

# Public Document Pack

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Chief Officer (Governance)  
Prif Swyddog (Llywodraethu)



To: Cllr Clive Carver (Chairman)

CS/NG

Councillors: Marion Bateman, Peter Curtis,  
Andy Dunbobbin, Robin Guest, Ron Hampson,  
Richard Jones, Brian Lloyd, Richard Lloyd,  
Vicky Perfect, David Roney, Ian Smith,  
Nigel Steele-Mortimer, Carolyn Thomas and  
Arnold Woolley

7 July 2015

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Dear Sir / Madam

A meeting of the **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE** will be held in the **DELYN COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **MONDAY, 13TH JULY, 2015** at **9.30 AM** to consider the following items.

**Members are asked to note the start time of the meeting.**

Yours faithfully

Democracy & Governance Manager

## **AGENDA**

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 3 - 14)  
To confirm as a correct record the minutes of the meeting held on 11 June 2015.
- 4 **MEDIUM TERM FINANCIAL STRATEGY** (Pages 15 - 34)  
Report of Chief Executive

- 5 **REVENUE BUDGET MONITORING 2015/16** (Pages 35 - 42)  
Report of Chief Executive
- 6 **REVENUE AND CAPITAL BUDGET MONITORING 2014/15 (OUTTURN)**  
(Pages 43 - 94)  
Report of Chief Executive
- 7 **MANAGEMENT OF THE WORKFORCE CHANGE PROGRAMME** (Pages  
95 - 110)  
Report of Chief Executive
- 8 **FORWARD WORK PROGRAMME** (Pages 111 - 114)  
Report of Member Engagement Manager

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO  
CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

The following item is considered to be exempt by virtue of Paragraph(s) 15 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 9 **SINGLE STATUS CLOSURE REPORT** (Pages 115 - 142)  
Report of Chief Executive

The following item is considered to be exempt by virtue of Paragraph(s) 15 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

It is not good employment practice or in the public interest for matters the subject of consultation with employees effected and other unions to be discussed in public at this stage of the consultation process.

- 10 **RESTRUCTURE OF ICT SERVICE** (Pages 143 - 152)  
Report of Chief Officer (Governance)

## **CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE**

**11 JUNE 2015**

Minutes of the meeting of the Corporate Resources Overview and Scrutiny Committee of the Flintshire County Council held at County Hall, Mold on Thursday, 11 June 2015

### **PRESENT: Councillor Clive Carver (Chair)**

Councillors: Marion Bateman, Peter Curtis, Andy Dunbobbin, Robin Guest, Ron Hampson, Richard Jones, Richard Lloyd, Vicky Perfect, David Roney, Nigel Steele-Mortimer, Carolyn Thomas and Arnold Woolley

### **SUBSTITUTION:**

Councillor Mike Lowe for Ian Smith

### **APOLOGY:**

Councillor Brian Lloyd

### **CONTRIBUTORS:**

Leader of the Council & Cabinet Member for Finance, Chief Executive, Chief Officer (Governance), Chief Officer (Community & Enterprise), Corporate Finance Manager, Customer Services Manager and Performance Team Leader

### **IN ATTENDANCE:**

Member Engagement Manager and Committee Officer

## **8. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

No declarations of interest were made.

## **9. MINUTES**

The minutes of the meeting of the Committee held on 14 May 2015 had been circulated to Members with the agenda.

### **RESOLVED:**

That the minutes be approved as a correct record and signed by the Chairman.

Prior to the introduction of the Improvement Plan 2015/16 report, the Leader of the Council & Cabinet Member for Finance and the Chief Executive congratulated Councillor Clive Carver on his appointment as Chair of the Committee.

## **10. IMPROVEMENT PLAN 2015/16**

The Leader of the Council & Cabinet Member for Finance introduced the report and explained that adoption and publication of an Improvement Plan was a statutory requirement under the 2009 Local Government Measure.

The Plan would allow the Council to concentrate on areas that needed attention and the current priorities and sub-priorities of the Plan had been reviewed and some areas that had been completed in 2014/15 had been removed from the 2015/16 Plan. The key priorities had been broadened and the specific reference to the Deeside area had been removed from the sub-priority in relation to business sector growth so this now covered the whole of the County. The Leader commented on the Deeside Enterprise Zone and referred to the Vibrant and Viable Places programme. Flintshire Business Week had recently been launched and the Leader spoke of the small and medium sized businesses that were engaging and taking part in the initiative. The continuation of the Welsh Housing Quality Standard work would provide significant opportunities for the Council to engage with the Housing Business Sector. A Member workshop had been held on 29 May 2015 where the working draft documents had been considered along with the proposed targets and classifications for the statutory national performance indicators. The Plan was to be considered at a Special Cabinet meeting on 23 June 2015 followed by a County Council meeting in the afternoon.

The Chief Executive detailed the three documents in the report and explained that appendix 3 was a summary of the key issues from and responses to the consultations with Members at the workshop held on 29 May 2015. In highlighting the budget, he said that it was important to look at future years revenue funding and capital programme alongside the priorities set out in the plan. The Plan could be changed during the year.

In referring to appendix 3, the Performance Team Leader explained that the document included responses provided at the workshop or subsequently following the workshop. General issues were reported first followed by issues raised on individual areas or sub-priorities and then on specific performance measures. The Performance Team Leader advised that all of the amendments that had been requested at the workshop had been highlighted in blue in the Improvement Plan 2015/16 document.

The Chair commented on the issue of broadband speeds and referred in particular to the fibreoptic link that had been laid by Welsh Government in 2010 near to Hawarden Business Park. In response, the Chief Executive spoke of meetings with British Telecom (BT) and the Deeside Enterprise Zone Board about issues including 'notspots' and added that improvements had been made to broadband infrastructures at Hawarden Business Park as a result. He advised that he would obtain an update on the concerns raised particularly about 'notspots' and suggested that BT be invited to attend a future meeting of the Committee.

Councillor Richard Jones referred to the section on Economy and Enterprise and indicated that he had stated at the workshop that the priority in the original document concentrated on the area of Deeside and Deeside Enterprise Zone in particular. These references had been amended but the document was not highlighted in blue as had been advised by the Performance Team Leader. He also referred to the wording on the first bullet point under 'Risks to manage' and queried why the wording had been changed. The Performance Team Leader advised that this had been changed following discussions with the Enterprise Manager and she provided details of the other minor changes that had been made following the workshop. Councillor Jones felt that references to Deeside and the Deeside Enterprise Zone were still included throughout the document and therefore disagreed with the opening remarks of the Leader that all references had been removed. In response, the Leader concurred that the local economy growth should benefit the whole of the county and not specifically Deeside and the Deeside Enterprise Zone. The Chief Executive reiterated earlier comments about the broadband infrastructure for Hawarden and the Deeside Enterprise Zone, which was a prime business location of national significance.

Councillor Jones referred to the importance of the Improvement Plan document and of the development of the Medium Term Financial Plan alongside it. He felt that if one location was referenced then any revenue would also be restricted to that area.

Councillor Jones raised a general concern at some of the sub-priorities that had either been changed or removed since the 2014/15 Plan. It was confirmed that in most instances this was because they were now business as usual.

Councillor Jones highlighted the sub-priority of Appropriate and Affordable Homes and in particular the achievement measure on the number of households where the Council had discharged its full statutory duty into private rented accommodation. In response, the Chief Officer (Community & Enterprise) spoke of the new Housing Act for Wales which had come into effect in April 2015 and explained that the Council could now discharge the duty for homeless households to the private rental sector. Work was ongoing with private landlords and an Environment Health Officer would ensure that the properties in the private rental sector were at the appropriate level. She explained that the measure was new and therefore did not have any current target but added that a baseline would be established for 2015/16 to allow a target to be set for 2016/17.

On the issue of homelessness Councillor Jones queried how the target of 90% for 2015/16 would be achieved for measure HHA/013 (homeless prevention) when it had not been met in preceding years. The Chief Officer (Community & Enterprise) commented that there was now a requirement to work with those who were threatened with homelessness within 56 days rather than 28 days which was the previous requirement. Officers were being more proactive and it was therefore anticipated that more potential homelessness could be prevented and that the target was realistic and could

be achieved. Flintshire had been awarded some transition funding from Welsh Government to support the implementation of the new legislation which made the prevention of homelessness a statutory duty.

On the measure on Disabled Facilities Grants, Councillor Jones suggested that an explanation should be included about the issue of resources.

In response to a query from the Chair, Councillor Jones explained that a Community Infrastructure Levy (CIL) would be a replacement for Section 106 Agreements on planning applications. He also raised a concern that the CIL was being challenged by developers and may not provide any benefit but may also limit funding available for any one project.

The Leader of the Council hoped it was recognised that Deeside was one of only six areas that was part of the 'Vibrant and Viable Places' project and the delivery of the programme was at a critical stage. He felt that it was relevant to include this as a sub-priority to ensure that the scheme was on track as it would be scrutinised carefully by Welsh Government.

Councillor Jones also highlighted the Flint regeneration programme and in referring to the Medium Term Financial Plan (MTFP), said that it was important that rural areas were not forgotten and were protected. He felt that it was unfair that Deeside and Flint were so heavily mentioned in the plan. The Chief Executive understood the concerns raised by Councillor Jones but reminded Members that the Council had formally adopted the plans for the Deeside and Flint regeneration areas. The majority of funding was being provided from national sources and other partners and could not be used elsewhere. National support was area specific based on business potential and indices of deprivation. The Leader added that regeneration of Flint had been a commitment from the previous Administration.

Councillor Arnold Woolley indicated that the criteria to receive the funding had been set by Welsh Government and added that it was difficult to obtain funding for areas that did not qualify. He reminded Members that £5m had been received for rural development and £10m for improvements to the Deeside strip.

On the issue of the road infrastructure, Councillor Jones referred to page 63 and the target for the percentage of roads that were in overall poor condition. He queried why the target figures were increasing and whether this meant that the same condition could not be maintained. The Chief Executive advised that it was impossible to keep the roads in the same condition as the amount of resources available for road maintenance had been reduced. He said that it was appropriate that the priority was included in the plan and spoke of the importance of utilising the funding well in line with the Highways Asset Management Plan (HAMP). Councillor Jones felt that only targets that were aspiring to improve should be included in the plan and questioned whether the measure should be removed. The Performance Team Leader

suggested that a sentence be included reflecting that whilst the targets had reduced due to funding reductions these were still ambitious targets.

The Chief Executive advised that if officers present at this meeting could not fully answer the questions asked by Members, then a response would be provided in writing following the meeting. It was agreed that Councillor Jones would forward any additional questions on to the Chief Executive and the Performance Team Leader.

Councillor Carolyn Thomas welcomed the inclusion of tourism in the Improvement Plan and she highlighted rural areas and the provision of funding through the Rural Development Plan. She raised concern that rural areas were being forgotten and suggested that the priority should be stronger and should include the identification of alternative funding streams. Councillor Thomas and Councillor Marion Bateman welcomed the earlier suggestion for BT to attend a future meeting of the Committee. The Leader also indicated that WG officials had been made aware of the issues raised to do with broadband and suggested that they also be invited to attend the meeting. The Chief Executive felt that it would be appropriate to hold an all Member workshop rather than a formal meeting and this was welcomed.

Councillor Marion Bateman concurred with the comments of Councillor Woolley and said that she felt that the rest of the county would benefit from the funding received for the areas of Flint and Deeside. In referring to page 15, she queried whether the development of extra care provision in Holywell would still be included in the Improvement Plan as the application for planning permission had been refused at a recent meeting of the Planning and Development Control Committee. The Chief Executive confirmed that extra care was still a priority but reminded Members that national grant funding for the scheme was no longer available. However, he added that Flint extra care scheme had been self-funded which should be welcomed as there were very few examples of self-funding such schemes in Wales.

Councillor Andy Dunbobbin requested that the Council's commitment to the Armed Forces Community Covenant should be specifically mentioned in the plan. Councillor Peter Curtis commented on the extra care scheme in Holywell and also on the issue of tourism in the area being a significant feature in the future. He spoke of the emphasis on the development of the Deeside area and felt that the funding being put into the Deeside Enterprise Zone would benefit the whole of the county.

In response to a query from Councillor Nigel Steele-Mortimer, the Chief Executive suggested that older drivers would be those over the age of 75, as defined by the Driver and Vehicle Licensing Agency (DVLA) and that he was not aware of the criteria for taking part in the driving assessment.

On the issue of Deeside, Councillor Robin Guest agreed with the comments made, but because of the close location of the Deeside Enterprise Zone to the Wirral and Chester, he disagreed that there would be an economic benefit to the whole of Flintshire. He felt that this could mean that

some rural areas would struggle to survive and commented that even though Mold was currently a thriving town, it could not be guaranteed that this would continue. He also felt that it could not be assumed that all successful businesses that were located in areas such as Holywell, Buckley and Saltney would continue to survive because the Deeside regeneration was successful.

The Chair referred to the costs of occupied office accommodation and queried whether the Council would benefit from reduced business rates if some offices were unoccupied. The Chief Executive confirmed that the Authority would not qualify for reduced rates and added that all accommodation was being reviewed to support more agile working and to encourage open plan office areas as these were more cost effective. Once part or all of a building was vacated, non-domestic rates would still need to be paid by the authority. In response to a query from the Chair about whether the Council would discuss a reduction in business rates for County Hall and the Unilever building in Ewloe, the Chief Executive advised that the issue would be raised with the Rateable Value Agency. The Leader of the Council advised that the Council's assets fell in the remit of the Organisational Change Overview & Scrutiny Committee and added that this was an issue that could be explored by that Committee.

