

## CABINET

<b>Date of Meeting</b>	Tuesday, 16 <sup>th</sup> June 2020
<b>Report Subject</b>	Revenue Budget Monitoring – Final Outturn 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 report provides the outturn revenue budget monitoring position (subject to audit) for 2019/20 for the Council Fund and Housing Revenue Account.

Due to the COVID 19 Pandemic a monitoring report has not been prepared since March which updated the position at Month 10 (i.e. as at the end of January).

The financial accounts for 2019/20 are now effectively closed. We are on schedule to submit the formal Statement of Accounts and supporting notes to Audit Wales by the statutory deadline of 15 June.

The Accounts will then be subject to audit over the summer and the final audited accounts presented to Audit Committee in September for formal approval.

As reported in previous reports specific areas were under tactical review to further reduce the overspend position, with the outcome of these not being fully known until late in the accounts closedown programme. The main areas under review were the final outcome of the Single Person Discount Scheme and the ongoing review of the complex Central Loans and Investment Account.

As reported previously measures were introduced to review and challenge non-essential spend and recruitment to vacancies with the aim of reducing in-year expenditure to 'dampen' the projected overspend at that time. This work made a positive impact on the outturn position.

The response to the emergency situation with Covid-19 was immediate, and extremely challenging, with impacts on Council services. Reductions in projected expenditure no longer required in mid-late March, as some services were adjusted in response, also had a positive effect on the outturn position.

As in previous years there were late awards of grant from Welsh Government, the Health Board and other third parties.

The positive movements for items under review and additional grant funding totalled £1.108m.

The cumulative effect of other movements was a further positive impact of £0.855m on the outturn position.

The final year end position is as follows:

### **Council Fund**

- an operating surplus of £0.439m (£1.524m deficit at Month 11)
- a Contingency Reserve balance as at 31 March 2020 of £2.370m

### **Housing Revenue Account (HRA)**

- net in year expenditure was £0.686m lower than budget
- a closing un-earmarked balance as at 31 March 2020 of £2.008m

When considering the final year end position, it is acknowledged that this is a significant movement from Month 10 when the projected outturn was last reported formally. However, as a proportion, the positive movement of £1.963m from Month 10 to year end is only 0.72% of the Annual Budget of £271.350m.

There were a number of factors influencing this movement as set out in the report.

It is important to note that the majority of the positive budget movements give only a one-off benefit and would not have been material to the budget-setting process for 2020/21. Had these movements been known at the time of budget-setting then Council would have been advised to increase the Contingency Reserve to safeguard against the significant open risks that were reported at the time.

## **RECOMMENDATIONS**

1	Note the overall report and the Council Fund contingency sum as at 31 March 2020.
2	Note the final level of balances on the Housing Revenue Account as at 31 March 2020.

