

## CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Thursday 11 July 2019
<b>Report Subject</b>	Interim Council Fund Revenue Budget Monitoring 2019/20
<b>Cabinet Member</b>	Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

This interim report is the first revenue budget monitoring report for the 2019/20 financial year. Here we report by exception on significant variances which may impact on the financial position in 2019/20 and the progress of achieving planned efficiencies against the targets set for the year.

At this early stage the net impact of the emerging risks and variances as detailed in the report is projected to be £3.101m over the planned budget. This figure is based on known significant variances of over £0.100m. This will be subject to change over the course of the year. A verbal report will be made on possible mitigation measures at the meeting.

This initial revenue monitoring update does not provide the level of detail which will follow in later Revenue Budget Monitoring Reports. The first of these will be the Month 4 report in September.

### RECOMMENDATIONS

1	To review the report and provide feedback to Cabinet.
2	To note that Cabinet will be requested to approve a budget virement of £0.471m within Social Services to support the new extra care facilities (paragraph 1.19).

## **REPORT DETAILS**

<b>1.00</b>	<b>REVENUE BUDGET MONITORING 2019/20 (INTERIM REPORT)</b>
1.01	<p>As in previous years the Corporate Finance Team's resources are dedicated to the closure of the annual accounts at this time of year.</p> <p>The full monthly in-year budget monitoring will commence in September once this significant task is complete. In the meantime we provide an interim monitoring report for the first quarter of the new financial year. Here we report by exception on significant variances which may impact on the financial position in 2019/20 and the progress of achieving planned efficiencies against the targets set for the year.</p>
1.02	<p>Work has already been undertaken to review the potential impacts of the in-year risks for the Medium Term forecast from 2020/21.</p>
1.03	<p><b>ACHIEVEMENT OF EFFICIENCIES</b></p> <p>The 2019/20 budget includes £6.939m of efficiencies from Portfolio Business Planning and Corporate Finance.</p> <p>Achievement of these efficiencies will be measured each month and reported within the monthly revenue budget monitoring report. A target of 95% has been set for achievement.</p> <p>At this stage it is projected that 90% of efficiencies will be achieved. A more detailed analysis will follow in the Month 4 Revenue Budget Monitoring Report due in September.</p>
1.04	<p><b>IN-YEAR BUDGET POSITION</b></p> <p>Budget planning, monitoring and management is tightly controlled by accountable Service Managers and Finance Managers from the outset. Cabinet members are also 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. An update on these and other emerging risks that have been identified within Portfolios is provided. There are also some positive variations which mitigate some of these risks as detailed within the report.</p>
1.06	<p>Areas that are considered as a high risk of financial volatility will be reviewed as part of the monthly monitoring process and the implications considered as part of the forecast for the medium term. Though considered in detail throughout the report the areas of high risk and concern include:</p>

	<ul style="list-style-type: none"> <li>• Out of County Placements*</li> <li>• Social Services for Children*</li> <li>• Residential Care for Adults*</li> <li>• School Transport Costs*</li> <li>• Potential Grant Reductions</li> <li>• Schools</li> </ul> <p>Details of these areas are included in the paragraphs below. Those marked with a * are demand led services and are provided based on set entitlement criteria. A verbal report will be made on possible mitigation measures at the meeting.</p>
1.07	<p><b>Out of County Placements: £1.545m overspend</b></p> <p>An additional amount of £1.655m was included in the 2019/20 budget to reflect the number of clients and care packages at that particular time. However, in the early part of the year there has been an increase in the number of high cost placements.</p> <p>This has created in a projected overspend of £1.373m in Social Services Children’s Services and a projected overspend of £0.172m within Education &amp; Youth Inclusion Services. This is based on current clients and their assessed need.</p> <p>This projection includes externally provided placement costs for over 150 children, some of which lie within Flintshire’s geographic boundary. There is the potential for this to impact on future years.</p>
1.08	<p><b>Social Services: £0.316m overspend (in total)</b></p> <p><u>Children’s Services; £0.762m overspend</u></p> <p>At this stage of the year there are a number of significant variances within Children’s Services which total £0.762m. The most significant variance is within the Family Placement service (£0.274m) and is due to additional demand for foster care placements.</p> <p>There are also projected overspends on Legal and Third Party (£0.212m) due to the increasing number of direct payments, and legal challenges resulting in additional court costs and legal fees. The remaining amount is from additional costs on Professional Support for child protection issues, and Family Support due to the change of the employment status for formerly casual employed sessional workers onto permanent contracts.</p>
1.09	<p><u>Adult Social Services; £0.126m underspend</u></p> <p>Older People services is projected to be overspent by £0.355m. There is an overspend within Provider Services for Home Care and Residential Care, due to the level of demand, and Extra Care as a result of new facilities in Holywell and Flint. This is partly offset by underspends within Older People’s Localities Service, for independent sector residential &amp; nursing care and domiciliary</p>