Councillor Richard Lloyd welcomed the 0% commercial vacancy rate in Saltney and sought assurance that investment in Saltney would continue. The Chief Executive commented on the work that had been undertaken for a pharmacy within the Morrison's store in Saltney.

**RESOLVED:**

- (a) That the Improvement Plan be received with the following observations:-
  - (i) that the rural areas of the County should receive more of an emphasis
  - (ii) that the Council's commitment to the Armed Forces Community Covenant should be specifically mentioned
- (b) That due to the importance of the superfast broadband roll out to the development of the local economy, that BT and Welsh Government representatives be invited to give a presentation at an all Member workshop to be held for that purpose.
- (c) That further information and interpretation on the changes made to the Improvement Plan be provided to Members to allow further responses before final approval by Cabinet and Council on 23 June 2015.

**11. YEAR END IMPROVEMENT PLAN MONITORING REPORTS**

The Chief Executive introduced a report to consider elements of the 2014/15 Year End Improvement Plan Monitoring Report relevant to the Committee.

The reports highlighted a number of areas where the measure was not achieved and the Chief Executive explained that these areas were still included in the new plan for 2015/16 to enable the Committee to continue monitoring them.

Councillor Robin Guest queried whether comparisons were made with other local Authorities on areas such as customer feedback about visits to the Council's website. In referring to the figures, he felt that they were disappointing and asked whether benchmarking with other authorities was undertaken. The Chief Executive explained that digital access such as the website was assessed by the Society of IT Management (SOCITM) and Flintshire County Council had progressed in the last year on the issue of wider customer access. The Chief Officer (Community & Enterprise) said that more work was required on the website about self-serve and navigation and details of benchmarking indicators would also be submitted to the Committee. On the issue of functionality and design, the Chief Officer (Governance) advised that SOCITM had awarded two out of four stars to the Council and added that many other authorities had only been awarded one star. However, on content SOCITM had advised that there was a need for improvement; this work was being undertaken.

Councillor Richard Jones felt that more could have been done on developing a longer term financial plan and that the progress was disappointing. He also asked why the measure was not included in the Improvement Plan for 2015/16. He queried how long term planning could be achieved when there was such uncertainty about the level of revenue support grant to be received from Welsh Government in 2015/16 and beyond. In response, the Chief Executive confirmed that the Medium Term Financial Strategy (MTFS) was in the 2015/16 Improvement Plan and confirmed that a report was to be considered at Cabinet on 16 June 2015 and would be submitted to the meeting of this Committee scheduled for 9 July 2015. He added that there was uncertainty about funding levels but explained that budgets would be based on historic patterns of the amount of revenue support grant received. The Leader of the Council & Cabinet Member for Finance confirmed that further discussions would be undertaken on the MTFS and added that every opportunity had been taken to raise the concerns about lack of predictions from WG about levels of funding. However, he added that there were many areas of pressure that a level of certainty could be given on. In referring to the £527m of funding allocated to Health Services, Councillor Richard Jones said that it was important to ensure that monies were allocated appropriately. The Leader of the Council & Cabinet Member for Finance referred to the budget that was to take place on 8 July 2015 and advised that it was anticipated that there would be more reductions in funding for local authorities over the coming months.

**RESOLVED:**

That the Committee's comments be commended to the Policy & Performance Team.

## **12. YEAR END CHIEF OFFICER PERFORMANCE REPORTS**

The Chief Executive introduced a report to consider the 2014/15 Year End Service Performance Reports produced at Chief Officer level for their respective portfolios.

He explained that the report contained historic data and areas of concern had been highlighted.

### **RESOLVED:**

- (a) That the Committee acknowledges that the areas of poor performance had been highlighted within the reports; and
- (b) That the Committee's comments be commended to the Policy & Performance Team.

## **13. CUSTOMER SERVICES AND CALL HANDLING UPDATE**

The Chief Officer (Community & Enterprise) introduced a report to update Members on the progress made towards the changes to the way telephone calls were received via 01352 752121 (Switchboard).

She detailed the background to the report and explained that Contact Centre telephony software had been introduced to the main switchboard on 22 April 2015. The current switchboard service would cease on 31 August 2015. The Chief Officer suggested an amended recommendation which would be to seek Member assurance about the proposals. It was reported that approximately 10% of calls to Switchboard were internal and it was the intention to make it easier for staff to be able to identify the number they required themselves. Reassurance was provided that the Switchboard service would not end from September 2015 as callers who had chosen option 4 and were currently directed to the Switchboard, would instead be directed to the existing contact centres in Streetscene, Housing and Revenues & Benefits. An option would also be included for callers to input the extension number of the person they wanted to contact if they knew it. The Chief Officer also advised that the Reception Area would not be closing and that work was ongoing to establish whether some or all of the current reception areas could be consolidated.

Councillor Ron Hampson referred to the excellent service provided by the Switchboard Team. He raised concern that option 4 would no longer be available and was assured by the Chief Officer that these calls would be directed to the existing call centres rather than to the Switchboard. On the issue of agile working, Councillor Marion Bateman queried whether it was possible for Members to be provided with a list of mobile telephone numbers for officers. The Chief Executive indicated that officers who had a Council owned mobile telephone should be including all methods of contact on their correspondence, such as emails. Councillor Bateman also expressed her disappointment that answerphones were not being used and that phones

sometimes were left to ring out. The Chief Officer advised that work was underway to roll out advice to all staff about the use of voicemail/mobiles. She added that it was important that all telephones were answered in front facing teams and asked that Members let her know of any problems that they experienced with phones not being answered.

Councillor Richard Jones concurred that it would be useful for Members to have a list of contact numbers including mobile phone details and asked why all services could not be covered by the Contact Centres. In response, the Chief Officer said that not all services had a contact centre but considerations were being given to whether the Council should have a single Contact Centre. She felt that it was not acceptable for phones to go unanswered or for work mobile number details to not be provided. The Customer Services Manager advised that a phone directory was available on the Infonet and that work was ongoing to address the issue of mobile numbers being made available to Members.

Councillor Robin Guest spoke about extension numbers and felt that it was important to advise those who phoned that the extension number that they needed to input was four digits. The Chief Officer indicated that there was a need to ensure that the technology could deal with this. The Customer Services Manager responded to a query from the Chair about the switchboard phone number being different to the direct dial numbers for individual extensions. Councillor Peter Curtis spoke of his frustration that his calls were sometimes not returned when he had left a message for officers to call him.

In response to the comments made, the Chief Executive advised that an update report on Call Handling would be provided to a future meeting of the Committee.

Councillor Arnold Woolley suggested that an exercise be undertaken to ensure that all information produced by the Council contained the correct contact information.

The Chair reiterated the excellent service provided by the Switchboard and raised concern that once calls were directed to the existing Contact Centres, the officers who answered would not have the local knowledge that the current Switchboard Team had.

Following the discussion, the Chief Officer said that a training programme was to be rolled out for all call handling staff and as the organisation was reducing in size, it was important that users phoning the authority knew the correct numbers to call. She reiterated the earlier suggestion that an update report would be submitted to a future meeting of the Committee.

The Chair queried why the introduction of the enhanced service to allow customers to input the extension number if they know it was only being introduced from 1 September 2015; he asked if this could be finalised sooner. The Chief Officer confirmed that an earlier introduction could be considered.

In response to a query from Councillor Hampson about savings from the implementation of the proposals, the Chief Officer advised that the savings for 2015/16 were £100,000 with a further £64,000 in 2016/17.

Councillor Andy Dunbobbin commented on a booklet which the Council had produced which had contained incorrect contact details and said that following him contacting the relevant department, the information had been changed. He raised concern that Members were only raising such issues at this meeting if they had been aware of them previously.

**RESOLVED:**

- (a) That the Committee has received some assurance with regard to the development of the call handling arrangements;
- (b) That the officers be asked to monitor the performance risks/concerns expressed at the meeting;
- (c) That it be recommended that the proposed enhancement to the automated service (immediate dial now for extension numbers) be introduced as soon as possible; and
- (d) That an update report be submitted to the Committee in due course.

**14. REVENUE BUDGET MONITORING 2014/15 (MONTH 12)**

The Corporate Finance Manager introduced a report to provide Members with the Revenue Budget Monitoring 2014/15 (Month 12) information for the Council Fund and Housing Revenue Account (HRA) which was being submitted to Cabinet on 16 June 2015.

For the Council Fund, the projected net in-year expenditure was reported to be £2.059m lower than the budget and the movements from Month 10 were summarised in appendix 1. The changes from Month 10 related mainly to adjustments for the single status rebalancing exercise, property maintenance reallocations and workforce efficiency accounting adjustments. The overall variance between Month 10 and Month 12 was £0.343m and included an increase in workforce efficiencies with a positive variance of £0.546m; the details were shown in paragraph 3.12. The second main change was the final estimated cost for the closure plan for the orphaned site at Sandycroft and the Council's liability for the closure of the risk was £0.800m. The analysis of Corporate and Functional efficiencies currently projected that £7.682m (87%) would be achieved resulting in a net underachievement of £1.158m. Section 4 and appendix 6 detailed the carry forward requests which were all recommended for approval. Included within the 2014/15 budget were provisions for non-standard inflation and allocations for this had been made to departments where there had been an evidenced need and had resulted in an underspend of £0.240m. The Corporate Finance Manager advised that there was a reduced risk of significant changes occurring so previously reported risks had now been removed. However, the

final outturn would not be confirmed until the accounts had been finalised and submitted for audit. Section 7 and appendix 4 provided details of the unearmarked reserves and indicated that the current projected level of the contingency reserve at 31 March 2015 was £5.000m.

The HRA was projected to have an overall overspend of £0.069m and a projected closing balance at month 12 of £1.096m, which at 3.65% of total expenditure satisfied the prudent approach of ensuring a minimum level of 3%.

Councillor Robin Guest felt that it had been regrettable that reductions in service provision had been undertaken when they may not have been required due to the amount of reserves available. In response the Leader & Cabinet Member for Finance said that he had asked for further work on efficiencies for future years. He commented on the importance of utilising the budget to benefit the Council due to reductions in funding that the Authority would face in the future. One-off efficiencies could not support recurring efficiencies and the 2015-16 budget had been set on the basis of the recurring funds available to the Council. The Corporate Finance Manager indicated that the reserves had accumulated over a number of years and the 2015/16 budget had been agreed based on the issues arising at that time which was at Month 7. The Chief Executive explained that the contingency reserves were for in-year issues that could not be predicted. The Council was in a positive position, which was not the case for a number of other Councils which had a negative figure. He added that a reserve of £5m was a modest amount when compared to the overall annual budget of the Council.

In response to a question from the Chair about whether the Italian owners of the former Euticals site in Sandycroft would be pursued to recover any of the costs incurred by the Council, the Chief Executive confirmed that all attempts would be made to recover the costs but he did not know if this would be successful. He provided an explanation on the responsibility of the Council to make the abandoned site safe. Councillor Guest indicated that the grant funding from Welsh Government of £0.700m and the £0.800m liability for the Council resulted in a £0.200m shortfall which he queried. The Corporate Finance Manager advised that this figure had been included as costs in 2013/14.

**RESOLVED:**

- (a) That the Revenue Budget Monitoring Report (Month 12) be noted; and
- (b) That no recommendations be made to the Cabinet on this occasion.

**15. FORWARD WORK PROGRAMME**

The Member Engagement Manager introduced the report to consider the Forward Work Programme for the Committee.

He advised that a Member workshop on the Medium Term Finance Plan was to be held on 7 July 2015. Following a discussion, it was agreed that the workshop would commence at 9.30am. The items that were to be considered at the meetings scheduled for 9 July 2015 and 10 September 2015 were detailed.

During earlier discussions, it had been suggested that a Customer Services Update Report would be submitted to a future meeting in due course. An invitation to the Police & Crime Commissioner to attend a meeting to discuss the Crime and Policing Plan 2016/17 had also been extended but a response had not yet been received.

Councillor Andy Dunbobbin asked whether a joint meeting with the Corporate Resources Overview & Scrutiny from Wrexham County Borough Council had been scheduled. The Member Engagement Manager indicated that this was still being pursued.

**RESOLVED:**

- (a) That the Forward Work Programme, as submitted, be approved; and
- (b) That the Member Engagement Manager, in consultation with the Chair, Vice-Chair and officers, be authorised to vary the work programme between meetings.

**16. MEMBERS OF THE PUBLIC AND PRESS IN ATTENDANCE**

There were no members of the public or press in attendance.

(The meeting started at 10.00 am and ended at 12.25 pm)

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**Chair**

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE**

**DATE:** **MONDAY 13 JULY**

**REPORT BY:** **CHIEF EXECUTIVE AND CORPORATE FINANCE MANAGER**

**SUBJECT:** **MEDIUM TERM FINANCIAL STRATEGY**

### **1.00 PURPOSE OF REPORT**

1.01 To present part one of the latest revision of the Medium Term Financial Strategy which sets out the financial forecast for the Council for 2015-2018.

### **2.00 BACKGROUND**

2.01 The Council maintains a financial strategy for the medium term. The purpose of the strategy is to forecast the resources the Council will have at its disposal and to guide planning on how best to use them. The medium term is set as a 3 year interval. The period for the revised strategy in financial years is 2015/16 to 2017/18. This will take the Council to the end of the first year of its new electoral cycle with the next local elections due in May 2017.

