

CABINET

Date of Meeting	Tuesday, 17 th December 2019
Report Subject	Revenue Budget Monitoring 2019/20 (Month 7)
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed revenue budget monitoring position for 2019/20 for the Council Fund and Housing Revenue Account for the financial year and presents the position, based on actual income and expenditure, as at Month 7. 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 deficit of £2.193m which is a favourable movement of £0.505m from the deficit figure of £2.698m reported at Month 6.
- A projected contingency reserve balance as at 31 March 2020 of £2.676m.

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.022m higher than budget which is a negative movement of £0.012m from the deficit figure of £0.010m reported at Month 6.
- A projected closing balance as at 31 March 2020 of £1.301m.

As reported in previous reports and to assist with mitigating the overall projected overspend the following measures were introduced from Month 6:-

- 1) All non-essential spend be reviewed and challenged with a view to ceasing/delaying where able and

- 2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying.

At Month 6, this resulted in identifying a one-off delay in spend of -£0.530m which helped to reduce the overall financial overspend position. Further reduction in the overall financial overspend position at Month 7 has been achieved from thorough commitment challenge and delaying recruitment.

Engagement by Portfolio Budget Holders with Finance Teams has been really positive so far. Work will continue into Month 8 and beyond with the same rigour and challenge in an attempt to further improve the overall position.

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2020.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 7 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"> • An operating deficit of £2.193m • A projected contingency reserve balance as at 31 March 2020 of £2.676m <p>To assist with mitigating the overall projected overspend the following measures have been introduced:-</p> <p>1) All non-essential spend is being reviewed and challenged with a view to ceasing/delaying where able and</p> <p>2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying</p> <p>The outcome of this ongoing work is shown within the Month 7 Budget Monitoring Report and will continue as part of the robust challenge of the future monthly monitoring position.</p>
1.02	<p>Table 1. Projected Position by Portfolio</p> <p>The table below shows the projected position by portfolio:</p>

	Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
		£m	£m	£m
	Social Services	65.970	65.802	(0.167)
	Out of County Placements	9.033	11.258	2.225
	Education & Youth	8.505	8.212	(0.293)
	Schools	91.960	91.960	0.000
	Streetscene & Transportation	30.335	31.599	1.264
	Planning & Environment	5.907	5.910	0.003
	People & Resources	4.451	4.525	0.075
	Governance	9.177	9.173	(0.004)
	Strategic Programmes	5.272	5.273	0.000
	Housing & Assets	15.171	14.788	(0.383)
	Chief Executive	2.760	2.603	(0.157)
	Central & Corporate Finance	22.810	22.439	(0.371)
	Total	271.350	273.543	2.193
1.03	The reasons for the favourable movement of £0.505 from the previous month are shown in Appendix 1. The reasons for the overall projected variances are summarised within Appendix 2 showing the detail of all variances over £0.050m and a summary of minor variances for each portfolio. This provides the overall position for each portfolio and the overall position for the Council Fund.			
1.04	<p>Enhancements to the format of the Revenue Budget monitoring report have been made which aim to highlight the following key information for Members:</p> <ul style="list-style-type: none"> • The key major variances to bring to the attention of Cabinet • The tracking of in year financial risks • Potential MTFS Impact of the current in year monitoring position 			
	Major Variances to highlight this Month			
1.05	<p>Out of County Placements</p> <p>At this stage in the financial year, there is a projected overspend of £2.225m for the provision of Out of County Placements.</p> <p>The Council included an additional amount of £1.655m in the 2019/20 budget to reflect the number of clients and care packages at that particular time. However, in the early part of 2019/20 there has been an increase in the number of high cost placements.</p>			

	<p>This has created a projected overspend of £1.596m in Children’s Social Services and a projected overspend of £0.629m within Education & Youth Inclusion Services. This is based on current clients and their assessed need.</p> <p>The projection includes externally provided placement costs for over 150 children, some of which lie within Flintshire’s geographic boundary.</p> <p>A Report on ‘Improving the in-house offer for Out of County Placements for Children’ taken to the Joint Education & Youth and Social & Health Care Overview and Scrutiny Committees in July, 2019 outlined the Council’s strategy and commitment in ensuring safe, high quality, support for Children’s Services.</p> <p>A separate report was also presented to Corporate Resources Overview and Scrutiny Committee on the key issues and latest position at the meeting on 19 September.</p>
1.06	<p>Street Scene and Transportation</p> <p>A considerable amount of financial challenge work is currently ongoing within the Streetscene and Transportation portfolio to address the overspend position and through the mitigation measures identified below, are committed to reducing this overspend further by financial year end.</p> <p>Transportation and Logistics - £1.058m Overspend</p> <p>The pressure in school transport costs totalling £1.010m is as a result of several factors:-</p> <ul style="list-style-type: none"> - The effect of non-statutory school transport arrangements and ongoing transport policy anomalies; - 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 increases in the number of school escorts to accompany SEN pupils and in the number of single occupancy routes; - Transporting enrolment cohort to Connah’s Quay High School and placing duplicate vehicles on public bus services as a response to non-eligible pupil displacement; - An increase in number of school days for 2019/20 <p>Work is in hand to try to contain this figure within a cost pressure range which had an estimated ceiling of £0.800m.</p> <p>A separate report was presented to Corporate Resources Overview and Scrutiny Committee on the key issues and latest position at the meeting on 19 September.</p> <p>Increased transport provision to Social Services service users of £0.048m.</p> <p>Service Delivery – £0.142m Overspend</p>

