



CABINET

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

EXECUTIVE SUMMARY

This interim report is the first revenue budget monitoring report of 2017/18. The report provides information on the progress of achieving planned efficiencies against the targets set and reports by exception on significant variances which may impact on the financial position in 2017/18.

This initial revenue monitoring update does not provide the level of detail which will follow in later Revenue Budget Monitoring Reports, the first being the Month 4 which will be reported to Cabinet on 26 September 2017.

RECOMMENDATIONS

1	Cabinet is recommended to note the report.
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REPORT DETAILS

1.00	REVENUE BUDGET MONITORING 2016/17 (INTERIM REPORT)
1.01	As in previous years, during the early part the 2017/18 financial year

	<p>Corporate Finance resources have been dedicated to the closure of the accounts for 2016/17 to ensure that the statutory deadline for completion of the draft statement of accounts by the end of June is achieved. Full budget monitoring will commence following this deadline with the first detailed monitoring report being the Month 4 which will be reported to Cabinet on 26 September 2017. Pending the resumption of full monthly reporting an interim report is presented at the end of month 2 with reporting by exception only. For information the draft Statement of Accounts are to be presented to the Audit Committee on 19 July 2017, and the 2016/17 revenue final outturn report is included on the agenda for this Cabinet Meeting.</p>
1.02	<p>Work has already been undertaken to review the progress and risks within this report to identify any emerging pressures or unachieved efficiencies which may impact on the latest MTFS forecast for 2018/19.</p>
1.03	<p>Although at a very early stage in the financial year, the initial net impact of the emerging risks and variances as detailed in the report is that expenditure is projected to be £0.978m higher than budget. It should be noted that this figure only includes significant variances as specified, and does not reflect a complete projected outturn position. The first detailed monitoring of all risks and variances will be reported to Cabinet on 26 September 2017.</p>
1.03	<p>The 2017/18 budget includes £8.433m of efficiencies from Portfolio Business Planning and Corporate Financing. Achievement of these efficiencies will be measured each month and reported within the revenue report. As part of the MTFS KPI's agreed in 2016/17, the target for achievement of the 2017/18 efficiencies is 95%.</p> <p>As this is an interim report by exception only, it does highlight some efficiencies that will not be achieved. A high level analysis of these against the target suggest that 94% will be achieved but it should be noted that a full analysis of the achievement on all efficiencies will be included from the Month 4 Revenue Budget Monitoring Report and this position is likely to change.</p>
1.04	<p>Budget planning, monitoring and management is tightly controlled by accountable Service Managers and Finance Managers from the outset. Cabinet members are also fully involved in their respective portfolio areas.</p>
1.05	<p>Members were made aware when setting the budget that there were a number of risks that would need to be kept under close review and an update on these are included together with other emerging risks that have been identified within Portfolios. There are also some positive variations that mitigate some of these risks as detailed below.</p>
1.06	<p>Social Services</p> <p>Within Social Services there are a number of variances identified at this early stage of the year. Many of these variances may recur in later years providing</p>

	the level of care packages remain at the current level and may require realignment of budgets in accordance with Financial Procedure Rules (FPR's) to reflect current demand.
1.07	<p><u>Older People – Purchasing (Localities)</u></p> <p>There is a projected underspend of £0.525m on purchased care within the Localities group of services. The main influences on this underspend are Residential & Nursing Care £0.226m, mostly due to an additional allocation from Welsh Government for an increase in the capital limit used when assessing charging implications for Residential Care, as well as a projected underspend on Domiciliary Care £0.142m, and in-year workforce savings of £0.157m due to short term vacancies.</p>
1.08	<p><u>Older People - Provider Services (Resources & Regulated Services)</u></p> <p>There are projected underspends within Day Centres, Home Care and Extra Care, with some offsetting overspends within Residential Care and a shortfall of grant income within Supporting People, in total this nets off to a projected underspend of £0.394m.</p>
1.09	<p><u>Older People - Provider Services (Contribution to North East Wales Community Equipment Store (NEWCES))</u></p> <p>There is a projected in year underspend of £0.160m following renegotiation with our NEWCES partners. This recurring saving has been earmarked for use as part of the funding strategy for the Council's new extra care facilities.</p>
1.10	<p><u>Mental Health services - Residential Placements</u></p> <p>There is a projected overspend of £0.267m on Mental Health residential placements due to a number of new high cost placements.</p>
1.11	<p><u>Learning Disabilities</u></p> <p>There is a projected net overspend within the service of £0.440m, which is mainly due to ongoing pressures within the externally provided supported living provision. The service will be looking for budget realignment opportunities to address this. Following completion of this review, recommendations will be made within a future budget monitoring report to seek approval for any proposed budget realignment to be undertaken to address this.</p>
1.12	<p><u>Adult Social Services – Various</u></p> <p>In 2017/18 the service received additional budget to fund a pressure for Independent Sector Fee increases in year. Due to the increase being less than anticipated, there is a recurring efficiency of £0.513m, which is to be held centrally to mitigate other in year pressures.</p>
1.13	<p><u>Children's Services - Out of County Placements</u></p> <p>There is a projected overspend of £0.746m within this service which is based on current clients and packages which is likely to be subject to variation during the year. This projection includes placement costs for 63 children. There is the potential for this to impact on future years, however due to the volatility in this area it is difficult to forecast accurately.</p>