### **3.00 CONSIDERATIONS**

3.01 In drawing a financial picture five principal factors have been taken into account:-

- National cost pressures
- Local cost pressures
- Inflation
- Workforce costs
- Income

3.02 Producing an accurate medium term forecast in a period of fiscal and economic uncertainty is extremely challenging. Whereas workforce costs can be predicted with some reliability, inflation is proving to be volatile in areas such as energy and fuel, and there is no certainty over future levels of the main revenue support government grant that underpins the Council's overall funding. In the period between the Parliamentary elections and the first full Chancellor's budget within the new government term, there is even

greater uncertainty over public funding. Therefore, a number of assumptions have to be made in arriving at a forecast.

- 3.03 A summary of the financial picture for this three year picture is set out below. This forecast predicts a total funding 'gap' of £52.8M for the three year period. It should be noted that the period includes the current financial year for which the Council already has an adopted budget strategy. This first of three year strategies accounts for identifying £18.3M of the total 'gap'.

	2015/16	2016/17	2017/18	Total
<u>Expenditure</u>	£m	£m	£m	£m
National Pressures	0.9	0.4	0.3	1.6
Local Pressures	6.2	2.5	1.2	9.9
Inflation	4.1	4.1	4.3	12.5
Workforce Pressures	2.5	9.4	3.7	15.6
<u>Income</u>				
Reduction in Revenue	6.6	6.5	6.3	19.4
Support Grant (3.5%)				
Council Tax Increase (3%)	(2.0)	(2.1)	(2.1)	(6.2)
<b>Projected Gap</b>	<b>18.3</b>	<b>20.8</b>	<b>13.7</b>	<b>52.8</b>

- 3.04 To deal with the projected budget gap Chief Officers and Cabinet members have been reviewing options for 2016/17-2017/18 drawing on the developing business plans for each portfolio. This is in addition to work on options for corporate financing choices. It is these options, building on the strategies for organisational change and service reform already being implemented, which will form the second part of the Medium Term Financial Strategy on solutions to bridging the funding 'gap'. Full member engagement on the development of the second part of the strategy is being planned for the summer months beginning with an all member workshop on 7 July.

#### **4.00 RECOMMENDATIONS**

- 4.01 To receive and adopt part one of the revised Medium Term Financial Strategy and the financial forecasts it makes.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 The Medium Term Financial Strategy is a significant document which forecasts the financial picture for the Council.

#### **6.00 ANTI POVERTY IMPACT**

- 6.01 No direct impacts.

**7.00 ENVIRONMENTAL IMPACT**

7.01 No direct impacts.

**8.00 EQUALITIES IMPACT**

8.01 No direct impacts.

**9.00 PERSONNEL IMPLICATIONS**

9.01 No direct impacts.

**10.00 CONSULTATION REQUIRED**

10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 The Medium Term Financial Strategy will underpin future consultations with elected members, the workforce, Trade Unions, partner organisations and the public on future service choices.

**12.00 APPENDICES**

12.01 The Medium Term Financial Strategy part one.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

None.

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# Medium Term Financial Strategy



2015 - 2018

# Introduction

The first part of the Medium Term Financial Strategy (MTFS) forecasts the resources the Council is likely to have over the next 3 years.

Our resources are being reduced, year on year, through big reductions in the grants we depend on from Government. We then also have to meet cost pressures, such as inflation, with less money at our disposal. Inflation, rises in demand for critical services, such as social care, and the cost of legal obligations placed on us, such as pensions reform, all place a strain on our reducing budget.

A summary of the forecasting position for 2015/16 - 2017/18 is set out below.

<b>Expenditure</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
National Pressures	0.9	0.4	0.3	1.6
Local Pressures	6.2	2.5	1.2	9.9
Inflation	4.1	4.1	4.3	12.5
Workforce Pressures	2.5	9.4	3.7	15.6
<hr/>				
<b>Income</b>				
Reduction in Revenue Support Grant (3.5%)	6.6	6.5	6.3	19.4
Council Tax Increase (3%)	(2.0)	(2.1)	(2.1)	(6.2)
<b>Projected Gap</b>	<b>18.3</b>	<b>20.8</b>	<b>13.7</b>	<b>52.8</b>

Part 2 of the MTFS, to be published shortly, will set out the solutions and options for organisational efficiency, and service changes to work to close this challenging financial gap.

# Contents

Forecasting for the Future:

1. National Pressures
2. Local Pressures
3. Inflation
4. Workforce
5. Income
6. Total Impacts

# 1. National Pressures

These are financial pressures which are driven nationally and are beyond the control of the Council. They may come about from policy directions or new legislation from either UK Government or Welsh Government, where powers are increasingly devolved. These pressures are expected to be met by councils without extra funds being set aside by Government.

## Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) was introduced in 2013/14 by Welsh Government to provide financial assistance to help some residents pay their Council Tax. CTRS replaced the previous Council Tax benefit system. Welsh Government funding for the scheme does not increase year on year and therefore the annual increase in Council Tax 'benefits' payments we pay out is a pressure on the Council's budget. Over the medium term, this will cost the Council an estimated £0.952m.

## Discretionary Housing Payments

Changes to the Government's Welfare Reform Programme have had a financial impact on some households. Discretionary Housing Payments (DHP) offer temporary support to people in difficulty. Over the last 3 years the Council has 'topped up' the DHP funds provided by Welsh Government to help the most vulnerable. In 2014/15 this cost the Council £0.053m. In 2015/16 there will be a reduction of £0.067m in the amount of funding the Council receives for DHP. The Council will be under pressure to make up any difference.

## Impacts of Legislation and Case Law

New legislation such as the Social Services Bill, and Deprivation of Liberty Safeguards Case Law (DoLS), can affect the way services are to be provided and people's rights. Councils have to manage the financial impact of changes in the law as part of their budget often without any additional support from Government. Within the 2015/16 budget a pressure of £0.290m has had to be met for DoLS.

## Independent Living Fund

The Independent Living Fund (ILF) provides financial support to disabled people with significant care needs to help them live independently at home or in the community. The UK Government announced that the fund will close from June 2015 with the responsibility for financial support to be transferred to local authorities. The cost pressure for Flintshire County Council is estimated to be £0.338m in 2015/16 with an additional pressure of £0.112m in 2016/17. Welsh Government have recently said that there may be some financial support to help Councils with the transition. At this stage we do not know what help we will receive, if any.

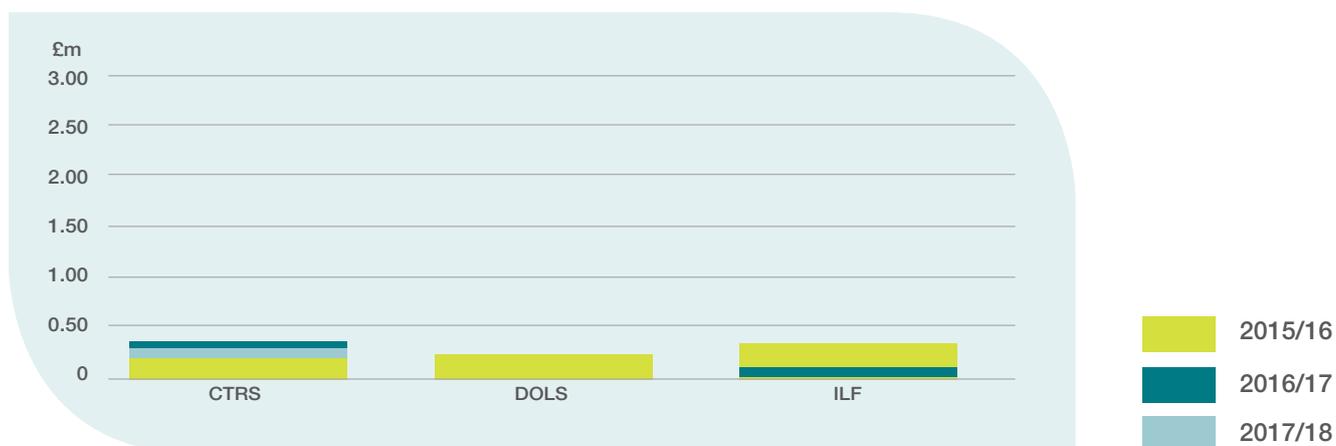
## Reductions in Specific Grants

The Council relies on numerous specific grants which the Welsh Government allocate to directly fund services such as Education and Waste Management.

In recent financial years there have been some big reductions in these grants. The Council sometimes has to make up the difference for services to continue.



## Specific Non Workforce National Pressures Identified in Budget/MTFS



The risks to services from reductions in specific grants include:

- Sustainable Waste Management Grant** - previous reductions in this grant had created a cumulative cost pressure of £0.308m by 2014/15. A further reduction in the grant for 2015/16 has been confirmed at £0.100m giving a total reduction to date of £0.408m.
- Supporting People Grant** - there has been a sustained reduction in this grant since 2009/10 of £1.6m.
- Education Improvement Grant** - Big changes to the education grant system from April 2015 have resulted in 11 grants being amalgamated into a single grant called Education Improvement Grant. The effect of these changes in 2015/16 is a reduction of 9.85% or £0.509m. From 2016/17 Welsh Government are planning to introduce a funding formula for this grant. The impacts of this next phase of change are unknown.
- Post 16 Education Grant** - This grant was reduced in 2015/16 by 2.5% or £0.149m. Intelligence from Welsh Government suggests a further 5% cut in 2016/17.

The total impact of just the grant reductions shown above comes to £2.7m. Future grant reductions are unconfirmed at this stage and subject to change.

### Workforce Costs

There are significant new workforce costs from national changes to Local Government and Teacher Pensions Schemes. These are covered in Section 4 - Workforce.

The total impact of known national pressures is £1.6m

# 2. Local Pressures

Local pressures come about from demands for services and other local circumstances. They are not funded by Government grant with the cost falling on the Council.

## Current Local Pressures

### Social Services:

#### Transition to Adulthood

Each year a number of clients are expected to have ongoing social care needs as they transfer from children's services and become adults. The cost of care packages for each client is based on a careful assessment of their future care needs. In 2015/16 and 2016/17 the number of young clients transferring to Adult Social Care will be 16 and 14 respectively. This has led to a budget pressure of £1.239m in 2015/16, £0.923m in 2016/17 and £0.640m in 2017/18. We have a duty to meet their needs.

#### Extra Care

There will be annual revenue costs from the running of the new Extra Care Scheme in Flint which will become operational in 2017.

#### School Modernisation

This pressure is an estimate of the service 'exit' costs of teaching and other employees leaving our service as we change school provision and open the new Post 16 hub at Coleg Cambria, Deeside.

#### Landfill Tax

An increase in the rate per tonne we pay to take waste to landfill is an additional pressure. There is a statutory requirement to dispose of our waste. The Council is diverting as much waste as possible from landfill through increasing recycling and other forms of disposal.

#### Making Workforce Efficiencies

As part of the budget for 2015/16, a pressure was included to cover our changing savings targets for reducing the workforce set as part of the 2014/15 budget. Future workforce efficiencies are now being built into our business planning process. There are also cost pressures through releasing employees through redundancy and early retirement.

#### Prudential Borrowing

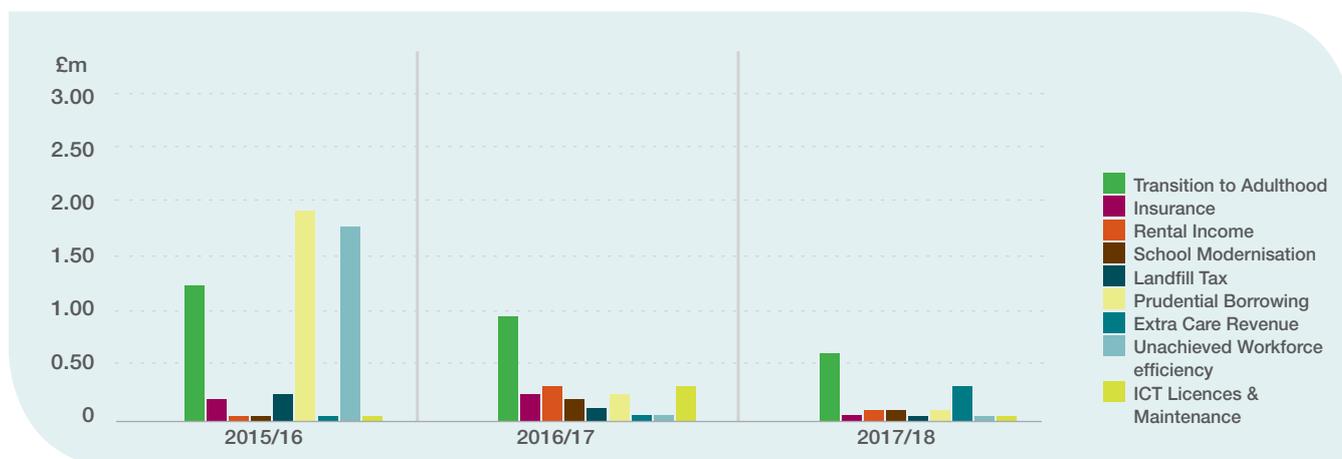
The Council has built up borrowing over the years to fund capital schemes. A review of our Central Loans and Investment Account will reprofile our borrowing. This ongoing review may create efficiencies or pressures. The Council is planning to increase its borrowing to pay for new capital schemes such as improving school buildings.

