

CABINET MEETING

Date of Meeting	Tuesday, 26 September 2017
Report Subject	Revenue Budget Monitoring 2017/18 (month 4)
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 current revenue budget monitoring position for 2017/18 for the Council Fund and Housing Revenue Account. This is the first full monitoring report for the year and presents the position, based on actual income and expenditure, as at Month 4 of the financial year. The report projects how the budget would stand at the close of the financial year if all things remained equal.

The projected year end position, without mitigation to reduce cost pressures and improve the yield on efficiency planning is:-

Council Fund

- Net in year expenditure forecast to be £1.256m more than budget
- Projected contingency reserve balance as at 31 March 2018 of £3.878m

Housing Revenue Account

- Net in-year expenditure forecast to be £0.026m higher than budget
- Projected closing balance as at 31 March 2018 of £1.090m

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2018.
2	To note the projected final level of balances on the Housing Revenue

	Account (HRA).
3	To agree a budget virement within Social Services to realign the budget to meet service needs (paragraph 1.10).
4	To approve an allocation of £0.052m from the contingency reserve to provide financial support to meet in-year budget pressures anticipated for 2017-18 in respect of regional economic development structures and support for events (paragraph 1.29).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 4 POSITION																																																																									
1.01	<p><u>Council Fund Overall Position</u></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"> • Net in year expenditure forecast to be £1.256m • Projected contingency reserve balance of £3.878m 																																																																									
1.02	<p>Council Fund Latest In-Year Forecast</p> <p>The table below shows the projected 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>61.471</td> <td>62.945</td> <td>63.259</td> <td>0.314</td> </tr> <tr> <td>Community & Enterprise</td> <td>12.518</td> <td>12.540</td> <td>11.970</td> <td>(0.570)</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>27.467</td> <td>27.480</td> <td>29.391</td> <td>1.910</td> </tr> <tr> <td>Planning & Environment</td> <td>5.043</td> <td>4.932</td> <td>5.436</td> <td>0.503</td> </tr> <tr> <td>Education & Youth</td> <td>10.966</td> <td>10.934</td> <td>10.858</td> <td>(0.076)</td> </tr> <tr> <td>Schools</td> <td>88.862</td> <td>88.862</td> <td>88.862</td> <td>0.000</td> </tr> <tr> <td>People & Resources</td> <td>4.283</td> <td>4.147</td> <td>4.604</td> <td>0.457</td> </tr> <tr> <td>Governance</td> <td>7.675</td> <td>7.651</td> <td>7.896</td> <td>0.246</td> </tr> <tr> <td>Organisational Change 1</td> <td>5.801</td> <td>5.821</td> <td>5.900</td> <td>0.079</td> </tr> <tr> <td>Organisational Change 2</td> <td>2.422</td> <td>2.288</td> <td>2.100</td> <td>(0.189)</td> </tr> <tr> <td>Chief Executive</td> <td>3.008</td> <td>2.940</td> <td>2.824</td> <td>(0.116)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td>25.642</td> <td>24.616</td> <td>23.312</td> <td>(1.303)</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	61.471	62.945	63.259	0.314	Community & Enterprise	12.518	12.540	11.970	(0.570)	Streetscene & Transportation	27.467	27.480	29.391	1.910	Planning & Environment	5.043	4.932	5.436	0.503	Education & Youth	10.966	10.934	10.858	(0.076)	Schools	88.862	88.862	88.862	0.000	People & Resources	4.283	4.147	4.604	0.457	Governance	7.675	7.651	7.896	0.246	Organisational Change 1	5.801	5.821	5.900	0.079	Organisational Change 2	2.422	2.288	2.100	(0.189)	Chief Executive	3.008	2.940	2.824	(0.116)	Central & Corporate Finance	25.642	24.616	23.312	(1.303)
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	Total	255.156	255.156	256.412
				1.256
1.03	<p>The reasons for the projected variances are summarised within Appendix 1 with key significant portfolio variances explained in paragraphs 1.04 to 1.08 below. As has been the practice in recent years where a variance has been due to a conscious change to policy or practice, the resulting variance is managed corporately with the relevant portfolio not expected to meet any shortfall.</p>			
1.04	<p><u>Streetscene & Transportation</u></p> <p>There is a projected overspend of £1.910m within this portfolio.</p> <p>The overspend partly comprises of the materialisation of some of the known significant risks identified when the 2017/18 budget was set by Council and include additional costs of £0.675m following re-procurement for covering various public transport routes and the confirmed reduction of the Single Environment Grant of £0.111m.</p> <p>Further variations relate to various conscious decisions including a delay in the decision to review subsidised bus routes (£0.205m), additional transport costs arising from a school closure (£0.200m), a reduction in car parking income in Flint (£0.050m), and the none achievement of efficiencies for Shared specialist Plant with Neighbouring Authorities (£0.050m) and transferring some service maintenance responsibilities to other organisations (£0.050m).</p> <p>The net position on the projected overspend excluding the above decisions is a net operating deficit of £0.569m.</p> <p>Major variations affecting the above operating deficit include a further decrease of £0.200m in the level of income from Renewable Energy Production over and above the pressure included in the 2017/18 budget (£0.150m for Gas Engines), anticipated increases in Motor insurance premiums (£0.100m) and street lighting (£0.131m) reflecting a 16% increase.</p> <p>Work is ongoing to assess any potential impact on these in year variances on the Medium Term Financial Strategy (MTFS) forecast for 2018/19.</p>			
1.05	<p><u>Social Services</u></p> <p>The projected outturn for Out of County placements in Children’s Services is currently £0.625m due to the number of Child and Parent placements. This overspend is being partly mitigated by underspends within the Social Services portfolio. The volatility and risk of this service to the in-year and ongoing financial position will need to be closely monitored and any potential impact on 2018/19 considered.</p>			
1.06	<p><u>Planning & Environment</u></p>			