## REPORT DETAILS

<b>1.00</b>	<b>REVENUE BUDGET MONITORING POSITION (OUTTURN 2019/20)</b>																																																																
1.01	<p><b>Council Fund Overall Position</b></p> <p>The final outturn for 2019/20 is an operating surplus (subject to audit) of £0.439m which is a positive movement of £1.963m on the operating deficit of £1.524m as at Month 11. The Revenue Budget Monitoring position at Month 11 was not formally reported due to the COVID-19 pandemic, therefore a summary of the movements from Month 10 and 11 are appended for completeness and accuracy (Appendix 3 refers).</p>																																																																
1.02	<p>The table below shows the outturn position by portfolio:</p> <table border="1"> <thead> <tr> <th><b>TOTAL EXPENDITURE AND INCOME</b></th> <th><b>Annual Budget</b></th> <th><b>Projected Outturn</b></th> <th><b>In-Year Over / (Under) spend</b></th> </tr> <tr> <td></td> <th><b>£m</b></th> <th><b>£m</b></th> <th><b>£m</b></th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>65.956</td> <td>65.241</td> <td>(0.716)</td> </tr> <tr> <td>Out of County</td> <td>9.033</td> <td>11.073</td> <td>2.040</td> </tr> <tr> <td>Education &amp; Youth</td> <td>8.519</td> <td>8.080</td> <td>(0.439)</td> </tr> <tr> <td>Schools</td> <td>91.958</td> <td>91.958</td> <td>(0.000)</td> </tr> <tr> <td>Streetscene &amp; Transportation</td> <td>30.441</td> <td>32.063</td> <td>1.623</td> </tr> <tr> <td>Planning &amp; Environment</td> <td>5.897</td> <td>5.929</td> <td>0.032</td> </tr> <tr> <td>People &amp; Resources</td> <td>4.439</td> <td>4.475</td> <td>0.036</td> </tr> <tr> <td>Governance</td> <td>9.171</td> <td>8.595</td> <td>(0.576)</td> </tr> <tr> <td>Strategic Programmes</td> <td>4.678</td> <td>4.678</td> <td>0.000</td> </tr> <tr> <td>Housing &amp; Assets</td> <td>15.766</td> <td>15.217</td> <td>(0.549)</td> </tr> <tr> <td>Chief Executive's</td> <td>2.760</td> <td>2.529</td> <td>(0.231)</td> </tr> <tr> <td>Central &amp; Corporate Finance</td> <td>22.732</td> <td>21.073</td> <td>(1.659)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>271.350</b></td> <td><b>270.911</b></td> <td><b>(0.439)</b></td> </tr> </tbody> </table>	<b>TOTAL EXPENDITURE AND INCOME</b>	<b>Annual Budget</b>	<b>Projected Outturn</b>	<b>In-Year Over / (Under) spend</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	Social Services	65.956	65.241	(0.716)	Out of County	9.033	11.073	2.040	Education & Youth	8.519	8.080	(0.439)	Schools	91.958	91.958	(0.000)	Streetscene & Transportation	30.441	32.063	1.623	Planning & Environment	5.897	5.929	0.032	People & Resources	4.439	4.475	0.036	Governance	9.171	8.595	(0.576)	Strategic Programmes	4.678	4.678	0.000	Housing & Assets	15.766	15.217	(0.549)	Chief Executive's	2.760	2.529	(0.231)	Central & Corporate Finance	22.732	21.073	(1.659)					<b>Total</b>	<b>271.350</b>	<b>270.911</b>	<b>(0.439)</b>
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1.03	<p>The reasons for all changes since Month 11 are summarised in Appendix 1 and details of the reasons for the final position in all portfolio areas are summarised within Appendix 2.</p>																																																																
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	<p>The reasons for the changes are set out in the report and can be categorised as below:</p> <ul style="list-style-type: none"> <li>- Specific Areas under Review / Conscious decisions</li> <li>- Belated benefit of the review of non-essential spend</li> <li>- Positive benefit of the emergency situation</li> <li>- Maximisation of grant funding</li> <li>- Areas of limited control over outcome</li> <li>- Additional Income not confirmed until March</li> <li>- Large variations/movements not known until March</li> </ul> <p>As reported in previous reports, specific areas were under tactical review to further reduce the overspend position, with the outcome of these not being fully known until late in the accounts closedown programme. These areas included the final outcome of the Single Person Discount Scheme and the ongoing review of complex Central Loans and Investment Account.</p> <p>As reported previously measures were introduced to review and challenge non-essential spend and recruitment to vacancies with the aim of reducing in-year expenditure. This work made a positive impact on the outturn position.</p> <p>The response to the emergency situation with Covid-19 was immediate and extremely challenging with impacts on Council services. Reductions in projected expenditure no longer required in mid-late March, as some services were adjusted in response, also had a positive effect on the outturn position.</p> <p>As in previous years there were late awards of grant from Welsh Government, the Health Board and other third parties</p> <p>The positive movements for items under review and additional grant funding totalled £1.108m.</p> <p>The cumulative effect of other movements was a further positive impact of £0.855m on the outturn position</p> <p>There were a number of factors influencing this movement as set out in the report. However, it is important to note that the majority of the positive budget movements give only a one-off benefit and would not have been material to the budget-setting process for 2020/21. Had these movements been known at the time of budget-setting then Council would have been advised to increase the Contingency Reserve to safeguard against the significant open risks that were reported at the time.</p> <p>Appendix 1 provides full detail for all changes to the outturn under these categories and some of the more significant changes are set out below.</p>
1.05	<p><b>Significant Movements :</b></p> <p><u>Central Loans and Investment Account (positive movement of £0.572m)</u></p> <p>This has been highlighted in recent budget monitoring reports as an area under review that could affect the final outturn.</p>