#### Internal Insurance Fund

The Council provides insurance cover for the risks it faces through a combination of purchased external insurance and self-insurance through our internal insurance fund. The adequacy of the internal fund has been assessed by our insurance brokers. There is a need to increase the funds to meet our risks.



## Specific non Workforce Local Pressures Identified in Budget/MTFS



\*Figure updated from budget report.

### Information Technology

There is a new recurring pressure from our Microsoft Enterprise Licence agreement at an annual cost of £0.350m per annum from 2016/17. A further emerging pressure for software maintenance is for the iTrent (Human Resources) system from 2016/17.

### Workforce Costs

There are significant new workforce costs from the introduction of the Local Single Status Agreement and the actuarial review of the Clwyd Pension Fund. These are covered in Section 4 - Workforce.

## Emerging Local Pressures

### Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) was the main insurer of the public sector prior to it closing its insurance business in 1992. A scheme is in place for any liabilities still outstanding from historic insurance with MMI. Any increase in claims arising from that period could impact on the levy to be paid by the Council.

### Contaminated Land Strategy

The Council has a responsibility to ensure there is no public risk from former landfill sites. There is a need for the Council to assess if there is any need for remedial work on these sites.

### Waste Management

The Council is exposed to risks including fluctuations in recycling income from sales of waste recyclates in the open market.

### Economy

The Council is exposed to the risk of decreases in the income it relies on from fees and charges in services such as leisure and planning. These fluctuations can depend on the health of the economy.

### Specific Grant Reductions

Late notification of specific grant allocations by Welsh Government make financial planning challenging. Recent grant reductions in 2015/16 include the Free Swim Initiative (£0.025m) and Flood Water Management Act Grant (£0.050m).

The total impact of major local pressures is £9.9m

# 3. Inflation

Inflation is the rate at which the prices for goods and services are expected to rise. The inflation costs a council has to meet are not the same as those that households face. Even at times of low Retail Price Index (RPI) inflation councils can have big inflationary pressures. Flintshire County Council builds Inflation into its annual budgets based on the latest market intelligence. Overall, income budgets include a 3% increase to meet inflation. This is based on recent trends in inflation. Within the annual funding 'settlement' the Council receives from Welsh Government no provision is made for inflation. This means that the Council has to find a way of meeting the costs of annual inflation from within its reducing resources.

## Types of Inflation

### Pay

Provision for nationally agreed pay awards is based on the latest information from our national negotiating bodies. Over the last three years pay inflation has been assumed at 1%, and included in the budget at this level until confirmation of each annual agreements has been received.

### Prices

The current forecast for price inflation includes a 2% increase over all expenditure budgets, apart from what we call Non Standard Inflation. Budgets which are not exposed to normal price inflation, such as Benefits, are excluded.

Over the last three years, budget holding service managers have had to absorb price inflation within their budgets, without any increase. Extra provision has only been made where there is an exceptional case. In 2015/16 this extra provision totalled £0.421m for exceptions such as increases in care fees where we commission residential care home places.

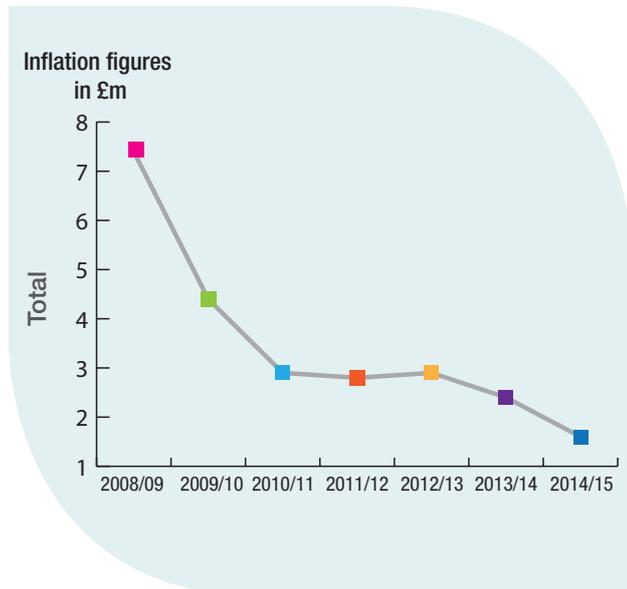
### Non Standard Inflation

Non Standard Inflation (NSI) provision is set aside to support services which are exposed to higher than normal annual inflationary pressures in buying fuel, energy and food supplies.

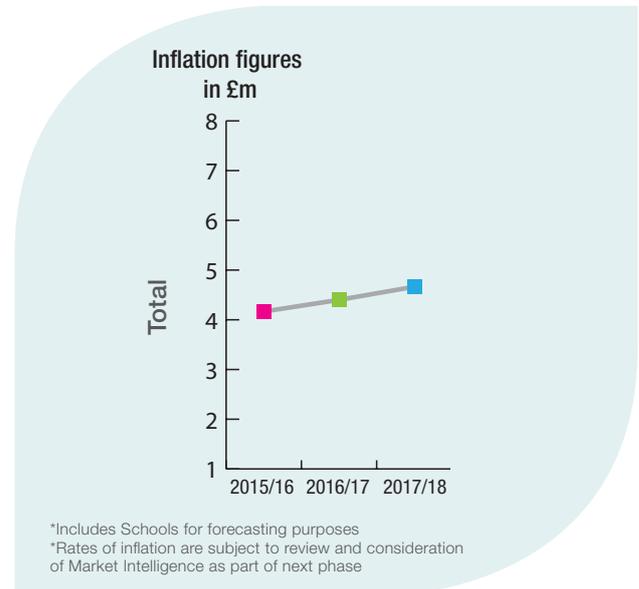
In recent years these rates of inflation have been volatile, for example, in the energy sector due to rising oil prices. More provision for inflation has been made in these areas in the last two financial



Graph 1.  
Historical Budgeted Inflation



Graph 2.  
Forecast within MTFS



years, (energy at 8%, fuel at 11.2% and food at 5.8%).

As part of the 2015/16 budget strategy the need to set aside any provision for Non Standard Inflation (NSI) was reviewed. Specific market intelligence on energy (from Crown Commercial Services, UES Energy) shows that overall prices for gas and electricity were predicted to stay stable in 2015/16.

Market intelligence within the food markets (from Tuco Ltd, Procurement Partner) shows that some food groups may be subject to an increase of between 0.5% and 3%. Inflation on food was considered to be the area of greatest risk in 2015/16. Therefore an allocation of £0.064m was held within the budget.

The inflation risks and costs of energy, fuel and food are subject to many economic and other factors beyond our control. Market intelligence

will be used with quarterly updates to help make this as accurate a forecast as possible.

### Inflation on Income

In recent years income budgets have included a 3% increase to reflect the need to raise prices in line with costs. See Section 5 - Income.

The total amount of inflation forecast is £12.5m

# 4. Workforce

**By far the biggest cost of managing a Council of our size is the cost of employing our workforce. Flintshire both employs people to provide services direct to communities and to customers, and commissions or contracts out other services. Where we commission or contract the Council is not the employer. We also employ people to provide essential internal support services such as Finance and Human Resources.**

**The costs of employing our workforce are rising due to a combination of national and local pressures including annual pay rises, pensions reform, and the Single Status Agreement.**

Flintshire employs around 7,140 people in 8,206 roles. The total annual ‘wage bill’ in 2014/15 was in the region of £178m. The ‘wage bill’ is made up of salaries, employer pension contributions, employer national insurance contributions, and allowances and expenses.

The costs of employing people are rising. The costs pressures can be grouped as:-

- ‘cost of living’ pay rises
- low pay protection costs
- local pay settlements
- pensions

## ‘Costs of Living’ Pay Rises

Workers expect to receive an annual pay rise for their earnings to keep pace with inflation. These are commonly known as ‘cost of living’ pay awards and are negotiated nationally between representatives of the local government employers and the trade unions.



Following a period of imposed pay ‘freezes’, annual pay awards are again being granted by agreement. Annual pay awards are running at between 1-2% for most local government workers.

The cumulative impact of national pay awards for 2015/16-2017/18 is shown in Table 1.

Table 1 - Impact of Pay Awards

2015/16	2016/17	2017/18	Total
£m	£m	£m	£m
1.804	1.690	1.707	5.201

## Low Pay Protection Costs

Workers are protected from being low paid through the setting of a national minimum wage. The lowest levels of pay in local government are above the national minimum wage. The minimum wage is £6.50 per hour rising to £6.70 per hour on 1 October 2015. Flintshire’s lowest hourly pay rate is currently £7.189 per hour. Whilst there are no immediate pay pressures here for the Council as it meets its legal obligations, this might change over time.

There is pressure for Trade Unions, some political parties and lobby groups for employers to adopt the Living Wage. The Living Wage is argued to be a more realistic amount for people to live on and is set at a higher rate than the Minimum Wage at £6.50 per hour. Whilst Flintshire has gone some way to preventing low pay and has implemented a pay structure where the lowest pay grade ‘tops out’ near to the Living Wage, we have not as an employer set it as a minimum. If we were to do so this would present a new cost pressure. Approximately 1,297 employees (including relief workers) are currently paid beneath the Living Wage.

## Local Pay Settlements

Local authorities have obligations to ensure that they pay all employees fairly with equality of treatment for women and men. These obligations come from important national agreements and the equal pay legislation. Reviewing local pay arrangements to ensure that there is equality of treatment is a complex and time-consuming exercise. Like many other local authorities Flintshire has now reached a Single Status Agreement to achieve this. Under our Agreement we have introduced a new pay and grading model. Single Status Agreements have in every single case around the country added cost to the 'wage bill'. Whilst some employees will gain on pay, some will stay the same, and some will lose on pay, a significant majority will have to gain or stay the same to successfully achieve agreement through negotiations between employer and trade unions and then through a workforce ballot. Therefore, there will be a total increase in pay costs across the board under these types of Agreements.

Some years ago the Welsh Government made extra provision in the base financial settlement for local government to support the costs of introducing Single Status Agreements in the knowledge that they would inflate workforce costs. Whilst providing this support was a visionary step towards ending unequal pay between women and men, the provision set aside was not enough to meet the inflationary impact in full. Councils have to make up the shortfall themselves.

Flintshire's Single Status Agreement was introduced in 2014. The inflationary impacts for the first two years have been 'buffered' or cancelled out through the use of financial reserves. The agreement will impact on the budget from June 2016. The annual cost of the wage bill will rise for several years as some employees who have entered a new pay grade work their way up through the annual pay increments until they reach the top of their grade. At this point the wage bill will 'peak'.

The impacts of the Single Status Agreement are shown in table 2 below. The impacts shown are net of the annual

Table 2 - Single Status Impact

2015/16 £m	2016/17 £m	2017/18 £m	Total £m
0.000	3.774	1.726	5.500



provision with the national financial settlement of £4.3m. The forecasted impacts reported to Council in October 2013, when adopting the Single Status Agreement, were greater; they have been significantly reduced through the ongoing programme of reducing the scale of the workforce through voluntary redundancies and retirements.

## Local Government Pension Scheme

Local government employees (other than teachers, police and firefighters) are entitled to be members of the local government pension scheme. The pension scheme is a funded one where both employers and employees contribute to the costs of building their 'pension pot' for their eventual retirement. The monies are invested into the Clwyd Pension Fund for capital gain and income to pay pension liabilities both now and into the future.

Public service pension schemes are being reformed to help financial sustainability. For the local government pension scheme the new CARE (Career Average) scheme replaced the final salary scheme from 1st April 2014. At a national level the Government have reviewed how the pension provision is shared more fairly between employees and scheme employers, if costs continue to increase. This may result in a change to employee contributions or scheme benefits in the future.

The employer contribution for the Council is set by the Fund Actuary every three years. The last actuarial valuation date was 31 March 2013 which provided both future service cost contributions and deficit payments for 2014/15, 2015/16 and 2016/17. The future Flintshire rate

is a percentage of pensionable pay and will vary. At the last actuarial valuation the employer contribution rate was set as 12.2% (2014/15), 13.2% (2015/16) and 13.9% (2016/17),

At the last Actuarial Valuation the Council had a pension deficit of £197m. The Council has a deficit recovery plan of 19 years and the agreed payments are £9.185m (2014/15), £9.490m (2015/16) and £9.985m (2016/17).

The pension contributions to be made to the Clwyd Pension Fund by Flintshire as an employer were in the region of £10.2m.

For the third and final year of this MTFs it is more difficult to estimate pension costs. Despite strong asset returns on investments of +16% in 2014/15, the funding level of the Fund has fallen by 5%. The Council's deficit has therefore increased. This is due to lower than estimated long term interest rates. The Actuary of the Clwyd Pension Fund will undertake a funding review this year which may assist all employers in the Fund with their future financial plans, ahead of the next Actuarial Valuation.

**Pensions Performance:** the most recent actuarial review in 2013/14 reset employer contributions for the period 2014/15 - 2016/17. The inflationary impacts are shown in table 3 below.

**Pensions Reform:** a number of recent pensions reforms are causing inflationary pressure. Under a change called the Single Pension Scheme local government pension schemes will no longer qualify

for a rebate for national insurance contributions made towards the additional State Pension known as the Second Pension. This change will increase National Insurance employer contributions by 3.4% from April 2016. The inflationary impacts are shown in table 3 below. Employee national insurance contributions will also increase.