Following the extreme weather event during June 2019, the service has incurred additional revenue pressures from responding and resolving flooding issues across the County. The network damage was widespread and included road foundations being undermined, particularly on roads adjacent to water courses, and road surfaces being lifted by inspection covers, due to the pressure created by the sheer volume of water within the drainage system. The costs include the additional staffing costs towards responding and repairing the highway along with costs of plant and materials. A claim to Welsh Government was submitted for these additional costs but unfortunately was not approved for funding.

Car Park Income - £0.201m Overspend

The pressure is based on the average shortfall in income against monthly projections for each town using the first full ten months of implementation (received in 2018/19) of the increased tariff charges and projected for 2019/20. In recent months, a large section of car parking at Flint Retail Park has been closed for development, which will result in a displacement of vehicles into Council car parks providing a potential increase in car parking income.

North Wales Residual Waste Treatment Project - £0.100m underspend

The waste strategy service are likely to have an improved position of up to £0.100m, based on the commissioning period for the North Wales Residual Waste Treatment Project (NWRWTP) being shorter than anticipated compared to when the original £0.425m pressure was calculated. Maximum WG grant funding is available from the full service period commencement which is projected to be in December 2019.

Other cumulative variances across the portfolio total -£0.037m underspend

1.07

Social Services

The overall position for Social Services is a projected underspend of £0.167m, a favourable movement of £0.167m since Month 6.

There are however some significant variances both adverse and favourable that underpin this position due to overspends within Children's Services and net underspends within Adults Services.

All details of variances are provided in Appendix 2 and consideration has been given to further realignment of budgets within the Portfolio to address changes in service delivery.

Additional Winter Pressures Grant

On 1 October Welsh Government announced additional funding of £30 million to support the delivery of frontline health and social care services this winter.

Of the £30 million, £17 million will be allocated to Regional Partnership Boards to promote integrated, regional planning. For Flintshire the allocation from this regional funding is £0.805m and will be awarded between Flintshire County Council and BCUHB.

	<p>This funding is to be used towards additional services to meet demands on social care resources linked to winter pressures. Some of these additional pressures have already been drawn down from budgets and were reflected in the previous outturn. Therefore it is anticipated that there will be a £0.320m positive movement as the funding is received to support these additional in-year front line pressures.</p>
1.08	<p>Central & Corporate Finance</p> <p>Pension; £0.804m underspend</p> <p>There was a significant underspend on the pension contribution account in 2018/19 with £0.600m contributing towards the 2019/20 budget. Current monitoring analysis suggests that there is a further efficiency in-year.</p> <p>There are various factors affecting the position including the financial impact of the transfer of various services being less than anticipated and the recovery of a higher level of contribution to the deficit due to the increased pay award. The position is under review as part of the current work on the 2020/21 budget.</p> <p>Income Target; £0.150m un-achieved</p> <p>The Council is continuing to review its fees and charges and to investigate new sources of income. A report to Cabinet in July recommended a process for the annual review of fees and charges with the aim of achieving full cost recovery wherever possible. It is likely that the position will improve in-year and this will be reported on in future monitoring reports.</p>
1.09	<p>Tracking of In-Year Risks and Emerging Issues</p> <p>At the time of setting the Budget for 2019/20 a number of significant risks were identified and an update is provided below.</p>
1.10	<p>Out of County Placements</p> <p>A key risk identified at the time of setting the 2019/20 budget was the general rising costs of social care and the upward trend in the number of cases of Out of County placements across Wales. 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.</p> <p>The impact of the current pressures on Out of County Placements have been included in the Councils updated forecast for 2020/21.</p>
1.11	<p>School Transport</p> <p>Managing the increasing demand into future years in mainstream secondary education pupil transport and Special Educational Needs (SEN) pupil transport, both in-County and for Out of County placements, along</p>

