

CABINET

Date of Meeting	Tuesday, 16 th July 2019
Report Subject	Revenue Budget Monitoring 2018/19 (Outturn)
Portfolio Holder	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides the outturn revenue budget monitoring position (subject to audit) for 2018/19 for the Council Fund and Housing Revenue Account.

The final year end position was as follows;

Council Fund

- An operating surplus of £0.608m (£0.931m at Month 11).
- A Contingency Reserve balance as at 31 March 2019 of £8.252m which, when taking into account the agreed contributions for the 2019/20 budget reduces to £6.031m.

Housing Revenue Account (HRA)

- Net in year expenditure was £0.067m lower than budget.
- A closing un-earmarked balance as at 31 March 2019 of £1.165m.

RECOMMENDATIONS

1	<p>Members are requested to:</p> <p>Note the overall report and the Council Fund contingency sum as at 31 March 2019.</p>
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2	Note the final level of balances on the Housing Revenue Account as at 31 March 2019.
3	Approve the carry forwards requested (paragraph 1.21).

REPORT DETAILS

1.00	REVENUE BUDGET MONITORING POSITION (OUTTURN 2018/19)																																																																		
1.01	<p>Council Fund Overall Position</p> <p>The final position for 2018/19 is an operating surplus (subject to audit) of £0.608m which is a decrease of £0.323m on the operating surplus previously reported in month 11.</p>																																																																		
1.02	<p>The table below shows the outturn position by portfolio:</p> <table border="1"> <thead> <tr> <th>TOTAL EXPENDITURE AND INCOME</th> <th>Revised Budget</th> <th>Final Outturn</th> <th>In-Year Over / (Under) spend</th> </tr> <tr> <td></td> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>65.075</td> <td>64.163</td> <td>(0.912)</td> </tr> <tr> <td>Out of County</td> <td>7.274</td> <td>9.007</td> <td>1.733</td> </tr> <tr> <td>Education & Youth</td> <td>8.254</td> <td>8.073</td> <td>(0.181)</td> </tr> <tr> <td>Schools</td> <td>89.706</td> <td>89.706</td> <td>0.000</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>29.879</td> <td>31.423</td> <td>1.544</td> </tr> <tr> <td>Planning & Environment</td> <td>5.641</td> <td>5.589</td> <td>(0.051)</td> </tr> <tr> <td>People & Resources</td> <td>4.403</td> <td>4.387</td> <td>(0.016)</td> </tr> <tr> <td>Governance</td> <td>8.134</td> <td>7.963</td> <td>(0.172)</td> </tr> <tr> <td>Strategic Programmes</td> <td>4.198</td> <td>4.179</td> <td>(0.020)</td> </tr> <tr> <td>Housing & Assets</td> <td>14.640</td> <td>14.499</td> <td>(0.140)</td> </tr> <tr> <td>Chief Executive</td> <td>2.990</td> <td>2.554</td> <td>(0.437)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td>24.135</td> <td>22.178</td> <td>(1.958)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>264.328</td> <td>263.721</td> <td>(0.608)</td> </tr> </tbody> </table>			TOTAL EXPENDITURE AND INCOME	Revised Budget	Final Outturn	In-Year Over / (Under) spend		£m	£m	£m	Social Services	65.075	64.163	(0.912)	Out of County	7.274	9.007	1.733	Education & Youth	8.254	8.073	(0.181)	Schools	89.706	89.706	0.000	Streetscene & Transportation	29.879	31.423	1.544	Planning & Environment	5.641	5.589	(0.051)	People & Resources	4.403	4.387	(0.016)	Governance	8.134	7.963	(0.172)	Strategic Programmes	4.198	4.179	(0.020)	Housing & Assets	14.640	14.499	(0.140)	Chief Executive	2.990	2.554	(0.437)	Central & Corporate Finance	24.135	22.178	(1.958)					Total	264.328	263.721	(0.608)
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1.03	<p>The negative movement of £0.323m from the previous month is due to a further increase in Out of County Placements, adjustments to the Council Tax collection account and various other minor changes. The reasons for all</p>																																																																		

	changes are summarised in Appendix 1 and the reasons for the projected variances in all portfolio areas are summarised within Appendix 2.
1.04	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2018/19 budget included £5.511m of specific efficiencies which were 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 aimed to achieve a 95% rate in 2018/19 as reflected in the Medium Term Financial Strategy's key performance indicators.</p> <p>Within the year £5.405m (98%) of planned efficiencies were achieved which is above the target and further details on the achievement of the efficiencies are included in Appendix 3.</p>
1.05	<p>Brief Overview of the Year – Council Fund</p> <p>The Council set its 2018/19 budget on 20 February 2018 and were advised of a number of risks that could impact on the financial position. These related in particular to a potential reduction in the Single Environment Grant and further information awaited from Welsh Government over future funding of the Minor Ethnic and Language Achievement Grant (MEAG). In addition, the outcome of national pay award negotiations had not been included at the budget setting stage and this was highlighted as a significant risk to be dealt with in year which would need to be funded from the Contingency Reserve. A subsequent allocation of just under £1m was transferred to meet the one off impact of this.</p>
1.06	<p>Month 4 was the first detailed Revenue Monitoring Report for 2018/19 and an initial operating deficit of £0.660m was forecast. The actual net in year expenditure forecast was a £2.680m surplus once the positive impact of a £1.400m contribution due to the agreed change to the accounting policy for Minimum Revenue Provision (MRP) and receipt of a VAT rebate for £1.940m are included. The Month 4 report recommended that both these amounts be allocated to the Contingency Reserve to support the Medium Term Financial Strategy.</p>
1.07	<p>The Month 4 report detailed a number of positive and negative variances with pressure on the Children's Services budget due in particular to the increased demand on Out of County Placements. Early projections showed an overspend of £1.577m although this was partly mitigated by other underspends within the Social Services portfolio.</p>
1.08	<p>A delay in the development of the new Rockcliffe Household Recycling site and a shortfall in the income gained from recycling contributed to a projected overspend in Streetscene and Transportation, together with a shortfall in car parking income and additional school transport costs.</p>
1.09	<p>Within the Central and Corporate budget a projected underspend in pensions and auto enrolment was reported to be kept under review throughout the year.</p>
1.10	<p>At Month 6 the position improved with the in-year working deficit reduced to £0.222m due in the main to an improvement in a number of areas including</p>