Under a change called Automatic Enrolment, access to pension provision in a qualifying pension scheme had to be made available to all new employees from 1 October 2012. For all existing employees who had previously deferred entry or opted out of the Clwyd Pension Fund, a transitional period to October 2017 applies. At this time, any remaining employees would be automatically enrolled into the Clwyd Pension Fund. This will be at a cost to the Council. It is not expected that all employees with deferred Fund entry will choose to stay in the Pension Fund at 2017, but a proportion will. The predicted inflationary impacts are also shown in table 3 below.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is a central government controlled Public Service Pension Scheme that, unlike the LGPS, is unfunded. The contributions are set by Central Government. Under pensions reform the employer contributions for teachers' pensions are to be increased from 2016. The inflationary impacts are also shown in table 3 below.

Table 3 - Pension Related Incremental Impacts

Pressure	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Actuarial Review	1.747	1.504	1.300	4.551
Single Pension Scheme	0	2.787	0	2.787
Auto Enrolment	0	0	0.625	0.625
Teachers' Pension Increase	0	1.364	0	1.364
<b>Total</b>	<b>1.747</b>	<b>5.655</b>	<b>1.925</b>	<b>9.327</b>

The total amount of workforce pressures is £15.6m (excluding inflation)

# 5. Income

The Council is funded from two main sources - the Revenue Support Grant and Council Tax. The Revenue Support Grant (RSG) awarded by Welsh Government makes up 65% of the total income of the Council with Council Tax contributing 22%. The remainder is made up from specific government grants and income from fees and charges. RSG is reducing year on year. UK Government fiscal plans show a continuation of reductions in the medium term. Setting Council Tax is a continual challenge in the current financial situation. Other income generating opportunities can be constrained by Welsh Government controls and economic factors. It can be difficult to balance increased charges to recover costs, with affordability and collectability from clients and customers.

## Revenue Support Grant (RSG)

The Council received a reduction in its RSG of 3.4% in 2015/16 equal to £6.6m. Welsh Government has not given any firm indication of the level of RSG funding for future years. Continuing reductions are expected and we are assuming reductions in RSG of 3.5% per year for the next two years in this strategy.

Over the medium term of this forecast this could mean a total £19.4m reduction in RSG funding.

Chapter 1 - National Pressures highlights the significant reductions in specific grants which are added to the reduction in RSG in arriving at a complete forecast for this 3 year period.

## Council Tax and Business Rates

The Council collects the Council Tax from local residents and the 'Business Rates' from local businesses.

The level of Council Tax is set annually and is paid by local residents to help finance the Council's overall budget (£60m in 2015/16).

The Council collects the local 'business rates' on behalf of Welsh Government. This is then paid into a national pool and redistributed to councils as part of the annual financial settlement. Flintshire's share of this pool in 2015/16 will be around £63m.

As part of the budget for 2015/16 the Council agreed to set the increase on Council Tax at 3.75%. This is at a higher level than the 3% set in previous budget years. This extra rise was needed due to the challenging financial position faced by the Council as set out in this strategy.

The level of Council Tax for future years will be a democratic decision of the Council. For the purposes of this plan an annual increase of 3% has been built in for 2016/17 and for 2017/18. This would provide an additional £2.1m of income per year. In setting the Council Tax the Council has to balance the financial needs of the organisation to maintain its services with the affordability of Council Tax for local residents.



## Fees and Charges

In 2014/15 the Council generated £25m from fees and charges. The Council is developing a more wide ranging Income Strategy to help increase overall income to cope with the financial challenges it is facing. This work builds on earlier work to develop a single and consistent fees and charges policy with transparency in the setting of its fees and charges.

Existing fees and charges are, wherever possible, increased annually by 3% to meet the costs of inflation. However there are restrictions on the levels of income councils can charge for some services e.g. homecare services.

The budget strategy for 2015/16 was based on fundamental three year business plan reviews across all Council service portfolios. Within these plans were proposals for increasing income including:-

- maximisation of external funding
- increase in joint funding from Health
- Public Protection for increases to reflect cost
- review of car parking charges
- increased charging for some services

These reviews led to an increase in budgeted income across portfolios of £2.3m in 2015/16.

For 2016/17 and 2017/18, the Council will need to develop its income policy and identify new opportunities for income to help bridge the gap from the reduction in national funding.

## Income Dependency

The Council is dependent on being able to generate income to fund some of its core services. For example, Leisure Services relies on £6m from income, mainly from its customers, whilst Facilities Services relies on £3m from external income. In Catering the strategy for fees and charges needs to consider the impact of charging to avoid turning customers away.

## Constraints on Charging Policy

In recent years, Welsh Government have introduced measures such as the First Steps Improvement Package which introduced a then cap of £50 per week on the amount that Local Authorities could charge for Domiciliary Care. This led to a loss of income to Flintshire County Council of £0.426m in 2011/12 and has limited the Council's ability to increase income for future years.

Reviews of these national constraints are needed to give councils the freedom to recover more income to subsidise some of the services it provides.

**The impact of reductions in Revenue Support Grant is £19.4m offset by increase in Council Tax income of £6.2m**

# 6. Total Impacts

The total impact of known national pressures is £1.6m

The total impact of major local pressures is £9.9m

The total amount of inflation forecast is £12.5m

The total amount of workforce pressures is £15.6m (excluding inflation)

The impact of reductions in Revenue Support Grant is £19.4m offset by increase in Council Tax income of £6.2m

**Total impact is £ 52.8m**



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE**

**DATE:** **MONDAY, 13 JULY 2015**

**REPORT BY:** **CHIEF EXECUTIVE**

**SUBJECT:** **REVENUE BUDGET MONITORING 2015/16**

### **1.00 PURPOSE OF REPORT**

1.01 To provide Members with the Revenue Budget Monitoring 2015/16 (Month 2) report.

### **2.00 BACKGROUND**

The revenue Budget Monitoring 2015/16 (Month 2) report will be presented to Cabinet on 14 July 2015. A copy of the report is attached as Appendix A to this report.

### **3.00 RECOMMENDATIONS**

3.01 Members are asked to note the report.

### **4.00 FINANCIAL IMPLICATIONS**

4.01 As set out in the report.

### **5.00 ANTI POVERTY IMPACT**

5.01 None.

### **6.00 ENVIRONMENTAL IMPACT**

6.01 None.

### **7.00 EQUALITIES IMPACT**

7.01 None.

### **8.00 PERSONNEL IMPLICATIONS**

8.01 None.

### **9.00 CONSULTATION REQUIRED**

9.01 None.

**10.00 CONSULTATION UNDERTAKEN**

10.01 None.

**11.00 APPENDICES**

11.01 Appendix A – Revenue Budget Monitoring 2015/15 (Month 2) Report.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

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Email: [sara.dulson@flintshire.gov.uk](mailto:sara.dulson@flintshire.gov.uk)**

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**  
**DATE:**               **TUESDAY, 14 JULY 2015**  
**REPORT BY:**       **CORPORATE FINANCE MANAGER**  
**SUBJECT:**           **REVENUE BUDGET MONITORING 2015/16**

**1.00**   **PURPOSE OF REPORT**

1.01   To provide Members with the first available revenue budget monitoring information for the Council Fund and Housing Revenue Account (HRA) for 2015/16.

**2.00**   **BACKGROUND**

2.01   The Council Fund budget and the HRA budget for 2015/16 were agreed by Council on 17 February 2015.

**3.00**   **CONSIDERATIONS**

3.01   As in previous years, during the early part of the 2015/16 financial year Corporate Finance resources have been dedicated to the closure of the accounts for 2014/15 to ensure that the statutory deadline for completion of the draft statement of accounts by the end of June is achieved. The draft Statement of Accounts are to be presented to the Audit Committee on 15 July and the 2014/15 revenue final outturn report is included elsewhere on this agenda.

3.02   Although resources have been prioritised to complete the 2014/15 statutory accounts significant work has already been undertaken to review the progress and risks associated with the efficiencies included in the 2015/16 budget.

3.03   The 2015/16 budget includes £12.874m of efficiencies relating to Business Planning and Corporate Financing efficiencies across Portfolios. The significant level of efficiencies needed to deliver the budget has led to the establishment of Programme Boards for each Portfolio attended by both Officers and Members, with the remit of tracking efficiencies and highlighting risks and mitigating actions in relation to the achievement of the 2015/16 efficiencies.

3.04 In addition Service Managers and Corporate Finance have continued to liaise with regard to any early changes in demand, particularly in known volatile service areas despite the fact that in the first couple of months of a new financial year it is more difficult to rely on trends around service demand for forecasting purposes.

3.05 This first budget monitoring report of the year does not provide the level of detail which follows from month three onwards but does highlight the risks identified through the work referred to above in paragraphs 3.03 – 3.04 and these are detailed below.

**Disability Services (Resources & Regulated Services)**

3.06 There is a projected underspend of £0.300m against a new pressure of £0.338m in respect of the transfer of the responsibility for the former Independent Living Fund (ILF) from UK Government to devolved administrations. The pressure was included in the budget on the basis of the amount being paid to local authorities being distributed on the RSG formula. Following completion of the consultation (after the Council's budget had been set), it was determined that the funding for this would be distributed as a specific grant amount based on the amount actually required to pay service users. There is no allocation to cover the administration of the scheme so it is intended to keep an element of this allocation to fund the additional administration burden and to cover for obligations to meet employer liability insurance for carers employed by service users.

**Business Services Income (Charging Policy Fee Income)**

3.07 There is a projected excess of income above the level budgeted of £0.300m in respect of charging policy fee income. Welsh Government increased the maximum charge cap to £60 per week with effect from 1st April 2015. A budget efficiency of £0.100m was applied as an increase to the target income budget. The latest projections indicate that total income will exceed budget by £0.300m.

**Children's Services (Family Placement)**

3.08 There is currently a projected overspend of £0.170m on this service to meet service demand. There have been significant overspends on this service for each of the last four financial years, however the final outturn for 2014/15 reflected a reduction in the level of overspend to £0.222m.

**Funding for Voluntary Sector Organisations**

3.09 An efficiency of £0.203m was approved as part of the 2015/16 budget in respect of a programme of phased reductions in payments to voluntary sector organisations over a period of three years. The original estimate of achieving £0.203m efficiency is now known to be not realistic, however this amount will be found as a cumulative total over 3 years.

**3.10 Localities (Locality Teams)**

There remains a significant demand influenced pressure on domiciliary care provision which is a continuation of the pressure experienced in last financial year. The final outturn position in 2014/15 was an overspend of £0.837m.

In 2015/16, the early projection for domiciliary care is an overspend of £0.514m, which is significantly less than in 2014/15 primarily due to the loss of one very high cost care package.

As was the case in 2014/15, this significant overspend is offset by a projected underspend on Residential Care which is primarily due to an excess of income above budget mainly in respect of property related income but with some influence of free nursing income. There is currently a projected underspend of £0.620m on Residential Care.

**3.11 Recycling**

The recycling market (paper in particular) is going through a volatile period with fluctuating re-cycle sale values. This is likely to impact on 2015/16 recycling income levels for the Council. There is a risk of under achieving 2015/16 income targets.

**3.12 Planning Fee Income**

The anticipated increase in planning fees by Welsh Government will not now take place until 1<sup>st</sup> October 2015 which means that there will potentially be a shortfall of £0.125m on the budgeted efficiency.

**3.13 Rationalisation of Household Recycling Sites**

Further options are being considered and consultation undertaken in relation to the proposed closure of Hope recycling centre which has the effect of reducing the proposed efficiency. In addition, the delay in introducing changes to the operating times at Connah's Quay and Flint sites will result in a projected shortfall on the budgeted efficiency of £0.175m

**3.14 Highways Services - Reduction of Cleansing Standards**

The implementation date is now anticipated to be 1<sup>st</sup> January 2016 which will result in a shortfall in the efficiency of £0.100m. A separate report on this policy is scheduled for Cabinet on this agenda.

**3.15 Waste services**

There is a projected shortfall in income of £0.150m from the gas engines at Brookhill and Standard Landfill Sites due to issues with the electrical equipment.

**3.16 Out of County Placements**

As has been the case in the past the volatility in demand and the impacts on service costs cannot be predicted with any certainty. Therefore there is always a risk of significant variances occurring

although this area will continue to be closely monitored.

**3.17 People & Resources**

The 2015/16 budget includes a Business Plan efficiency of £0.105m which relates to workforce efficiencies within Human Resources. There is a risk that this efficiency will not be met in full this financial year, though this will be reported on in more detail later in the reporting cycle.

**3.18 Central & Corporate Finance**

The 2015/16 budget includes an efficiency for Workforce related proposals of £0.300m which relate to leave buy back, use of pool cars and staff parking. At this early stage it is anticipated that there will be a shortfall of £0.150m in achieving this within the current financial year. However, alternative ways of achieving the full efficiency will continue to be explored.

3.19 Within the Central Loans and Investment Account (CLIA), an efficiency of £0.600m was included in the 2015/16 budget in relation to the Housing Revenue Account (HRA) subsidy buy out. Due to a change in the settlement amount which Welsh Government announced after the budget was set it is now unlikely that this will be achieved. However, a full review of the CLIA is being undertaken on this complex account which will provide an overall assessment of the impact on this account.

3.20 Provision has been made in the 2014/15 accounts for the phase 1 and 2 decommissioning, decontamination and clearance of the former chemical site in Sandycroft. Monthly costs for ongoing security and maintenance of the site are in the region of £0.030m and will accumulate throughout the financial year until site disposal.

3.21 Within the centrally held Corporate Finance account, there is currently a potential underspend on Non-Standard Inflation of £0.335m which will continue to be held until an assessment of the in year requirements for inflation has been undertaken later in the year.

