

CABINET

Date of Meeting	Tuesday, 18 th July 2017
Report Subject	Revenue Budget Monitoring 2016/17 (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 for 2016/17 for the Council Fund and Housing Revenue Account (subject to audit).

The final year end position is as follows:

Council Fund

- The net in-year outturn comprises of an operating deficit of £0.846m.
- The overall outturn includes a positive impact of £2.886m due to the change in accounting policy for MRP as agreed by County Council. This had the effect of eliminating the operating deficit with net spend being £2.039m lower than budget.
- A contingency reserve balance as at 31 March 2017 of £5.133.

Housing Revenue Account (HRA)

- Net in year expenditure was £0.018m lower than budget.
- A closing balance as at 31 March 2016 of £1.116m and earmarked reserves of £0.526m.

RECOMMENDATIONS

1	Note the overall report and the Council Fund contingency sum as at 31 st March 2017.
2	Note the final level of balances on the Housing Revenue Account.

REPORT DETAILS

1.00	THE REVENUE BUDGET MONITORING POSITION FOR OUTTURN - 2016/17																																																																																
1.01	<p>Council Fund Outturn</p> <p>The table below shows the final position by portfolio. As has been the practice in recent years where a variance has been due to a conscious decision to change policy or practice, the resulting variance is managed corporately with the relevant Portfolio not expected to meet any shortfall.</p>																																																																																
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1.03	The reasons for the variances occurring are summarised within appendix 1.																																																																																

1.04	<p>Variance between month 12 to outturn</p> <p>There has been a minor variance of £0.011m at outturn, compared with month 12, which relates to the Central Loans and Investment Account within Central & Corporate Finance.</p>
1.05	<p>Brief Overview of the Year – Council Fund</p> <p>Early on in the year, the Council were made aware that one of its contracted transport operators was going into immediate liquidation. Urgent action was required to secure the school and public transport subsidised routes. Additional costs of £0.440m were projected to be incurred to procure a full replacement service.</p>
1.06	<p>Month 4 was the first full Revenue Monitoring Report for 2016/17 and an initial working deficit of £1.641m was forecast.</p>
1.07	<p>Conscious decisions to change proposals for household recycling centres, community assets transfers, town centre & County Hall car parking charging and workforce essential car user allowances resulted in an additional pressure for £0.861m and this pressure was met using the Contingency Reserve which reduced the working deficit to £0.780m.</p>
1.08	<p>At Month 5 the forecast was revised to project an increase on the working deficit to £0.981m which was mainly due to additional care packages within Social Services.</p>
1.09	<p>The monthly variance continued to increase until Month 8 at which point the operating deficit was projected to be £1.810m. This was mainly due to increases in Out of County Placements, which influenced by court considerations based on the Social Services and Wellbeing Act (Wales), underachievement of planning fee income, due to reduced number of application fees than anticipated, and under recovery of pension deficit costs.</p>
1.10	<p>As part of the 2017/18 budget proposals the Council's policy for accounting for minimum Revenue Provision (MRP) was reviewed and approved by Council on 6 December 2016. This resulted in a positive impact of £2.886m on the 2016/17 budget which was reported in Month 8 and meant the projected spend was £1.076m less than the budget.</p>
1.11	<p>At Month 9 a decrease of £1.011m, from the previous month, was reported which decreased the operating deficit to £0.799m. The largest contributing factor to this decrease was as a result of ongoing negotiations with Betsi Cadwaladr University Health Board as the funding partner in the joint use of Continuing Health Care (CHC) Fund, agreement was reached that the Health Board would increase the funding for a number of high cost Learning Disability care packages.</p>
1.12	<p>The final outturn is reporting an operating deficit of £0.846m. Which when taken</p>