	with further potential increases in the number of school escorts to accompany SEN pupils and the number of single occupancy routes.
1.12	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2019/20 budget contains £6.939m of specific efficiencies which are tracked and monitored. In 2018/19 the level of efficiency achievement was 98% which was an improvement on the 94% achieved during the previous year. The Council aims to achieve a 95% rate in 2019/20 as reflected in the MTFS KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2019/20 shows that £6.197m or 90% of the efficiencies will be achieved.</p> <p>However when taking into account the decision of Cabinet to re-phase the efficiency from the Aura Subsidy this changes the achievement rate to 91%.</p> <p>The risk remains that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2020/21 budget. Further details on the current status on efficiencies can be seen in Appendix 3 with the overall impact in relation to any impact for 2020/21 being reviewed as part of the ongoing work on the MTFS.</p>
1.13	<p>Income</p> <p>The Council introduced its Income Strategy in late 2017. A target of £0.150m remained to be achieved from the identification of new sources of income and the review of fees and charges. The Council now has additional capacity to pursue this strategy with a number of potential opportunities being considered as part of business planning and annual review.</p>
1.14	<p>Recycling Income</p> <p>The market rate for income received from recycling plastic, paper and card are extremely volatile and can fluctuate rapidly. Recycling income has reduced over recent years and there is always a risk that the market rates may reduce further.</p>
1.15	<p>Schools Pressures</p> <p>In recent years there has been considerable pressure on secondary school budgets. 7 out of 11 secondary schools in Flintshire carried forward deficits into 2019/20 and a summary is provided below. Schools are required to submit a licensed deficit application to the Council and this is reviewed by the Chief Officer, Education & Youth and the Section 151 Officer.</p>

School	Deficit Balance brought forward	% of budget
Connah's Quay High School	-34,477	-0.8%
St. Richard Gwyn	-508,276	-16.2%
Ysgol Treffynnon	-646,173	-29.5%
Castell Alun High School	-8,674	-0.2%
Ysgol Maes Garmon	-173,177	-6.7%
Argoed High School	-56,000	-2.2%
St. David's High School	-452,609	-23.9%

This position is being reviewed by the Council on a school by school basis due to concerns about the deteriorating position. The issue has also been highlighted by Estyn as a specific recommendation in its recent inspection report.

1.16 **Other In-Year Issues**

Inflation

Included within the 2019/20 budget are provision for Non Standard Inflation fuel (£0.034m), Energy (£0.329m) and NDR/Price (£0.204m). As in previous years, these amounts are held centrally until later in the year when actual cost pressures are known. It is currently assumed that all of these allocations will be required in 2019/20 but this will be kept under review throughout the financial year.

In previous years, the Council has had to make a payment associated with the Carbon Reduction Scheme. This scheme has now ended and the impact of this is likely to result in higher energy charges for the Council. The funding associated with this has now been added to the central inflation budget and will be allocated according to need.

1.17 **MTFS Impact**

An initial projection for the MTFS in April showed a budget gap of £13.3m. This has since been revised following review of the in-year position to take into account the latest intelligence on pay and other pressures which has led to an increase in the budget gap to £16.2m.

The most significant increase in the budget gap is due to the rise in demand and complexity of Out of County Placements for which we are currently reporting an overspend of £2.225m within this report.

The full Cabinet report on the MTFS can be accessed via the link in 6.01.

Further Risks for MTFS

Continual review of the in-year position will be undertaken throughout the year with revisions to the forecast considered as we move through the budget process for 2020/21.

	All Portfolios will continue to consider their financial position, the risks within their service and the impacts on the Medium Term on a monthly basis as part of their Portfolio Management Team meetings.
1.18	<p>Reserves and Balances</p> <p>Un-earmarked Reserves</p> <p>The 2018/19 outturn reported to Cabinet in July showed un-earmarked reserves at 31 March 2019 (above the base level of £5.769m) of £8.252m.</p> <p>As approved in the 2019/20 budget an amount of £2.221m was utilised as part of the strategy to balance the budget. In addition an amount of £0.062m was approved to operate a Sustainable Drainage System (SuDS) Approving Body (SAB), £1.000m for investment in change and an amount of £0.100m for the ongoing resourcing of the Victim Contact Team within Social Services.</p>
1.19	Taking into account the current projected overspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2020 is projected to be £2.676m as detailed in Appendix 4.
1.20	The projected level of school balances are currently being reviewed as part of the first detailed monitoring of the new academic year. At this stage there is the potential for a significant reduction in overall balances. However, in the past schools have benefitted from the notification in-year of external grant funding opportunities. An update will be provided in future monitoring reports.
1.21	<p>Housing Revenue Account</p> <p>The 2018/19 Outturn Report to Cabinet on 16 July 2019 showed an un-earmarked closing balance at the end of 2018/19 of £1.165m and a closing balance of earmarked reserves of £1.056m.</p>
1.22	The 2019/20 budget for the HRA is £36.239m which includes a movement of £0.158m to reserves.
1.23	The monitoring for the HRA is projecting in year expenditure to be £0.022m greater than budget and a closing un-earmarked balance as at 31 March 2020 of £1.301m, which at 3.61% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
1.24	The budget contribution towards capital expenditure (CERA) is £13.717m.

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	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The Revenue Budget Monitoring Report reflects the three categories of risks covered in the main section of the report. These are in-year risks and emerging issues, achievement of planned in-year efficiencies and other tracked risks. These risks are included from paragraph 1.09 to 1.17.
4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None required
5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 6 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
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Medium Term Financial Strategy and Budget 2020/21 http://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?CId=391&MId=4453&Ver=4&LLL=0
7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Dave Ledsham (Strategic Finance Manager) Telephone: 01352 704503 E-mail: dave.ledsham@flintshire.gov.uk
8.00	GLOSSARY OF TERMS
8.01	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.

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. When referring to income the actual income achieved exceeds the budget.

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.

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.