	<p>The reason for the movement is a reduction in interest costs as the Council hasn't needed to borrow as much as initially forecast. This is due to factors such as large grants being made available from Welsh Government in the last quarter and capital expenditure being re-profiled to future financial years. It is important to note that the underspend is one-off and will not be recurring as the expenditure has simply been delayed.</p> <p>The underspend could also have been used to contribute to the capital programme for a longer term gain in interest costs but it was deemed more appropriate to assist with the revenue position in view of the short term need to build up reserves.</p>
1.06	<p><u>Social Care – Winter Pressures Grant (positive movement of £0.302m)</u></p> <p>This issue has also been highlighted in recent budget monitoring reports. This grant was dealt with regionally so it was previously unclear 1) how much grant we would receive and 2) how much could be used to meet the costs of existing cost pressures.</p> <p>In view of the financial position as at Month 11 and the current emergency situation it has been important to maximise the use of this grant.</p>
1.07	<p><u>Housing Benefits (negative movement of £0.564m)</u></p> <p>The main influences within the Benefits (Staffing &amp; Food Poverty) area of £0.124m, include £0.115m due to a shortfall in the amount of Department of Works and Pensions income received for administration, and various minor variances totaling £0.009m.</p> <p>The more significant adverse movement of £0.434m relates to a reduction in the previously projected income subsidy due. This was in relation to the financial year in which payments were made and accounted for and did not result in a loss of income due. Moving forward, monthly reconciliation procedures have been put in place, providing assurance that any income variations on Housing Benefit Subsidy will be promptly identified.</p>
1.08	<p><b>Achievement of Planned In-Year Efficiencies</b></p> <p>The final assessment of efficiencies being achieved in 2019/20 shows that £6.197m (90%) of the efficiencies have been achieved. However when taking into account of the conscious decision of Cabinet to re-phase the efficiency target from the reduction in Aura Subsidy this improves the achievement rate to 91%.</p>
1.09	<p><b>Reserves and Balances</b></p> <p><u>Un-earmarked Reserves</u></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)</p>

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.

An amount of £3m has been ringfenced to address the Pandemic Emergency under delegated powers. An amount of £0.113m was released to fund relevant expenditure and income loss in March with the remaining amount carried forward to assist with any areas of expenditure and losses of income that may not be claimable from national sources.

Taking into account final outturn and the £3m set aside above, the level of Contingency Reserve available as at 31 March 2020 is £2.370m.

**1.10 Council Fund Earmarked Reserves 2019/20**

**Monitoring Summary Final Outturn**

<b>Reserve Type</b>	<b>Balance as at 01/04/19</b>	<b>Balance as at 31/03/20</b>
Service Balances	776,994	1,548,651
Specific Service Balances	78,081	213,991
Schools Balances	1,335,087	111,957
Single Status/Equal Pay	1,184,187	1,120,944
Investment in Organisational Change	1,039,115	1,693,729
Budget Strategy	208	208
Benefits Equalisation	318,370	132,822
County Elections	204,561	211,990
Local Development Plan (LDP)	180,000	180,000
Waste Disposal	82,648	82,648
Enterprise Centres	52,554	6,993
Design Fees	200,000	200,000
Winter Maintenance	250,000	250,000
Car Parking	47,440	45,403
Insurance Reserves	2,113,852	2,203,010
Cash Receipting Review	568	3,181
Flintshire Trainees	540,766	524,106
Rent Income Shortfall	70,000	30,979
Customer Service Strategy	33,000	22,468
Capita One	18,827	18,827
Supervision Fees	48,798	48,798
Transportation Review	84,200	0
LMS Curriculum	383,440	420,896
Organisational Change/ADM	99,965	33,500
Solar Farms	42,440	25,221
Tribunal Costs	150,000	107,998
Property Claims	45,000	36,363
Grants & Contributions	3,933,806	3,506,032
<b>Total</b>	<b>13,313,906</b>	<b>12,780,714</b>

1.11	<b>Housing Revenue Account (HRA)</b>  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.
1.12	The 2019/20 budget for the HRA is £36.239m which includes a movement of £0.158m to reserves.
1.13	The Final Outturn for the HRA reports expenditure to be £0.686m lower than budget and a closing un-earmarked balance as at 31 March 2020 of £2.008m, which at 5.60% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
1.14	The budget contribution towards capital expenditure (CERA) is £14.776m.

<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>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	As we are reporting the final outturn position there are no further risks or impacts for 2019/20.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	None required.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Council Fund – Movement in Variances from Month 11 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Movement in Variances Month 10 to 11 Appendix 4: Council Fund – Programme of Efficiencies Appendix 5: Council Fund – Movement on Un-earmarked Reserves Appendix 6: Housing Revenue Account Variances

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Dave Ledsham (Strategic Finance Manager)</p> <p><b>Telephone:</b> 01352 704503</p> <p><b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
	<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>