	into account the change in accounting policy for the MRP results in spend being £2.040m less than budget.
1.13	Throughout the financial year, the Council has successfully lobbied Welsh Government for a fairer funding settlement which led to a lower than anticipated reduction in funding of Revenue Support Grant (RSG). For 2017/18 levels of funding have remained the same, though increasing costs from inflation and the impact of National decisions meant that the Council still had considerable pressures to meet in balancing the 2017/18 budget.
1.14	Further success has been achieved through our campaigning for national and regional funding on Social Care, though this needs to be continued to deliver sustainable services to our residents in the future against a backdrop of increasing demand.
1.15	Work will continue nationally with Welsh Government to enable to build on this success and incorporate into the Council's Medium Term Financial Strategy.
1.16	<p>Programme of Efficiencies</p> <p>The 2016/17 budget initially contained £11.282m of specific efficiencies. 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>
1.17	Within the year £9.557m (91%) of planned efficiencies were achieved which is an improvement on the previous year where 83% were achieved.
1.18	<p>Inflation</p> <p>Included within the 2016/17 budget was provision for pay (£0.936m), targeted price inflation (£0.573m) and income (£0.185m).</p>
1.19	Following the allocation to portfolios of the provisions described in paragraph 1.14 there was a remaining balance of £0.070m which is included within the overall outturn figure.
1.20	<p>Reserves and Balances Unearmarked Reserves</p> <p>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.</p>
1.21	Taking into account the final outturn and previously agreed allocations the balance on the Contingency Reserve at 31 March 2017 is £5.133m as detailed in appendix 3.
1.22	The table below gives a summary of earmarked reserves as at 31 st March

	2017. A full analysis of the movement in reserves from 1 st April 2016 to 31 st March 2017 is contained within the Statement of Accounts.																																																												
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1.24	<p>Housing Revenue Account</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 and earmarked balances of £0.338m.</p>																																																												
1.25	The 2016/17 budget for the HRA is £31.979m which includes a movement of £0.080m from reserves.																																																												
1.26	The final outturn for the HRA reports expenditure to be £0.018m lower than budget and a closing balance as at 31 March 2017 of £1.116m, which at 3.5% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.																																																												
1.27	In 2016/17 the HRA generated £31m income. £8m was spent on repairs and maintenance. £7m contributed towards capital financing costs for existing borrowing and self-financing costs. The HRA budget also provided a total revenue contribution of £11m towards the funding of capital expenditure (CERA); an increase of £1m on the previous year and £1.5m more than budget. The closing balance on general reserves was £1.116m at 31 st March 2017. Earmarked reserves of £0.526m for software, insurance and solar panel income were also carried forward.																																																												
1.28	The continued improvement in the financial management of the HRA during																																																												

	<p>2016/17 has helped to enable delivery of the following service developments and achievements.</p> <ul style="list-style-type: none"> • Work on the first SHARP scheme to build 12 Council homes at Custom House School, Connah's Quay was completed in December 2016. • Good progress is also being made on The Walks, Flint with the construction of 92 new homes. Thirty of these new homes will be managed by the Council through the HRA. The first phase of new Council properties on the scheme were handed over in June 2017. • Work on the construction of 40 new Council homes on five sites at Mold, Leeswood and Connah's Quay has also begun. These will be handed over to the Council later in 2017. This will bring the total number of new Council homes to 82. • Successfully delivered the second year programme of the 6 year WHQS delivery plan (£25m) • Commenced full review of Sheltered & Garage Stock (phase 1) • Completed the Installation of Sprinklers and New Heating/Water Supply Pipe to the High Rise Block in Flint • Completed Phase 1 of the V&V Project works to the Pen Y Llan Courts in Connahs Quay • Completed the first 6 pilots for the Environmental Programme (Car Parking etc.) • Recruitment of 3 Capital Works Team Leaders and 7 Contract Inspectors into the Capital Works Team. • Completed refurbishment works of 4 main communal areas to residential properties in Flintshire. • Fully implemented Total Mobile for Responsive Repairs teams • Delivered c£1m of efficiency savings including voids security costs, material efficiencies and staffing efficiencies • Outperformed all Responsive Repair targets throughout the year • Achieved an average of 99.67% for Gas Safety certificates • Introduced a revised fleet of vehicles for all trades staff • Implemented a revised Housing Management structure and service policies and procedures • Completed 526 disabled adaptations which enable tenants to return home from hospital or maintain independence. The team works closely with the WHQS team so that WHQS work is completed at the same time and disruption is kept to a minimum. • Our Apprentice Alex McClareon won FCC Apprentice of the year, Coleg Cambria learner of the year (Electrical) and has made the final round of the national Electrical Apprentice competition. • Achieved full roll out of van stocks to Responsive Repairs • Implementation of Service Charges
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2.00	RESOURCE IMPLICATIONS
2.01	The Budget Monitoring Report reflects the planned use of the financial resources of the Council for the current financial year and details the variations occurring to date.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None Required.

4.00	RISK MANAGEMENT
4.01	As we have closed the 2016/17 accounts are no significant risks to the Final Outturn reported. The summary of in-year risks are therefore not included.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Budget Variances Appendix 2: Council Fund – Programme of Efficiencies Appendix 3: Council Fund – Movement on Un-earmarked Reserves Appendix 4: 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>

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.

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.

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.