

## CABINET

<b>Date of Meeting</b>	Tuesday 16 April 2019
<b>Report Subject</b>	Revenue Budget Monitoring 2018/19 (month 11)
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Education and Interim Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### **EXECUTIVE SUMMARY**

This monthly report provides the latest revenue budget monitoring position for 2018/19 for the Council Fund and Housing Revenue Account. This report presents the position, based on actual income and expenditure, as at Month 11 of the financial year. 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 surplus of £0.931m (£0.743m at Month 10).
- A projected contingency reserve balance as at 31 March 2019 of £8.715m, which, when taking into account the agreed contributions for the 2019/20 budget, reduces to £6.494m.

The next report will advise of the outturn position on 16 July 2019 and is not anticipated to significantly change between now and year-end unless there is a late change to demand levels of services.

The improvement in the projected outturn will have a positive impact on the projected availability of reserves at year end. This will help safeguard the Council against the known risks in 2019/20. Further use of reserves to help balance the budget for next year would be unsustainable, and the advice on the amount of reserves which could have been drawn down would have remained unchanged at the stage of setting the annual budget even with this improved position.

## Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.067m lower than budget.
- A projected closing balance as at 31 March 2019 of £1.165m.

## RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 <sup>st</sup> March 2019.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).
3	To approve allocations from the contingency reserve for investment in change and to operate a Sustainable Drainage System (SuDS) Approving Body (SAB) (paras 1.14 – 1.15)
4	To approve the carry forward request included in appendix 6

## REPORT DETAILS

1.00	EXPLAINING THE MONTH 11 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"><li>• An operating surplus of £0.931m</li><li>• A projected contingency reserve balance as at 31 March 2019 of £8.715m which reduces to £6.494m when taking into account agreed contributions for the 2019/20 budget</li></ul> <p>The next report will advise of the outturn position on 16 July 2019 and is not anticipated to significantly change between now and year-end unless there is a late change to demand levels of services.</p>								
1.02	<p>Projected Position by Portfolio</p> <p>The table below shows the projected position by portfolio:</p> <table><tr><th>TOTAL EXPENDITURE AND INCOME</th><th>Revised Budget</th><th>Projected Outturn</th><th>In-Year Over / (Under) spend</th></tr><tr><td></td><td>£m</td><td>£m</td><td>£m</td></tr></table>	TOTAL EXPENDITURE AND INCOME	Revised Budget	Projected Outturn	In-Year Over / (Under) spend		£m	£m	£m
TOTAL EXPENDITURE AND INCOME	Revised Budget	Projected Outturn	In-Year Over / (Under) spend						
	£m	£m	£m						

	Social Services	65.054	64.053	(1.001)
	Out of County	7.274	8.877	1.603
	Education & Youth	8.312	8.135	(0.177)
	Schools	89.776	89.776	0.000
	Streetscene & Transportation	29.684	31.224	1.544
	Planning & Environment	5.641	5.581	(0.059)
	People & Resources	4.383	4.392	0.009
	Governance	8.224	7.932	(0.292)
	Strategic Programmes	4.198	4.187	(0.011)
	Housing & Assets	14.442	14.223	(0.202)
	Chief Executive	2.990	2.542	(0.449)
	Central & Corporate Finance	24.351	22.455	(1.896)
	<b>Total</b>	<b>264.328</b>	<b>263.398</b>	<b>(0.931)</b>
1.03	The projected outturn is an operating surplus of £0.931m which is a positive movement of £0.188m from the previous month where an operating surplus of £0.743m was reported. The reasons for these changes are summarised in Appendix 1 with the key significant changes explained in paragraphs 1.04 below. The reasons for the projected variances in all Portfolio areas are summarised within Appendix 2.			
1.04	<b>Social Services</b>  There has been an overall reduction in projected spend for Social Services of £0.361m between month 10 and month 11. This movement is due to a number of reasons of which the most significant are detailed below.  Within residential and nursing care (Older People), the contingency requirement projected for winter pressures is £0.137m less than originally estimated  Within Disability Services there has been additional income of £0.110m claimed back from direct payment accounts which were holding significant surpluses and additional joint funding income for £0.103m is also expected.			
1.05	<b>Tracking of In-Year Risks and Emerging Issues</b>  At the time of setting the Budget for 2018/19 a number of significant risks were identified and updates have been provided each month within the report.  Now that the financial year has ended and work has commenced on the closure of the accounts the risks of significant changes to the outturn have diminished and hence the risks removed from the report.			