	<p>There is a projected in-year Planning Fee Income shortfall of £0.325m. The impact of the Welsh Government requirements for major developers to enter into pre consultation for a period of 28 days prior to submitting an application has delayed the submission of some high value applications which in turn will affect the fee income received. This is resulting in lower numbers of applications submitted than previously predicted. This will need to be kept under review in year though it has been highlighted as a potential pressure for 2018/19.</p>												
1.07	<p><u>Community & Enterprise</u></p> <p>There is currently a projected underspend on the Council Tax Reduction Scheme (CTRS) of £0.407m based on existing demand which will need to be kept under review throughout the year together with a favourable variance on the Council Tax Collection fund of £0.153m.</p>												
1.08	<p><u>Central & Corporate Finance</u></p> <p>There is a positive variance of £1.303m projected within this area which is mainly due to one off additional funding from the Intermediate Care Fund from Health (£0.500m), the impact of estimated additional funding announced by Welsh Government for Social Services Pressures (£0.595m) and a positive variance on other Social Care pressures as referenced in the budget report for 2017/18 (£0.512m).</p> <p>Other major variances within this area include a positive variance on the pension fund contributions due to a lower than anticipated pressure to fund the in-year increase due to the actuarial review of £0.288m. However, this is offset by a current shortfall in the income target of £0.412m and lower than anticipated levels of car parking income from car parking permits at County Hall of £0.080m.</p>												
1.09	<p><u>Significant Movements between Original and Revised Budget</u></p> <p>There has been an accounting adjustment to transfer £1.696m from Central & Corporate Finance to Social Services. This is the amount required to meet the 2017/18 independent care fee increase.</p>												
1.10	<p><u>Proposals for budget realignment – Social Services</u></p> <p>Following a review of services within Social Services for Adults, it is considered appropriate to seek Cabinet approval for realignment of budget between some areas of Older People, which are currently reflecting underspends, and Learning Disabilities which is experiencing some significant demand influenced pressures as shown in the table below.</p> <table border="1"> <thead> <tr> <th>Service area :</th> <th>Increase in budget : £(m)</th> <th>Decrease in budget : £(m)</th> </tr> </thead> <tbody> <tr> <td>Older People - Locality teams (Residential Care)</td> <td></td> <td>(0.200)</td> </tr> <tr> <td>Older People - Locality teams (Domiciliary Care)</td> <td></td> <td>(0.100)</td> </tr> <tr> <td>Disability Services – Resources & Regulated</td> <td>0.242</td> <td></td> </tr> </tbody> </table>	Service area :	Increase in budget : £(m)	Decrease in budget : £(m)	Older People - Locality teams (Residential Care)		(0.200)	Older People - Locality teams (Domiciliary Care)		(0.100)	Disability Services – Resources & Regulated	0.242	
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	Services		
	Older People - Resources & Regulated Services (Supporting People)	0.058	
	Total :	0.300	(0.300)
1.11	Within Older People, purchased Residential & Nursing Care is currently projected to underspend by £0.349m due to a decrease in service users and additional income from service user properties and free nursing contributions from BCUHB. It is considered that £0.200m from within this underspend can be realigned to address pressures in other areas of Adults Social Services.		
1.12	Also within Older People, purchased Domiciliary Care is projected to underspend by £0.206m due to demand influences. It is considered that £0.100m from this underspend can be realigned to address pressures in other areas of Adults Social Services.		
1.13	It is recommended that £0.242m of the total be allocated to Domiciliary Day Care and Direct payments Supported Living group of services within Learning Disabilities - Resources & Regulated Service which is currently projecting an overspend of £0.319m.		
1.14	The remaining £0.058m is recommended to be allocated to meet a shortfall of Supporting People grant income within Older People – Resources & Regulated Services. There is currently a projected shortfall arising from the Councils overall allocation due to meeting the eligibility criteria.		
1.15	<p>Tracking of In Year Risks and Emerging Issues</p> <p>At the time of setting the Budget for 2017/18 a number of significant risks were identified and an update is provided below:</p>		
1.16	<p><u>Single Environment Grant</u></p> <p>As part of the 2017/18 budget, Council undertook a decision to manage the in year risk of any potential reduction in this grant. The actual reduction for 2017/18 has been confirmed as £0.111m (3.83%) which has been incorporated as a projected overspend in the outturn.</p> <p>In Year Risk status: Green Longer Term Risk Status: Red</p>		
1.17	<p><u>Transportation Costs</u></p> <p>Another identified risk were the costs of procuring the local public and school bus services. It is projected that additional costs of £0.675m will be incurred in 2017/18 as there are unlikely to be any mitigating factors to resolve this in the current financial year.</p> <p>In Year Risk status: Green Longer Term Risk Status: Red</p>		
1.18	<u>Social Care Fees</u>		