1.14	<p><u>Welsh Government - additional funding allocations (including regional ICF allocation to help fund external provider fee inflation)</u></p> <p>Following finalisation of 2017/18 budget Welsh Government announced additional all Wales funding of a recurring £20m in recognition of the funding pressures being faced by the Social Care sector. This £20m of additional funding is to be invested in 3 key areas;</p> <ul style="list-style-type: none"> • £9m to increase funding already made available to manage workforce costs and promote the stability of the social care market • £8m to support work to prevent children from entering care and improve outcomes for those experiencing care • £3m to support respite for carers given the critical role they play <p>The first of these elements is in the form of the Social Care Workforce grant 2017/18 for which the Council will now receive a total allocation of £0.827m. This is an excess of funding above the budgeted sum of £0.399m.</p> <p>It is estimated Flintshire's share of the other two elements of all Wales funding will total is £0.466m, however this is still to be confirmed by Welsh Government.</p> <p>It has been confirmed that an allocation of £0.500m will be received in 2017/18 from the Intermediate Care Fund grant to help towards the funding of external provider fee inflation. The service had already received funding for external provider fees and therefore £0.500m can be returned from the service, as a one-off adjustment to be held centrally to fund in year pressures.</p>
1.15	<p><u>Operation Lenten (considering contribution from reserve)</u></p> <p>Children's Services Professional support was overspent by £0.344m in 2016/17 due in the main to court and child protection costs. The service is considering opportunities for realignment to manage this pressure but will require some additional funding (early estimate of £0.060m) in year in respect of the ongoing costs of Operation Lenten.</p>
1.16	<p>Community & Enterprise</p> <p><u>Council Tax Reduction Scheme (CTRS)</u></p> <p>There is a projected underspend of £0.300m on the CTRS based on an initial review of the demand levels in the early part of the year. Scheme. This underspend is expected to reoccur in future years at an anticipated level of £0.250m if demand levels remain the same.</p>
1.17	<p>Streetscene & Transportation</p> <p><u>Transport Routes</u></p> <p>A projected overspend of £0.675m is forecast due to the full year impact of procuring transport routes after a major transport provider entered into liquidation last financial year. This is made up of £0.185m for School Routes and £0.490m for Public Routes. There is likely to be an ongoing pressure in 2018/19 of £0.690m.</p>
1.18	<p><u>Environment & Sustainable Development (ESD) Grant Pressure</u></p> <p>There is a confirmed reduction of 3.7% in the 2017/18 grant of £0.111m. This will reoccur in 2018/19 and this has been built into the latest MTFs forecast.</p>