	demand levels of the Council Tax Reduction Scheme mainly due to a review of single person discounts.
1.11	At Month 8 the Council received additional grant funding of £0.611m from Welsh Government to support costs associated with Supporting Sustainable Social Services which enabled additional costs of Out of County Placements to be mitigated within the month and contributed to a projected surplus of £0.026m.
1.12	At Month 10, the reduction of a number of Out of County Placements together with some additional one off windfall income from non-domestic rates led to an increase projected surplus of £0.743m.
1.13	The final outturn is an operating surplus of £0.608m.
1.14	<p>Reserves and Balances</p> <p><u>Un-earmarked Reserves</u></p> <p>The 2017/18 outturn reported to Cabinet in July showed un-earmarked reserves at 31 March 2017 (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 at the start of the year after taking account of these contributions was therefore £5.523m.</p>
1.15	At Month 4 it was agreed that the financial impact 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.
1.16	Taking into account the current projected underspend (subject to audit), and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2019 is £8.252m as detailed in appendix 4.
1.17	<p>As agreed at Council on 18 February 2019, an additional amount of £2.2321m was used from the Contingency Reserve, on a one-off basis to contribute to the 2019/20 budget leaving a total available balance of the Contingency Reserve which can be drawn upon of £6.031m.</p> <p>In addition The Month 11 report recommended allocations from the Contingency Reserve for investment in change and to operate a Sustainable Drainage System (SuDS) Approving Body (SAB). These allocations will be transferred in the new financial year and when taken into consideration the available reserve reduces to £4.969m.</p>
1.18	The table below gives a summary of earmarked reserves as at 31 March 2019. A full analysis of the movement in reserves from 1 April 2018 to 31 March 2019 is contained within the Statement of Accounts.

1.19 Council Fund Earmarked Reserves 2018/19

Reserve Type	Balance as at 01/04/18	Balance as at 31/03/19
Service Balances	1,515,041	855,075
Schools Balances	1,284,798	1,335,087
Single Status/Equal Pay	1,620,888	1,184,187
Investment & Organisational Change	1,439,029	1,039,115
Budget Strategy	208	208
Benefits Equalisation	318,370	318,370
County Elections	170,144	204,561
Local Development Plan (LDP)	180,000	180,000
Building Control	54,427	0
Waste Disposal	129,300	82,648
Enterprise Centres	107,918	52,554
Design Fees	200,000	200,000
Winter Maintenance	215,000	250,000
Car Parking	47,531	47,440
Insurance Reserves	1,805,026	2,113,852
Cash Receipting Review	83,625	568
Flintshire Trainees	475,662	540,766
Rent Income Shortfall	150,000	70,000
Customer Service Strategy	103,000	33,000
Capita One	18,827	18,827
Supervision Fees	48,798	48,798
Transportation Review	170,200	84,200
LMS Curriculum	779,262	383,440
Restoration of Ewloe Offices	830,000	0
Organisational Change/ADM	155,000	99,965
Emergency Remediation	50,000	0
Solar Farms	0	42,440
Tribunal Costs	0	150,000
Property Claims	0	45,000
Grants & Contributions	2,924,390	3,933,806
Total	14,876,443	13,313,906

1.20 As part of the 2018/19 closedown work it was identified that there was a requirement to set aside earmarked reserves for ongoing legal cases.

The earmarked reserves set aside were to fund two current employment tribunal cases, the amount set aside was £0.150m, and a property claim for £0.045m.

The funding for the employment tribunal cases was transferred from the Contingency Reserve and the property claim was funded from the service.

1.21 Request for Carry Forward of Funding

	A number of requests to carry forward revenue funding into 2019/20 are included in Appendix 6 and are recommended for approval.
1.22	<p>Housing Revenue Account (HRA)</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>
1.23	The 2018/19 budget for the HRA is £34.805m which includes a movement of £0.018m from reserves.
1.24	<p>The final outturn for the HRA reports expenditure to be £0.067m lower than budget (subject to audit) meaning £0.049m was transferred into un-earmarked reserves. This gives a closing balance as at 31 March 2019 of £1.165m, which at 3.3% satisfies the prudent approach of ensuring a minimum of 3%.</p> <p>£0.078m was transferred to earmarked reserves for self-insurance during the year and £0.176m of the Solar PV feed in tariff was transferred to earmarked reserves for energy efficiency works bringing the balance on earmarked reserves to £1.056m as at 31 March 2019.</p> <p>The total increase in HRA reserves for 2018/19 was therefore £0.303m.</p>

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	As we are reporting the final outturn position there are no further risks for 2018/19. Any known risks with an impact on 2019/20 were included within the 2019/20 budget which was approved at Council on 18 February 2019.

5.00	APPENDICES
5.01	<p>Appendix 1: Council Fund – Movement in Variances from Month 11</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>

	Appendix 6: Carry Forward Requests
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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> <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.</p> <p>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.</p>

<p>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.</p>
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