	<p>Within the 2017/18 budget it was agreed that the level of fee increases to the Independent Sector would be contained within the budget provided and that any remaining amount be set aside as a risk contingency to assist with managing the ongoing budget risks identified above. Negotiations have been concluded and the increase has been able to be met within the available resources.</p> <p>In Year Risk Status: Green Longer Term Risk Status: Red</p>
1.19	<p><u>Out of County Placements</u></p> <p>The volatility in demand and the impacts on service costs cannot be predicted with any certainty. 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 which at M4 is projecting an overspend of £0.625m. Legal and Social Service Managers will be making a compelling case for alternative care arrangements to placements at forthcoming court cases, to reduce the financial impact.</p> <p>In Year Risk Status: Green Longer Term Risk Status: Red</p>
1.20	<p>Other Tracked Risks</p> <p>In addition, there are a number of risks being tracked that may be subject to change and these are summarised below:</p> <p><u>Achievement of Planned In-Year Efficiencies</u></p> <p>The Council set a challenging target for the level of efficiencies to be achieved in year as part of its approach to annual budget planning. These efficiencies are generated from the three year service portfolio business plans and from corporate financial planning. The 2017/18 budget contains £8.433m of specific efficiencies which are tracked and monitored. In recent years the level of efficiency achievement has averaged at around 85% though the council aspires to raise this to 95% in 2017/18 as reflected in the recent MTFS KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2017/18 shows that £7.171m (85%) of the efficiencies would be achieved which is lower than the target. There is a further risk that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2018/19 budget. Further details on the current status on efficiencies can be seen in Appendix 2 with the overall impact in relation to any impact for 2018/19 being reviewed as part of the ongoing work on the MTFS.</p> <p>In Year Risk status: Amber Longer Term Risk Status: Red</p>
1.21	<p><u>Inflation</u></p> <p>The 2017/18 budget includes Non Standard Inflation for Energy, Food and Fuel at 2% however this will need to be kept under review due to the volatility of markets which may be affected by global events and the impact of negotiations relating to Brexit. MTFS projection for Inflation for 2018/19</p>