1.06	<p><b>Achievement of Planned In-Year Efficiencies</b></p> <p>The 2018/19 budget includes £5.511m of specific efficiencies which are closely tracked and monitored. In 2017/18 the level of efficiency achievement was 94% which was an improvement on the 91% achieved during the previous year. The Council aims to achieve a 95% rate in 2018/19 as reflected in the MTFS KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2018/19 shows that £5.305m or 96% of the efficiencies will be achieved. Further details on the current status on efficiencies can be seen in Appendix 3.</p>
1.07	<p><b>Other In-Year Issues</b></p> <p><b>Inflation</b></p> <p>Included within the 2018/19 budget are provision for pay (£0.937m), food (£0.124m), fuel (£0.069m) and Energy (£0.442m). As in previous years, these amounts are held centrally until there is an evidenced business need identified.</p>
1.08	<p>An allocation of £0.075m for energy has been transferred to the Street Lighting service to reflect the additional cost impact.</p>
1.09	<p>It is anticipated that all of the above will be required apart from £0.110m food inflation and is reflected in the outturn figure. This area has been kept under review over the winter period to assess the impact of energy costs and the final position will be reported at outturn.</p>
1.10	<p><b>Reserves and Balances</b></p> <p><b>Un-earmarked Reserves</b></p> <p>The 2017/18 outturn reported to Cabinet in July showed un-earmarked reserves at 31 March 2018 (above the base level of £5.769m) of £7.928m.</p> <p>As agreed in the 2018/19 budget an amount of £1.945m was approved as part of the strategy to balance the budget and in addition County Council on 1 March approved a one off amount of £0.460m for schools, on a temporary basis. The available Contingency Reserve after taking account of these contributions is therefore £5.523m.</p>
1.11	<p>At Month 4 it was agreed that the amount recovered due to a change in accounting policy for the Minimum Revenue Provision of £1.400m and a VAT rebate on some sporting exemptions for £1.940m would be transferred to the Contingency Reserve.</p>
1.12	<p>Taking into account the current projected underspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2019 is projected to be £8.715m as detailed in appendix 4.</p>

1.13	<p>As part of the budget strategy work for 2019/20 an agreed contribution from the Contingency Reserve of £1.900m will be used to assist in closing the budget gap on a one off basis.</p> <p>As agreed at Council on 18 February 2019, an additional amount of £0.321m will also be used from the Contingency Reserve, on a one-off basis, to assist in closing the budget gap. This amount has been released from earmarked reserves after a review reserves held.</p> <p>After considering this impact, the total available balance of the Contingency Reserve which can be drawn upon is £6.494m.</p>
1.14	<p>Schedule 3 Flood and Water Management Act January 2019 requires Local Authorities to operate a SuDS Approving Body (SAB) to deal with surface water drainage matters relating to new developments and ensure compliance with new Welsh Government mandatory national standards. The role and purpose will be to receive, consider, approve and subsequently adopt SuDS schemes submitted by developers prior to, or in parallel with, planning applications for development. The resource implications are being considered as part of the current review of the MTFS from 2020/21 onwards. However, it is anticipated that an amount of £0.062m will be required in 2019/20 and as there is no budgetary provision for this it is recommended that these costs are met from the Contingency Reserve.</p>
1.15	<p>Previous allocations for investment in change have now been fully utilised and there is a need to ring-fence a further amount to support future initiatives for investment in change and to assist with the delivery of efficiencies over the medium term. It is recommended that an amount of £1m is allocated for this purpose to support the Medium Term Financial Strategy for the period 2019/20 – 2022/23 which is in line with the recommended level advised as part of the setting of the 2019/20 budget.</p>
1.16	<p><b>Earmarked Reserves</b></p> <p>Earmarked reserves are monitored in accordance with the reserves protocol. A summary of earmarked reserves as at 1 April 2018 and the closing balances as at the end of this financial year will be included in the outturn report.</p>
1.17	<p><b>Request for Carry Forward of Funding</b></p> <p>A number of requests to carry forward revenue funding into 2019/20 are included in Appendix 6 and are recommended for approval.</p>
1.18	<p><b>Housing Revenue Account</b></p> <p>The 2017/18 Outturn Report to Cabinet on 17 July 2018 showed an un-earmarked closing balance at the end of 2017/18 of £1.116m and a closing balance of earmarked reserves of £0.802m.</p>
1.19	<p>The 2018/19 budget for the HRA is £34.381m which includes a budgeted movement of £0.018m from reserves. The projected outturn is an</p>

	underspend of £0.067m which has the impact of bringing the closing un-earmarked reserves balance to £1.165m which at 3.4% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
1.20	There is an increase of £0.081m in the budget contribution towards capital expenditure (CERA) of £12.170m. The increase in this contribution decreases the level of borrowing required to fund the proposed capital programme.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As we are nearing the end of the financial year and the closure of the 2018/19 accounts it is not anticipated that there are any significant risks to the final outturn position. Any risks with an impact on 2019/20 were considered within the 2019/20 budget which was approved at Council on 19 February 2019.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Council Fund – Movement in Variances from Month 10 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 Appendix 6: Carry Forward Requests

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None required.  <b>Contact Officer:</b> Sara Dulson (Finance Manager) <b>Telephone:</b> 01352 702287 <b>E-mail:</b> <a href="mailto:sara.dulson@flintshire.gov.uk">sara.dulson@flintshire.gov.uk</a>

7.00	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Budget:</b> 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><b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.</p> <p><b>Financial Year:</b> the period of twelve months commencing on 1 April.</p> <p><b>Housing Revenue Account:</b> 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><b>Projected Outturn:</b> projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p> <p><b>Reserves:</b> 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><b>Revenue:</b> 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><b>Underspend:</b> 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.</p> <p><b>Variance:</b> 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><b>Virement:</b> 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><b>Medium Term Financial Strategy:</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given</p>

	period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.
--	---