3.22 An amount of £1.747m was included in the budget in relation to estimated additional pension costs following the triennial actuarial valuation. Initial work suggests that the full amount may not be required due to workforce reductions however further work will be undertaken on this prior to Month 3 to consider the overall impact for 2015/16 and future years.

3.23 The emerging risks and issues identified in 3.06 – 3.22 are the significant items that have been raised at this early stage in the year. Where there are potential budget pressures opportunities to mitigate them will be considered and implemented where appropriate to help ensure that spend can be brought in line to the overall budget. A full detailed budget monitoring position will be reported for the first quarter

of the year to Cabinet in September.

**3.24 Housing Revenue Account**

There are no significant variations identified at this stage within the Housing Revenue Account.

**4.00 UNEARMARKED RESERVES**

4.01 The final level of Council Fund Contingency Reserve brought forward into 2015/16 was £4.745m as detailed in the 2014/15 outturn report elsewhere on this agenda (subject to Audit).

4.02 As detailed in the Final Outturn report it is recommended that the use of the additional Contingency Reserve of £1.804m is held and considered for any additional in-year and future investment in change in the context of the MTFP.

**5.00 RECOMMENDATIONS**

5.01 Cabinet is recommended to note the report.

**6.00 FINANCIAL IMPLICATIONS**

6.01 As set out in the report.

**7.00 ANTI POVERTY IMPACT**

7.01 None directly as a result of this report.

**8.00 ENVIRONMENTAL IMPACT**

8.01 None directly as a result of this report.

**9.00 EQUALITIES IMPACT**

9.01 None directly as a result of this report.

**10.00 PERSONNEL IMPLICATIONS**

10.01 None directly as a result of this report.

**11.00 CONSULTATION REQUIRED**

11.01 None directly as a result of this report.

**12.00 CONSULTATION UNDERTAKEN**

12.01 None directly as a result of this report.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985**

**BACKGROUND DOCUMENTS**

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE**

**DATE:** **MONDAY, 13 JULY 2015**

**REPORT BY:** **CHIEF EXECUTIVE**

**SUBJECT:** **REVENUE AND CAPITAL BUDGET MONITORING 2014/15 (OUTTURN)**

### **1.00 PURPOSE OF REPORT**

1.01 To provide members with the Revenue Budget monitoring 2014/15 and Capital Programme 2014/15 reports as at Outturn.

### **2.00 BACKGROUND**

#### **2.01 Revenue Budget Monitoring 2014/15 (Outturn)**

The Revenue Budget Monitoring 2014/15 (Outturn) will be presented to Cabinet on 14 July 2015. A copy of the report is attached Appendix A to this report.

#### **2.02 Capital Programme 2014/15 (Outturn)**

The Capital Programme 2014/15 (Outturn) report will be presented to Cabinet on 14 July 2015. A copy of the report is attached Appendix B to this report.

### **3.00 RECOMMENDATIONS**

3.01 Members are asked to note the report.

### **4.00 FINANCIAL IMPLICATIONS**

4.01 As set out in the report.

### **5.00 ANTI POVERTY IMPACT**

5.01 None.

### **6.00 ENVIRONMENTAL IMPACT**

6.01 None.

### **7.00 EQUALITIES IMPACT**

7.01 None.

**8.00 PERSONNEL IMPLICATIONS**

8.01 None.

**9.00 CONSULTATION REQUIRED**

9.01 None.

**10.00 CONSULTATION UNDERTAKEN**

10.01 None.

**11.00 APPENDICES**

11.01 Appendix A – Revenue Budget Monitoring 2014/15 (Outturn) report.  
Appendix B – Capital Programme 2014/15 (Outturn)

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

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**FLINTSHIRE COUNTY COUNCIL****REPORT TO:**           **CABINET****DATE:**                   **TUESDAY, 14 JULY 2015****REPORT BY:**           **CORPORATE FINANCE MANAGER****SUBJECT:**               **REVENUE    BUDGET    MONITORING    2014/15**  
**(OUTTURN)****1.00    PURPOSE OF REPORT**

1.01    To provide Members with the revenue outturn budget monitoring information for 2014/15 for the Council Fund and Housing Revenue Account based on actual income and expenditure (subject to Audit).

**1.02    INDEX OF CONTENTS**

Section 2	Executive Summary
Section 3	Council Fund Summary Outturn
Section 4	Carry Forward Requests
Section 5	Inflation
Section 6	Unearmarked Reserves
Section 7	Housing Revenue Account (HRA)
Section 8	Recommendations
Appendix 1	Council Fund – Movement in Variances from Month 12
Appendix 2	Council Fund Variance Summary
Appendix 3	Efficiencies Summary
Appendix 4	Movements on Council Fund Unearmarked Reserves
Appendix 5	HRA Variance Summary

**2.00    EXECUTIVE SUMMARY**

2.01    The final year end position is as follows:

Council Fund

- Net in year expenditure was £1.804m lower than budget.
- A contingency reserve balance at 31 March 2015 of £4.745m.

Housing Revenue Account (HRA)

- Net in year expenditure was £0.345m less than budget.
- A closing balance as at 31 March 2015 of £1.510m.

**3.00 COUNCIL FUND OUTTURN**

3.01 The table below shows the final position by portfolio which reflects the Council's new Operating Model which came into effect on 1 June 2014.

3.02 The table below shows in year expenditure to be £1.804m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Outturn	In-Year Over/ (Under) spend	
				Month 12	Outturn
				£m	£m
Social Services	59.889	58.046	58.168	0.124	0.122
Community & Enterprise	14.368	13.367	12.756	(0.613)	(0.611)
Streetscene & Transportation	28.381	29.558	29.642	0.074	0.084
Planning & Environment	6.394	5.644	5.420	(0.246)	(0.224)
Education & Youth	97.167	97.155	97.234	0.078	0.079
People & Resources	5.395	5.029	4.999	(0.029)	(0.030)
Governance	8.821	8.388	8.489	0.103	0.101
Organisational Change	9.738	8.923	8.778	(0.165)	(0.145)
Chief Executive	2.160	3.151	3.111	(0.040)	(0.040)
Central & Corporate Finance	22.863	25.915	24.775	(1.345)	(1.140)
<b>Total</b>	<b>255.176</b>	<b>255.176</b>	<b>253.372</b>	<b>(2.059)</b>	<b>(1.804)</b>

3.03 The reasons for all movements from Month 12 are summarised in appendix 1 with the overall variances summarised within appendix 2.

**3.04 Significant Budget Movement Between month 12 to outturn**

Changes in revised budget from month 12 relate mainly to adjustments relating to the single status rebasing exercise, property maintenance reallocations, and workforce efficiency accounting adjustments.

**BRIEF OVERVIEW OF THE YEAR**

3.05 The early monitoring of the revenue budget for the Council Fund took into account the significant work that needed to be undertaken to rebase the staffing budgets following the implementation of the Single Status agreement in June 2014. As a result, the Month 3 – 6 monitoring reports focussed on non-pay areas with the assumption of no variation on pay budgets due to the fact that the relevant funding had been set aside through the single status funding strategy.

- 3.06 The early Month 3 position projected an overspend of £0.603m with a key influence being a projected overspend within Social Services due to demand on Adults domiciliary care as well as pressures within Children's services on Boarded Out and Direct Payments. Further challenges were experienced within Streetscene with a projected overspend of £0.293m due to delays in the trunk road collaboration project and a service review to be completed later than anticipated.
- 3.07 The Month 4 position reduced this early projection back into a minor underspend which was mainly due to the previously reported overspends in Social Services being offset by projected underspends in residential care, as well as a projected underspend within Community and Enterprise due to a higher level of surplus on Council tax collection and a projected underspend on the Council Tax Reduction Scheme (CTRS).
- 3.08 The 2014/15 budget included an efficiency of £3.1m to be achieved from workforce reductions and two phases of voluntary redundancy programmes were undertaken in year to maximise the contribution to this. However due to the number of workforce related efficiencies within portfolios as part of Value for Money, the recurring efficiencies to be achieved against this were not as much as anticipated. In Month 5, a cost control exercise was undertaken with all Portfolios asked to identify areas of non-essential expenditure to maximise the year end position to mitigate early concerns about the achievement of this efficiency and as a result an additional £0.630m of one off efficiencies were identified to improve the in year position.
- 3.09 As part of the completion of the rebasing of staffing budgets, an in year challenge of vacancies was undertaken across all Portfolios with budgets for vacancies that were not anticipated to be filled in year, given up on a one off basis to contribute towards the achievement of the in year workforce efficiency. As a result of that, the in year projected underspend increased in Month 9 to £1.978m.
- 3.10 Throughout 2014/15, the Council had an obligation to maintain security and the operation of the orphaned chemical site in Sandycroft which incurred running costs of £0.392m. In Month 10, the Council reported that negotiations with Welsh Government to gain a contribution towards the cost of decontamination of the site has been successful and a grant of £0.700m had been awarded. The cost of the phase 1 decontamination of the site was also included at £0.800m.
- 3.11 Between Month 10 and 12, the finalisation of the single status rebasing work and the impact of in year vacancy savings to contribute to the overall workforce efficiency had given a further positive impact on the outturn position. A further provision of £0.800m relating to phase 2 of the risk closure and site disposal of the orphaned site at Sandycroft was included due to the need to account for potential future liabilities.
- 3.12 As part of the outturn report, the Support Service recharges which are undertaken as part of the final account closure has led to an adverse variance of £0.222m which is due to the level of recharge to the Housing Revenue Account (HRA) being less than anticipated.

## Programme of Efficiencies

### Corporate and Functional Efficiencies

- 3.13 The 2014/15 budget contained £8.840m of specific efficiencies comprising Corporate Value for Money (VFM) on Procurement and Back to Basics of £1.301m and specific Functional VFM efficiencies of £7.539m.
- 3.14 The table below summarises the final position in relation to these and the analysis shows that £7.675m (87%) was achieved which resulted in a net underachievement of £1.165m. Details of the efficiencies not achieved in full are shown in appendix 3.

Status of Efficiency	Value of Budgeted Efficiency £m	Value of Actual Efficiency £m	(Under) Over Achievement £m
Fully Achieved	7.033	7.033	0.000
Achieved in Part	0.720	0.657	(0.063)
Not Achieved	1.087	(0.015)	(1.102)
<b>Total</b>	<b>8.840</b>	<b>7.675</b>	<b>(1.165)</b>

### Workforce Efficiencies

- 3.15 The 2014/15 budget also contained £3.1m of Workforce Efficiencies. The final position is a net over achievement on all workforce related efficiencies (including admin support) of £0.354m. This is a positive movement of £0.019m over month 12 due to an increase in overall workforce efficiencies of £0.019m.

## 4.00 CARRY FORWARD REQUESTS

- 4.01 Various requests to carry forward funding into 2015/16 were identified in the month 12 report. The carry forward requests were all approved. There are two additional carry forward requests being made in this report which are shown below.
- 4.02 Community & Enterprise – A carry forward for £0.031m is requested for the continuation of the Welfare Rights Programme.
- 4.03 Community & Enterprise – A carry forward for £0.011m is requested for the DWP Fraud and Error Reduction Incentive Scheme which is continuing into 2015/16.

## 5.00 INFLATION

- 5.01 Included within the 2014/15 budget were provisions for pay (£1.316m), targeted price inflation (£0.590m), non-standard inflation (£0.670m) and income (£0.151m).

5.02 The amounts for non-standard inflation (NSI) (Fuel, Energy and Food) are held centrally and allocated out to portfolio areas only where a funding need is evidenced. Allocations of NSI have been made to departments where there has been an evidenced need, this has resulted in an underspend of £0.144m on the amount required for fuel, an underspend of £0.054m on the amount required for food, together with an underspend of £0.042m on the amount required for Non-Domestic Rates.

## **6.00 UNEARMARKED RESERVES**

6.01 The 2013/14 final outturn reported to Cabinet on 15 July 2014 showed unearmarked reserves at 31 March 2014 (above the base level of £5.834m) of £5.328m.

6.02 This position reflected a contribution of £0.745m made from reserves as part of an accounting adjustment for termination benefits arising from the workforce efficiencies for the Senior Management Phase 1 programme. As budget provision was made within the 2014/15 budget for this, this has now been transferred back into reserves in the current financial year.

6.03 Section 6.05 of the 2014/15 budget report outlined the investment strategy required to fund one off costs and transitional funding for efficiencies that could not be found in full in 2014/15. This identified a potential £3.7m available to fund these from the contingency reserve as well as utilising the Single Status/Equal Pay Reserve.

6.04 An amount of £2.5m was required from the Contingency Reserve to fund the one off costs in 2014/15.

6.05 The Month 2 Monitoring report to Cabinet on 15<sup>th</sup> July also advised members of an allocation of £0.696m from the contingency reserve to fund investment costs approved under delegated powers.

6.06 Taking into account all of the above and the final outturn, the balance on the contingency reserve at 31 March 2015 is £4.745m. This is summarised in Appendix 4.

## **7.00 HOUSING REVENUE ACCOUNT**

7.01 On 18<sup>th</sup> February 2014 the Council approved a Housing Revenue Account (HRA) budget for 2014/15 of £29.886m. The budget provided for a closing balance of £0.956m, which at 3.2% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

7.02 The 2013/14 final outturn reported to Cabinet on 15<sup>th</sup> July 2014 showed a closing balance at the end of 2013/14 of £1.662m.

7.03 The outturn position reporting an overall underspend of £0.345m and a closing balance of £1.510m, which at 5% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.