1.19	<p><u>Gas Engine Income</u> A £0.150m pressure built into the budget in 2017/18. Based on latest calculated income levels from gas generation at our landfill sites, a further pressure is emerging in year of £0.200m and is expected to be a recurring pressure into 2018/19.</p>
1.20	<p><u>Street Lighting Energy</u> A pressure of £0.131m is expected above the 2% standard inflation provided within the 2017/18 budget which is due to a potential inflationary increase of 16% which will reoccur into 2018/19.</p>
1.21	<p><u>Motor Insurance Premiums</u> Motor Insurance premium increases (notified in April 2017) have resulted in a projected pressure for £0.100m. Potential to reoccur in 2018/19.</p>
1.22	<p><u>Delay of Bus Subsidy Efficiency</u> Delay in the implementation of the removal of the bus subsidies for rural routes (delayed until 01/11/17) has resulted in a shortfall in the efficiency of £0.205m. The pressure will recur if not implemented.</p>
1.23	<p><u>County Hall Car Park Income</u> There is a shortfall in the efficiency for car parking permits at County hall of £0.080m due to the reduction in the cost of the car parking permits which is a recurring pressure.</p>
1.24	<p><u>Integrated Transport Unit (ITU)</u> There is an additional in year pressure of £0.135m due to the additional transport costs of pupils from John Summers High School transferring to Connah's Quay High School. The full year pressure from 2018/19 will be £0.200m.</p>
1.25	<p>Planning & Environment <u>Planning</u> There is an in year risk of not achieving the Planning Fee Income target with a substantial shortfall of approximately £0.350m projected. This will impact in 2018/19 and is included in MTF5.</p>
1.26	<p>People & Resources <u>Human Resources & Organisational Design Business Planning Efficiency</u> The efficiency for £0.222m is unlikely to be achieved in full. Early estimates indicate achievement of only £0.060m. This is likely to be recurring.</p>
1.27	<p><u>Criminal Record Bureau Checks (CRB)</u> The efficiency of £0.080m relating to reducing costs for CRB checks is unlikely to be achieved. This will be a pressure for future years unless policy for CRB charging is altered.</p>
1.28	<p><u>Occupational Health</u> The Occupational Health Service has previously provided services to</p>

	<p>Wrexham Borough Council through a Service Level Agreement (SLA) which has generated income of £0.164m per annum. This SLA will cease on 1 July 2017 therefore only a quarter of the SLA income will be received in 2017/18. There is the potential for a subsequent reduction in costs and alternative income opportunities will be pursued to mitigate the impact where possible. The will need to kept under review, however the service may be redesigned to mitigate some of this pressure.</p>
1.29	<p>Governance <u>Procurement</u> The 2015/16 income efficiency from client charging for subscription to the payment software portal will not be achieved resulting in a pressure of £0.116m. This will be a recurring pressure.</p>
1.30	<p><u>ICT</u> There a potential shortfall in the achievement of the ICT in year efficiency of £0.091m which will be monitored throughout the year.</p>
1.31	<p>The emerging risks and issues identified in 1.07 – 1.30 are the significant items that have been raised at this early stage in the year. A full detailed budget monitoring position will be reported for the first quarter of the year to Cabinet in September.</p>
1.32	<p><u>UNEARMARKED RESERVES</u> The final level of Council Fund Contingency Reserve brought forward into 2017/18 was £5.134m as detailed in the 2016/17 outturn report elsewhere on this agenda (subject to Audit).</p>
1.33	<p><u>Emerging Risks</u> Out of County Placements remain a volatile area of spend to forecast due to the high cost of individual placements and the frequent changes of packages of care to meet the complex needs of individual children.</p>
1.34	<p>There are a number of pressures which may affect the Homelessness service due to the rollout of Universal Credit. There is a risk that increasing demand and limiting options may lead to an increase in the number of individuals placed in temporary accommodation. Also there is a risk that there could be a reduction in the homelessness prevention funding which provides prevention services that reduce the number of people becoming homeless.</p>
1.35	<p>Some of the impacts of the Social Services and Wellbeing Act have already been identified as potential impacts on the 2018/19 budget, such as the Autism Spectrum Disorder, although there are other areas which are difficult to quantify but are being kept under review.</p>
1.36	<p>Ongoing Intermediate Care Fund (ICF) availability is a risk that will need to be</p>

	Monitored throughout the year.
1.37	There are potential risks within Education and Youth Services which could arise from School Modernisation, Additional Learning Needs (ALN) and continuation of the Early Year family support grant. At present we cannot quantify what the impact of these may be but the area will be kept under review.

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 identified within Section 1.33 – 1.37 of the report.

5.00	APPENDICES
5.01	None.

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

7.00	GLOSSARY OF TERMS
7.01	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.

Council Fund: the fund to which all the Council's revenue expenditure is charged.

Financial Year: the period of twelve months commencing on 1 April.

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.

Intermediate Care Fund: Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.

Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.

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.