	reflects an increasing pressure. In Year Risk status: Amber Longer Term Risk Status: Amber																																
1.22	<p><u>Income</u></p> <p>The Council is continuing to increase its Income from Fees and Charges and a new Income Strategy is due to go to Cabinet in the Autumn. A target of £0.500m was included in the 2016/17 budget of which so far £0.088m has been met leaving a balance of £0.412m to be found. Work is ongoing to revise existing charges where possible and to identify new opportunities for generating income, which will be kept under review throughout the year.</p> <p>In Year Risk Status: Red Longer Term Risk Status: Red</p>																																
1.23	<p>New Emerging Risks in 2017/18</p> <p>In addition to the known risks referred to above there are also a number of new risks emerging in-year which have been incorporated into the projected outturn and will also need carefully assessing for the potential impact on the 2018/19 budget.</p> <p>These new issues are being monitored as part of the ongoing review of the Councils financial position and are shown in the table below with the current M4 variances included as part of the overall position:</p> <table border="1"> <tr> <td>Council Tax Reduction Scheme (CTRS) – Reduction in demand</td> <td>(0.407)</td> </tr> <tr> <td>Council Tax Collection in year efficiency</td> <td>(0.153)</td> </tr> <tr> <td>Social Care Additional Funding in 17/18 – Estimated amount</td> <td>(0.595)</td> </tr> <tr> <td>Intermediate Care Fund (ICF) – Continuation of funding</td> <td>(0.500)</td> </tr> <tr> <td>Pension Deficit Recovery – Due to opt out and surplus allocation from budget pressure for actuarial review</td> <td>(0.288)</td> </tr> <tr> <td>Markets Income – Decline in levels of income</td> <td>0.050</td> </tr> <tr> <td>Gas Engine Income – Further decrease to level of income over and above pressure included in 2017/18 budget (£0.150m)</td> <td>0.200</td> </tr> <tr> <td>Planning Fee Income – In year shortfall due to pre consultation</td> <td>0.325</td> </tr> <tr> <td>Shared Specialist Plant – Previous year efficiency not achieved</td> <td>0.050</td> </tr> <tr> <td>Motor Insurance Premium Increase - In year increase not anticipated</td> <td>0.100</td> </tr> <tr> <td>Street Lighting increase in 2017/18 of 16%</td> <td>0.131</td> </tr> <tr> <td>County Hall Parking – Lower than anticipated efficiency on parking permits</td> <td>0.080</td> </tr> <tr> <td>Procurement Supplier Charging – Previous year efficiency not achievable</td> <td>0.116</td> </tr> <tr> <td>Environmental Health Officer temporary posts</td> <td>0.120</td> </tr> <tr> <td>Central and Corporate Support Service pressure offset by efficiency on Audit Fees</td> <td>0.107</td> </tr> <tr> <td>Total New Emerging Risks</td> <td>(0.664)</td> </tr> </table>	Council Tax Reduction Scheme (CTRS) – Reduction in demand	(0.407)	Council Tax Collection in year efficiency	(0.153)	Social Care Additional Funding in 17/18 – Estimated amount	(0.595)	Intermediate Care Fund (ICF) – Continuation of funding	(0.500)	Pension Deficit Recovery – Due to opt out and surplus allocation from budget pressure for actuarial review	(0.288)	Markets Income – Decline in levels of income	0.050	Gas Engine Income – Further decrease to level of income over and above pressure included in 2017/18 budget (£0.150m)	0.200	Planning Fee Income – In year shortfall due to pre consultation	0.325	Shared Specialist Plant – Previous year efficiency not achieved	0.050	Motor Insurance Premium Increase - In year increase not anticipated	0.100	Street Lighting increase in 2017/18 of 16%	0.131	County Hall Parking – Lower than anticipated efficiency on parking permits	0.080	Procurement Supplier Charging – Previous year efficiency not achievable	0.116	Environmental Health Officer temporary posts	0.120	Central and Corporate Support Service pressure offset by efficiency on Audit Fees	0.107	Total New Emerging Risks	(0.664)
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1.24	<p>Inflation</p> <p>Included within the 2017/18 budget are provision for pay (£0.915m), targeted price inflation (£0.313m), food (£0.051m), fuel (£0.033m) and Energy (£0.061m).</p>
1.25	<p>Portfolios have received their allocations for pay and price and there is a remaining balance of £0.014m which is included within the overall outturn figure.</p>
1.26	<p>No allocations have been made so far for non-standard inflation (NSI) in 2017/18. Areas that may be subject to NSI increases will be monitored throughout the year and any emerging pressures will be considered in future reports though at present it is anticipated that the allocation will be spent in full.</p>
1.27	<p>Reserves and Balances</p> <p><u>Un-earmarked Reserves</u></p> <p>The 2016/17 outturn reported to Cabinet on 18 July 2017 showed un-earmarked reserves at 31 March 2016 (above the base level of £5.769m) of £5.133m.</p>
1.28	<p>Taking into account the current projected overspend at Month 4 and previously agreed allocations the balance on the Contingency Reserve at 31 March 2018 is projected to be £3.878m as detailed in appendix 3.</p>
1.29	<p>There is a request for approval of an allocation of £0.052m from the contingency reserve to provide financial support to meet in-year budget pressures anticipated for 2017-18 in respect of regional economic development structures and support for events as described in paragraphs 1.30 and 1.31.</p>
1.30	<p>The Council is a partner in two regional economic development structures; the North Wales Economic Ambition Board (NWEAB) and the Mersey Dee Alliance (MDA). Through both structures, the Council has been able to play a major role in creating a shared economic policy for the region and there are positive signs that significant Government investment in the area will be forthcoming as a result. The Council pays an annual contribution towards the costs of each of these bodies from the economic development budget but the scale of contribution is expected to increase for 2017/18 to a level beyond the ability of the service to absorb. It is proposed that the economic development service continues to pay £0.030m of the annual costs of supporting the NWEAB and MDA and that the remaining £0.022m is funded from the contingency reserve.</p>
1.31	<p>Historically the Council has supported county wide and town focussed events. Streetscene provides signage and waste management services to events at a cost to the Authority that, with tightening budgets, has become unsustainable. It is recommended that a corporate contribution is made to</p>