7.04 Appendix 5 details the reasons for significant variances.

**8.00 RECOMENDATIONS**

Members are recommended to :-

- a) Note the overall report.
- b) Note the Council Fund contingency sum as at 31<sup>st</sup> March 2015, subject to audit (paragraph 6.06)
- c) Note the final level of balances on the Housing Revenue Account, subject to audit (paragraph 7.03)
- d) Approve the carry forward requests as stated in Section 4

**9.00 FINANCIAL IMPLICATIONS**

The financial implications are set out in Sections 3.00 – 8.00 of the report.

**10.00 ANTI POVERTY IMPACT**

None

**11.00 ENVIRONMENTAL IMPACT**

None

**12.00 EQUALITIES IMPACT**

None

**13.00 PERSONNEL IMPLICATIONS**

None

**14.00 CONSULTATION REQUIRED**

None

**15.00 CONSULTATION UNDERTAKEN**

None

**16.00 APPENDICES**

Council Fund – Movement in Variances from Month 4 – Appendix 1  
Council Fund – Budget variances – Appendix 2  
Council Fund – Efficiencies not fully achieved – Appendix 3  
Council Fund – Movements on unearmarked reserves – Appendix 4  
Housing Revenue Account Variances – Appendix 5

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985**

**BACKGROUND DOCUMENTS**

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**COUNCIL FUND - REVENUE BUDGET 2014/15  
FLINTSHIRE COUNTY COUNCIL**

**Budget Monitoring (Outturn)  
Summary of Movement from Month 12**

	£m	£m
<b>Month 12</b>		
Portfolios	(0.714)	
Central and Corporate Finance	(1.345)	
<b>Variance as per Cabinet Report</b>		<b>(2.059)</b>
<b>Outturn</b>		
Portfolios	(0.664)	
Central and Corporate Finance	(1.140)	
<b>Variance as per Directorate Returns</b>		<b>(1.804)</b>
<b>Change Requiring Explanation</b>		<b>0.255</b>
<b><u>Social Services</u></b>		
<b>Minor variances of less than £0.025m</b>		
• Development & Resources	(0.002)	
<b>Total minor variances of less than £0.025m</b>		<b>(0.002)</b>
<b>Total: Social Services</b>		<b>(0.002)</b>
<b><u>Community &amp; Enterprise</u></b>		
<b>Minor variances of less than £0.025m</b>		
• Customer & Housing Services	0.009	
• Regeneration	(0.006)	
• Revenues & Benefits	(0.001)	
<b>Total minor variances of less than £0.025m</b>		<b>0.002</b>
<b>Total: Community &amp; Enterprise</b>		<b>0.002</b>
<b><u>Streetscene &amp; Transportation Portfolio</u></b>		
<b>Streetscene</b>		
• Other minor changes of less than £0.025m.	0.005	
<b>Subtotal: Streetscene</b>		<b>0.005</b>
<b>Highways Strategy &amp; Traffic Services</b>		
• Other minor changes of less than £0.025m.	0.005	
<b>Subtotal: Highways Strategy &amp; Traffic Services</b>		<b>0.005</b>
<b>Total: Streetscene &amp; Transportation</b>		<b>0.010</b>
<b><u>Planning &amp; Environment Portfolio</u></b>		
<b>Planning</b>		
• Other minor changes of less than £0.025m.	0.010	
<b>Subtotal: Planning</b>		<b>0.010</b>
<b>Public Protection</b>		
• Other minor changes of less than £0.025m.	0.012	
<b>Subtotal: Public Protection</b>		<b>0.012</b>
<b>Total: Planning &amp; Environment</b>		<b>0.022</b>
<b><u>Education &amp; Youth</u></b>		
<b>Minor variances of less than £0.025m</b>		
• School Management & Information	0.001	
<b>Total minor variances of less than £0.025m</b>		<b>0.001</b>

<b>Total: Education &amp; Youth</b>		<u>0.001</u>
<b><u>People &amp; Resources</u></b>		
<b>HR &amp; OD</b>		
• Minor changes of less than £0.025m.	0.002	
<b>Subtotal: HR &amp; OD</b>		<u>0.002</u>
<b>Corporate Finance</b>		
• Minor changes of less than £0.025m.	(0.003)	
<b>Subtotal: Corporate Finance</b>		<u>(0.003)</u>
<b>Total: People &amp; Resources</b>		<u>(0.001)</u>
<b><u>Governance</u></b>		
<b>Minor variances of less than £0.025m</b>		
• ICT.	(0.001)	
• Legal Services.	(0.001)	
<b>Total minor variances of less than £0.025m</b>		<u>(0.002)</u>
<b>Total: Governance</b>		<u>(0.002)</u>
<b><u>Organisational Change</u></b>		
<b>Minor variances of less than £0.025m</b>		
• Engineering Services	0.021	
• Facilities Services	(0.001)	
<b>Total minor variances of less than £0.025m</b>		<u>0.020</u>
<b>Total: Organisational Change</b>		<u>0.020</u>
<b><u>Central &amp; Corporate Finance</u></b>		
• Support Services recharge to Housing Revenue Account	0.222	
• Minor changes of less than £0.025m.	(0.017)	
<b>Total: Central &amp; Corporate Finance</b>		<u>0.205</u>
<b>Total Changes</b>		<u><u>0.255</u></u>

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Social Services for Adults - Locality Teams (Localities)	14.196	14.260	0.064	0.064	There is an overall improvement in this area, however, there remains a fairly stable level of overspend of £0.837m within Domiciliary Care, influenced by clients returning to the service following successful past reablement, the changing demographic profile, increased complexity of need and increasing numbers of people with dementia. The significant projected overspend on domiciliary care is being offset by a projected underspend of £0.688m on residential care (which includes, an underspend of £0.212m on payments to care home providers, an underspend of £0.311m due to an increase in the level of property related income, plus further increases in income above budget including £0.144m for free nursing). There is a further underspend of £0.039m due to usage of Intermediate Care Fund grant and a further underspend of £0.049m due to reduction of use of consultant Occupational Therapists. Other variances amount to a net overspend of £0.003m.	Keep under review.
Social Services for Adults - Resources & Regulated Services (Intake & Reablement)	5.737	5.621	(0.116)	(0.116)	Residential Care net underspend of £0.088m, which is due to additional income of £0.217m (being increased client contributions of £0.146m and new one-off grant income of £0.071m). This underspend is offset by overspends on Pay of £0.017m, Premises costs of £0.052m (mainly utilities costs) and Supplies & Services of £0.060m (mainly on catering charges). There are further underspends of £0.037m on Extracare facilities, £0.017m on day care and £0.011m on transport, and an overspend of £0.037m on home care.	Keep under review.
Social Services for Adults - Transition and Disability Services (Disability Services)	0.555	0.640	0.085	0.085	The projected overspend is mainly due to the cost of the support arrangements provided by Penderels in respect of direct payments. This accounts for £0.065m of the total projected overspend of £0.085m.	Keep under review.

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Social Services for Adults - Resources & Regulated Services (Disability Services)	15.546	14.823	(0.723)	(0.723)	Supported Living projected underspend of £0.665m, (which is mainly influenced by net additional income of £0.403m from Betsi Cadwalader University Health Board in respect of previously disputed joint funded placements, and an underspend on residential placement costs of £0.295m). Other minor variances amount to a net overspend of £0.033m. The new income being received from BCUHB will help to achieve the new budget efficiency from 2015/16 in this area). Other net minor underspends of £0.058m.	Keep under review.
Social Services for Adults - Safeguarding Co-ordinator (Localities)	0.220	0.294	0.074	0.074	The adverse variance is due to increased costs for agency staff and medical advice required for Deprivation of Liberties Safeguarding Assessments (DOLS). This reflects a part year impact of the recently approved full year pressure from 2015/16.	Keep under review.
Social Services for Adults Residential and Domiciliary Service (Mental Health & Substance Misuse Service)	0.803	0.896	0.093	0.093	Changes in Residential and Domiciliary packages along side additional new package costs totalling £0.098m. Various other minor variances amount to a net underspend of £0.005m.	Keep under review.
Social Services for Adults - Forensic Budget (Mental Health & Substance Misuse Service)	0.314	0.194	(0.120)	(0.120)	Reflects current care packages for 2014/15.	Keep under review - potential volatility due to changes in client numbers and demands at short notice from prison or courts.
Social Services for Adults - Vulnerable Adults and Disability Service (Disability Services)	1.815	2.190	0.375	0.375	Reflects costs of current projected care packages and residential care overspend of £0.533m off set by joint funded income from BCUHB of £0.149m. Various other minor variances amount to a net underspend of £0.009m.	Keep under review.