	<p>care and a previously reported underspend on the Community Equipment contribution following the Section 33 renegotiation.</p> <p>Services for adults between the ages of 18 to 65 is showing a projected underspend of £0.481m. There is a significant underspend within Disability Services (Resources &amp; Regulated Services) due to a decrease in high cost placements and the impact of the 2018/19 underspend on Transition to Adulthood transferred to the core service budget. The Transition to Adulthood budget in-year is expected to underspend as (1) the budget pressure originally anticipated higher costs for care packages and (2) there have also been higher than expected contributions to some care packages from Welsh Government. There is also a projected overspend for Mental Health residential placements.</p>
1.10	<p><b><u>Safeguarding &amp; Commissioning; £0.320m underspend</u></b></p> <p>Factors which contribute to the net underspend are:-</p> <ul style="list-style-type: none"> <li>- Income is expected to rise due to the increase made to the non-residential care maximum weekly charge cap and changes in the base number of service users who pay towards the costs of their non-residential care; and</li> <li>- The cost savings of short term vacancies.</li> </ul> <p>This is partly offset by a shortfall in estimated grant contributions in the 2019/20 budget including the allocation of the new Social Care Workforce &amp; Sustainability grant and the all Wales allocation for Children's Services to prevent children from being taken into care (the actual grant allocations were not known from the Welsh Government at the time of setting the annual budget).</p>
1.11	<p><b><u>Streetscene &amp; Transportation: £1.408m overspend</u></b></p> <p><b><u>Additional School Transport Costs; £1.230m overspend</u></b></p> <p>The pressure in school transport costs are as a result of several factors:-</p> <ul style="list-style-type: none"> <li>- The effect of non-statutory school transport arrangements and ongoing transport policy anomalies; and</li> <li>- An increase in mainstream secondary education pupil transport and Special Educational Needs (SEN) pupil transport, both in-County and for Out of County placements, along with an increase in the number of school escorts to accompany SEN pupils and an increase in the number of single occupancy routes;</li> <li>- An increase in number of school days for 2019/20 due to the calendar.</li> </ul> <p>Work is in hand to try to contain this figure within original cost pressure range which had an estimated ceiling of £0.930m.</p>
1.12	<p><b><u>Car Parking Charges; £0.178m overspend</u></b></p> <p>The projected shortfall in income against target is £0.178m.</p>

1.13	<p><b>Planning &amp; Environment: £0.100m overspend</b></p> <p><u>Development Management and Building Control</u></p> <p>The Building (Local Authority Charges) Regulations 2010 made new provision authorising local authorities (LAs) in England and Wales to fix their own charges in a scheme. The regulations require authorities to achieve full cost recovery on their building regulation chargeable work, meaning any deficit at the end of the financial year is mitigated by the use of a reserve, and any surplus is transferred into a reserve.</p> <p>In previous years, fee income shortfalls have resulted in the Building Control Trading Account Reserve balance being drawn down and not augmented. Building Control fully realised the remaining surplus in the Reserve to help address the fee income deficit within 2018/19. For 2019/20 there is no available reserve to support the service and fund any potential deficit to bring the Trading Account to a neutral position.</p>
1.14	<p><b>Housing &amp; Assets: £0.247m underspend</b></p> <p><u>Council Tax Reduction Scheme (CTRS)</u></p> <p>Based on the current number of claimants there is an estimated underspend of £0.274m in this area. This is a demand led scheme and could be subject to upward change.</p>
1.15	<p><b>Corporate Services: £0.136m underspend</b></p> <p><u>Workforce Terms &amp; Conditions; £0.100m overspend</u></p> <p>There is an anticipated shortfall in achievement of an efficiency for workforce terms and conditions by £0.100m. The efficiency is made up of essential car user lump sum, reduced mileage costs, and the salary sacrifice scheme for additional voluntary pension contributions.</p>
1.16	<p><u>Employer Pension Contributions; £0.400m underspend</u></p> <p>The 2018/19 outturn position showed a £1.000m underspend of which £0.600m was released to help balance the 2019/20 budget. This is a variable budget requirement throughout the year. Based on the trend during the previous year a positive variance in the region of £0.400m is predicted.</p>
1.17	<p><u>Fees &amp; Charges; £0.164m overspend</u></p> <p>The projected shortfall on fees and charges income is £0.164m. Work is ongoing to reduce this shortfall.</p>
1.18	<p><b>Strategic Programmes: £0.115m overspend</b></p> <p>This overspend is due to the agreed re-profiling of the reduction in the annual subsidy to Aura. A planned reduction of £0.115m will be deferred to 2020/21.</p>

1.19	<p><b>Extra Care Facilities</b></p> <p>Llys Raddington, Flint opened in October 2018 and Plas yr Ywen, Holywell is expected to open in the latter part of the year. To comply with the Council's Finance Procedure Rules a budget virement is recommended within Social Services to align the budget for two extra care facilities Llys Raddington (£0.171m) and Plas yr Ywen (£0.300m).</p> <p>The above transfers will be met from the Community Equipment budget (£0.144m) and Charging Policy Income (£0.327m) which were set aside for this purpose.</p>
1.20	<p><b><u>UNEARMARKED RESERVES</u></b></p> <p>The final level of Council Fund Contingency Reserve brought forward into 2019/20 was £8.252m as detailed in the 2018/19 outturn report. Once the previously agreed contributions from the Contingency Reserve for 2019/20 are taken into account the remaining balance is £4.969m.</p>

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

<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 identified within the main body of the report. A verbal report will be made at the meeting.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None required</p> <p><b>Contact Officer:</b> Dave Ledsham</p>

	<p>Finance Manager  <b>Telephone:</b> 01352 704503  <b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a></p>
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<b>7.00</b>	<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>Intermediate Care Fund:</b> Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.</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>
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