	the service of £0.030m to enable them to support major events in 2017/18.
1.32	<u>Earmarked Reserves</u> A summary of earmarked reserves as at 1 April 2017 and an estimate of projected balances as at the end of the financial year will be included in the month 5 report.
1.33	Housing Revenue Account The 2016/17 Outturn Report to Cabinet on 18 July 2017 showed an un-earmarked closing balance at the end of 2016/17 of £1.116m and a closing balance of earmarked reserves of £0.526m.
1.34	The 2017/18 budget for the HRA is £33.633m which includes a movement of £0.035m from reserves.
1.35	The Month 4 monitoring for the HRA is projecting in year expenditure to be £0.026m lower than budget and a closing un earmarked balance as at 31 March 2018 of £1.090m, which at 3.2% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

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	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	There are three categories of risks which are covered in the main section of the report from paragraph 1.15 to 1.23.

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
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6.01	<p>None required.</p> <p>Contact Officer: Sara Dulson (Finance Manager) Telephone: 01352 702287 E-mail: sara.dulson@flintshire.gov.uk</p>

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.
7.02	Council Fund: the fund to which all the Council's revenue expenditure is charged.
7.03	Financial Year: the period of twelve months commencing on 1 April.
7.04	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.
7.05	Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.
7.06	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.
7.07	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.
7.08	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.
7.09	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.
7.10	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.
7.11	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.