td>0.200</td> <td>0.092</td> <td>(0.108)</td> </tr> <tr> <td>Chief Executive</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Original Efficiency	Month 10 Revised Efficiency	Current Month Revised Efficiency	Increase/ (Decrease) between months	Portfolio	2016/17 £(m)	2016/17 £(m)	2016/17 £(m)	2016/17 £(m)	Central & Corporate Finance					Essential Car User Allowance	0.500	0.500	0.494	(0.006)	Additional Income Generating Activities	0.500	0.200	0.092	(0.108)	Chief Executive				
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	Voluntary Sector Grants review	0.070	0.076	0.072	(0.004)
	<u>People & Resources</u>				
	Finance Modernisation	0.135	0.120	0.103	(0.017)
	<u>Education & Youth</u>				
	School Modernisation	0.187	0.123	0.187	0.064
	<u>Organisational Change 2</u>				
	CCTV – Staff reductions	0.040	0.020	0.040	0.020
	Campus Management	0.030	0.015	0.030	0.015
	Maintenance	0.005	0.015	0.005	(0.010)
	<u>Community & Enterprise</u>				
	Telephone Contact Centre	0.100	0.000	0.069	0.069
	Energy Efficiency Framework	0.050	0.030	0.000	(0.030)
	Council Tax Reduction Scheme	0.329	0.638	0.742	0.104
	<u>Planning & Environment</u>				
	Staffing & Service Review	0.127	0.088	0.127	0.039
1.08	Inflation				
	Included within the 2016/17 budget are provision for pay (£0.936m), targeted price inflation (£0.573m) and income (£0.185m).				
1.09	Following the allocation to portfolios of the provisions described in paragraph 1.13 there is a remaining balance of £0.070m which is included within the overall outturn figure.				
1.10	No provision has been made for non-standard inflation (NSI) in 2016/17. Areas that may be subject to NSI increases will be monitored throughout the year and any emerging pressures will be considered in future reports.				
	Reserves and Balances				
1.11	Un-earmarked Reserves				
	The 2015/16 outturn reported to Cabinet on 19 July 2016 showed un-earmarked reserves at 31 March 2016 (above the base level of £5.769m) of £4.375m.				
1.12	Taking into account the current projected overspend at Month 12 and previously agreed allocations the balance on the Contingency Reserve at 31 March 2017 is projected to be £5.144m as detailed in appendix 4.				

1.13	<p>Earmarked Reserves</p> <p>The Council adopted a reserves protocol in September 2015 which set out the principles around how the Council determines, manages and reviews its level of reserves. Within the protocol is reference to regular reporting of the latest position to Cabinet and Corporate Resources Overview and Scrutiny Committee.</p>
1.14	<p>A summary of earmarked reserves as at 1 April 2016 and the 2016/17 year-end balance will be included in the Outturn report.</p>
1.15	<p>Requests for Carry Forward of Funding</p> <p>A number of requests to revenue carry forward funding into 2017/18 are included in Appendix 6 and are recommended for approval.</p>
1.16	<p>Housing Revenue Account (HRA)</p> <p>The 2015/16 Outturn Report to Cabinet on 19 July 2016 showed an un-earmarked closing balance at the end of 2015/16 of £1.178m.</p>
1.17	<p>The 2016/17 budget for the HRA is £31.979m which includes a movement of £0.080m from reserves.</p>
1.18	<p>The Month 12 monitoring for the HRA is projecting in year expenditure to be £0.047m higher than budget and a closing balance as at 31 March 2017 of £1.050m, which at 3.2% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>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 ten months and the risks as known.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None required.</p>

4.00	RISK MANAGEMENT
4.01	<p>As we are nearing the closure of the 2016/17 accounts it is not anticipated that there are any significant risks to the Final Outturn which will be reported to Cabinet in July. The summary of in-year risks are therefore not included.</p>

5.00	APPENDICES
5.01	<p>Appendix 1: Council Fund – Movement in Variances from Month 10</p> <p>Appendix 2: Council Fund – Budget Variances</p> <p>Appendix 3: Council Fund – Programme of Efficiencies</p> <p>Appendix 4: Council Fund – Movement on Un-earmarked Reserves</p> <p>Appendix 5: Housing Revenue Account Variances</p> <p>Appendix 6: Carry Forward Requests</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None required</p> <p>Contact Officer: Sara Dulson Telephone: 01352 702287 E-mail: sara.dulson@flintshire.gov.uk</p>

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>

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.

Minimum Revenue Provision (MRP): A charge made to the Council Fund to repay borrowing taken out for capital expenditure. Authorities must determine their own prudent MRP charge each year, taking into consideration statutory guidance issued by the Government.