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Other Services for Adults variances (aggregate)	5.645	5.517	(0.128)	(0.128)	Various minor variances.	Continue to review but not expected to be recurrent.
Development & Resources - Business Services - Income	(1.573)	(1.783)	(0.210)	(0.210)	Impact of an increase by Welsh Government in the level of the maximum charge cap from £50 per week to £55 per week.	Continue to monitor and review.
Other Development & Resources variances (aggregate)	2.439	2.484	0.045	0.047	Various minor variances.	Continue to review but not expected to be recurrent.
Children's Services - Family Placement	2.227	2.449	0.222	0.222	The £0.222m overspend is a result of an increase in the number of foster care placements within the service. Part of this is also due to the increasing number of court orders for Residence and Special Guardianship orders which invariably attract an ongoing allowance for the carers.	A review of the Family Placement Team has been undertaken the outcome of which is being considered and will inform future planning and possible efficiencies.
Flying Start	0.002	0.078	0.076	0.076	Reflects unfunded impacts of Single Status pay increases due to this being a grant funded service £0.046m, plus expenditure of £0.030m relating to 2013/14 which cannot now be claimed.	Keep under review.
Children's Services - Out of County placements	3.428	3.705	0.277	0.277	The projected overspend is mainly influenced by an increased number of complex care packages.	Keep under review.
Other Services for Children variances (aggregate)	6.692	6.800	0.108	0.108	Various minor variances.	Continue to review but not expected to be recurrent.
<b>Total Social Services</b>	<b>58.046</b>	<b>58.168</b>	<b>0.122</b>	<b>0.124</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Community & Enterprise Customer & Housing Services	1.016	0.987	(0.029)	(0.038)	Underspend is due to additional income in respect of Welfare Rights of £0.038m and £0.131m on Homeless Accommodation including B&B accommodation projections and Homeless Prevention Fund income. Expenditure in respect of SHARP procurement resulted in an overspend of £0.102m. Other minor variances identified resulted in an overspend of £0.038m.	
Supporting People	0.256	0.304	0.048	0.048	Increased costs towards the purchase and maintenance of Carelink/Telecare equipment of £0.081m. Other minor variances identified resulted in an underspend of £0.033m.	
Regeneration	0.464	0.515	0.051	0.057	Shortfall of £0.053m in markets due to increased waste removal costs and loss of income, exacerbated by Welsh Water works in Mold. Other minor variances of £0.002m.	
Revenues & Benefits	10.969	10.379	(0.590)	(0.589)	Underspend due to a surplus on the Council Tax Collection Fund of £0.713m. Underspend of £0.139m on the budgeted provision for the Council Tax Reduction Scheme. Final accounts transfers in respect of HB Subsidy costs of £0.236m. A £0.027m pressure due to minor variances.	Request to carry forward: £0.031m towards the continuation of the Welfare Rights Programme in 15/16 £0.011m in respect of the DWP Fraud and Error Reduction Incentive Scheme which continues into 15/16.
Customer Services	0.662	0.571	(0.091)	(0.091)	£0.023m pressure due to reduced Welsh Translation recharge income. Efficiency in respect of Flintshire Connects of £0.107m. Efficiency due to other minor variances of £0.007m.	
<b>Total Community &amp; Enterprise</b>	<b>13.367</b>	<b>12.756</b>	<b>(0.611)</b>	<b>(0.613)</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Streetscene & Transportation						
Waste Disposal & Waste Collection	7.437	7.578	0.141	0.141	Additional costs of overtime and use of Agency personnel due to high number of vacancies to maintain the necessary service provision resulted in an overspend of £0.086m. Increased cost of Food Waste disposal of £0.050m due to the cost per tonne increasing. Other minor variances identified of £0.005m.	Business Planning proposals 2015/16 will remove vacancies, otherwise the posts will be filled.  Budget Pressure bid submitted for 2015/16 budget for full year effect.
Highways Maintenance	1.155	1.215	0.060	0.060	Additional costs of overtime, Agency Personnel and Hired Vehicle costs.	Business Planning proposals 2015/16 will remove vacancies, otherwise the posts will be filled.
Winter Maintenance	0.999	0.951	(0.048)	(0.048)	The Winter Maintenance budget makes provision for one week of snow and there was only one snowfall that was cleared within 24 hours resulting in a reduction in expenditure of £0.048m.	
Fleet Services	4.572	4.542	(0.030)	(0.030)	Outturn includes the allocation for Non standard inflation of £0.130m (total budget of £0.177m currently held corporately) for projected total fuel costs in 2014/15. Additional service vehicle budgets were allocated later in the financial year.	
Business & Strategy	1.939	1.998	0.059	0.059	Knight Owl Security cost of Alarm / Security provision at Alltarni Depot. Expenditure relating to Weir Consultants Service Review of £0.020m.	Depot Budgets to be realigned in 2015/16 to mitigate ongoing cost into the future.
Transportation	1.417	1.330	(0.087)	(0.087)	Bus Subsidy payments to Bus Operators.	Part of Business Planning proposals for 2015/16.
Streetworks	0.037	0.021	(0.016)	(0.016)	Slightly increasing levels of income from Fixed Penalty Notices and road closures towards the end of the financial year.	Use of £20k Portfolio Balance at Period 8. Income is now moving in a positive direction.
Aggregate of other Variances	12.002	12.007	0.005	(0.005)	Minor adjustments at final outturn.	
<b>Total Streetscene &amp; Transportation</b>	<b>29.558</b>	<b>29.642</b>	<b>0.084</b>	<b>0.074</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Planning & Environment Planning	1.492	1.390	(0.102)	(0.112)	Minor reduction in Planning Fee income levels.	Planning Fee income budget increased in line with Business Planning proposals for 2015/16.
Public Protection	2.554	2.539	(0.015)	(0.027)	Minor adjustments at final outturn.	
Management Support & Performance	0.569	0.503	(0.066)	(0.066)	Vacancy Budget allocated following Single Status implementation inclusive of staff savings to date.	Some of these vacancies will be used towards Business Planning efficiencies in 2015/16.
Energy Services (including closed Landfill Sites and Electricity Generation)	0.069	(0.005)	(0.074)	(0.074)	Challenge/accrual monitoring has been successful in reducing Repairs & Maintenance and Equipment Rental costs.	Income generation levels for Gas Engines is a potential risk for 2015/16.
Drainage	0.079	0.110	0.031	0.031	Income for Flood Water Management Act carried forward to mitigate grant funding shortfalls in 2015/16.	
Greenfield Valley & Heritage Park	0.289	0.288	(0.001)	(0.001)		
Aggregate of other Variances	0.592	0.595	0.003	0.003		
<b>Total Planning &amp; Environment</b>	<b>5.644</b>	<b>5.420</b>	<b>(0.224)</b>	<b>(0.246)</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Education & Youth Primary & Early Years Education	44.333	44.331	(0.002)	(0.002)	Minor Variances.	Continue to review.
Secondary, 14 - 19 & Continuing Education	36.954	36.933	(0.021)	(0.021)	Minor Variances.	Continue to review.
Inclusion Services	13.123	13.089	(0.034)	(0.034)	2 new Out of County placements in October adversely affected this budget. 2 new placements and an emerging placement were received during November. In addition to this an increase in 1 to 1 support of 2 clients created a further cost of £0.038m. Staffing savings of £0.017m were realised during January. Increased recoupment of tri-partite payments owing at year-end has resulted in an overall underspend.	Continue to review in 2015/16.
Access (School Planning & Provision)	0.709	0.779	0.070	0.070	The variance has been caused by a sharp increase in the cost of School Trips and in the demand for Free School Meals.	Continue to review.
21st Century Schools	0.087	0.266	0.179	0.179	This represents the final contract exit charges and expenditure already incurred against the John Summers High School replacement scheme within the 21st Century School programme. This scheme is no longer proceeding, which was agreed by cabinet 17th Feb 2015.	
Youth Services	1.472	1.452	(0.020)	(0.020)	Minor Variance.	Continue to review.
Commissioning & Performance	0.283	0.217	(0.066)	(0.066)	Reduction in external legal costs associated with school staff. Tightening of uptake of subscriptions, plus other minor variances.	Continue to review.
School Management & Information	0.194	0.167	(0.027)	(0.028)	Minor Variance.	Continue to review.
<b>Total Education &amp; Youth</b>	<b>97.155</b>	<b>97.234</b>	<b>0.079</b>	<b>0.078</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
People & Resources						
HR&OD	2.617	2.615	(0.002)	(0.004)	Minor Variances.	Underspend is not expected to be recurrent.
Corporate Finance	2.412	2.384	(0.028)	(0.025)	Minor Variances.	Underspend is not expected to be recurrent.
<b>Total People &amp; Resources</b>	<b>5.029</b>	<b>4.999</b>	<b>(0.030)</b>	<b>(0.029)</b>		
Governance						
Legal Services	0.735	0.869	0.134	0.135	£0.131m pressure due to Litigation around local land charges. Overspend due to other minor variances of £0.003m.	Litigation around land charges is a one-off non-recurring cost for this financial year.
Democratic Services	1.965	1.890	(0.075)	(0.075)	The variance is due to an underspend of £0.017m on canvassing costs, an underspend of £0.020m on the members training budget, over achievement of £0.008m regarding income for the electoral register and an underspend of £0.012m on the Chairman's Dinner. Underspends of £0.018m are due to minor variances.	Underspend is not expected to be recurrent.
Internal Audit	0.402	0.385	(0.017)	(0.017)	Minor Variances.	Underspend is not expected to be recurrent.
Procurement	0.219	0.219	0.000	0.000	No Variance	
Support Services	0.715	0.690	(0.025)	(0.025)	Minor Variances.	Underspend is not expected to be recurrent.
Records Management	0.168	0.185	0.017	0.017	Minor Variances.	Overspend is not expected to be recurrent.
ICT	4.184	4.251	0.067	0.068	Overspend is due to Oracle License review of £0.040m, a pressure on the software budget for £0.036m and the cost of Agency Costs of £0.203m. These costs are being offset by vacancy savings of £0.201m. The balance is due to minor underspends of £0.011m.	The pressure due to the Oracle review is in-year only.
<b>Total Governance</b>	<b>8.388</b>	<b>8.489</b>	<b>0.101</b>	<b>0.103</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Organisational Change						
Public Libraries & Arts, Culture & Events	1.900	1.867	(0.033)	(0.033)	Minor Variance.	Continue to review.
Museums Service	0.062	0.063	0.001	0.001	Minor Variance.	Continue to review.
County Archives	0.253	0.244	(0.009)	(0.009)	Minor Variance.	Continue to review.
Leisure Services	3.977	3.987	0.010	0.010	Minor Variance.	Continue to review.
Community Assets	0.061	0.054	(0.007)	(0.007)	Minor Variance.	
Valuation & Estates	(0.980)	(0.843)	0.137	0.137	Income on a number of sites has been lower than anticipated. NNDR has increased as a result of a number of empty units. Utilities on Greenfield Business Park were higher than anticipated.	This is not a recurring pressure.
Property Design & Consultancy	1.894	1.712	(0.182)	(0.182)	Underspend on Flintshire Connects of £0.031m. R & M costs have come in £0.037m under budget. Underspend on Leigonella and Asbestos monitoring of £0.047m. Reduced expenditure in respect of Conditional Surveys £0.033m. Other minor variances contributing to overall underspend £0.034m.	This is a non recurring pressure.
Engineering Services	(0.091)	(0.060)	0.031	0.010	Minor Variance.	Continue to review.
Facilities Services	1.847	1.754	(0.093)	(0.092)	Additional income above budget from the increased numbers in school meals has resulted in this net underspend.	Org 2 online payment for school meals - Agreed funding for 13.14 of £0.083m, current balance of £0.049m requested to rollover to 15.16 to continue the rollout out to remaining schools.
<b>Total Organisational Change</b>	<b>8.923</b>	<b>8.778</b>	<b>(0.145)</b>	<b>(0.165)</b>		

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Chief Executives	3.151	3.111	(0.040)	(0.040)	Minor Variances.	Underspend is not expected to be recurrent.
<b>Total Chief Executives</b>	<b>3.151</b>	<b>3.111</b>	<b>(0.040)</b>	<b>(0.040)</b>		
Central & Corporate Finance	25.915	24.775	(1.140)	(1.345)	Central Loans and investment year end underspend of £0.629m. However, this can be affected by many factors such as impact of future investment programme and the level of future reserves and borrowing requirements. MRP accounting policy has been reviewed in accordance with CIPFA guidance. MRP on assets funded by Prudential Borrowing is spread over the life of the asset and begins the year after the assets become operational. MRP on 21st century schools funded assets has been reviewed in year. Increased Coroners Recharge in Quarter 4 of £0.043m. Pension Fund Contributions reduced by £0.133m due to increased Employees contribution, and information received from our Clwyd Pension Fund Section has amended the projection. Identified one-off budget efficiencies of £0.630m. Additional Windfall income of £0.411m. Underspend on allocation of inflation of £0.240m. Strike deductions of £0.150m. Other minor underspends of £0.041m.	Keep under Review

OUTTURN - SUMMARY

Service	Revised Budget (£m)	Outturn (£m)	Variance (£m)	Variance Month 12 (£m)	Cause of Major Variance	Action Required
Central & Corporate Finance (continued)					A one-off rebate of £0.072m has been received in relation to historical audit fees. Additional in-year savings on audit fees of £0.067m. Workforce efficiencies achieved now reflect an overachievement of £0.890m in 14/15 together with an underachievement of £1.015m for the review of Administrative roles though future efficiencies are anticipated to be achieved through Voluntary Redundancy applications and further workforce review. The under achievement of the Administrative efficiencies is partly offset by an underspend on Investment costs of £0.479m.  Cost of £1.292m in relation to the ophaned site at Sandycroft which now includes provision for potentially liability of the risk closure and site disposal. An underachievement in Support Services Recharges of £0.221m. Operation Base costs of £0.031m.	On-going monthly monitoring.
<b>Total Central &amp; Corporate Finance</b>	<b>25.915</b>	<b>24.775</b>	<b>(1.140)</b>	<b>(1.345)</b>		
<b>TOTAL</b>	<b>255.176</b>	<b>253.372</b>	<b>(1.804)</b>	<b>(2.059)</b>		



EFFICIENCY NOT ACHIEVABLE				
Portfolio	Efficiency Description	Efficiency not achieved (£m)	Reason for efficiency not being achieved	
Streetscene & Transportation	Streetscene - North Wales Trunk Road Association Financial benefit from involvement with the NE Wales Trunk Road Hub.	0.050	Ministerial announcement re: the future of the Trunk Road Management arrangements has stalled the project.	
Social Services	Learning Disabilities - Day Opportunities Efficiencies	0.013	This efficiency was based on vacating premises at Tri Ffordd. These premises have not yet been vacated.	
Social Services	Relocation of Estuary Crafts to Tri Ffordd	0.024	Delays in the relocation of Estuary Crafts has meant this efficiency was not achieved.	
Central & Corporate Finance	Review of all Admin roles / processes as a result of improved technology.	1.015	As part of the 2015/16 budget all unachieved workforce efficiencies have been addressed and a revised target set for Admin Review Efficiencies.	
<b>Total</b>		<b>1.102</b>		
EFFICIENCY ACHIEVABLE IN PART				
Portfolio	Efficiency Description	Efficiency not achieved (£m)	Reason for efficiency not being achieved	
Streetscene & Transportation	Streetscene & Transportation - Employment Contracts - Review Employment Contracts to increase service flexibility	0.040	The achievement of this efficiency was dependant on the implementation of Single Status which was delayed into June 2014.	
Organisational Change 1	Leisure - Changes to rotas and cover arrangements.	0.023	1/12th of the efficiency was achievable because the Service Review was not implemented until July. This meant that posts could not be deleted until July. The delay due to Single Status implementation (Apr & May) has been funded from the reserve.	
<b>Total</b>		<b>0.063</b>		



**APPENDIX 4**

**Movements on Council Fund Unearmarked Reserves**

	<b>£m</b>	<b>£m</b>
Total Reserves as at 1 April 2014	11.161	
Less - Base Level (inclusive of reduction of £0.065m agreed as part of the 2014/15 budget)	(5.769)	
Total Reserves above base level		<b>5.392</b>
Less – estimate required from the amount approved as part of Investment strategy as per budget 2014/15 report		(2.500)
Add – Contribution from investment costs for termination benefits accounted for in 2013/14		0.745
Less - Amount approved under delegated powers reported in July 2014 monitoring report		(0.696)
Amount available for delegation to Cabinet		<b>2.941</b>
Add projected underspend as at Outturn		1.804
<b>Total projected Contingency Reserve as at 31<sup>st</sup> March 2015</b>		<b>4.745</b>



## HRA Major Variance Report - Outturn

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance Outturn (£m)	Variance Month 12 (£m)	Cause of Variance	Action Required
Rents	(27.713)	(27.727)	(0.014)	(0.014)		
Subsidy	6.404	6.235	(0.169)	(0.189)	Calculation of subsidy submission identifies that the capital element is lower than reported at budget setting 12mths earlier. Therefore resulting in an reduced HRAS bill.	
General Income	(0.714)	(0.567)	0.147	0.147	Garden Service has been reviewed and contract amended to take in to account issues experienced by tenants, therefore resulting in a reduced income of £0.096m.	
Landlord Services	0.830	0.901	0.071	0.066	Garden service costs are expected to rise by £0.055m due to the service review. Repairs & Maintenance costs on general HRA buildings/lifts etc forecast at last years outturn being £0.038m more than budget.	
Vacancy Savings	0.257	0.000	(0.257)	(0.257)	Vacancy savings due to posts not yet being filled. Once posts are recruited to this budget will be used to fund the post for the remainder of the year.	
CERA	6.581	6.884	0.303	0.303	Demolition costs for Castle Heights car park £0.150m Communal Heating £0.063m Shortfall in MRA £0.090m.	
Other variances (aggregate)	14.852	14.426	(0.426)	0.013	Carry forward balances for Software amount to £0.159m, Pension & Redundancy £0.035m. HRA Insurances made savings of £0.042m. Reduction in support service recharge £0.156m	
<b>Total :</b>	<b>0.497</b>	<b>0.152</b>	<b>(0.345)</b>	<b>0.069</b>		



**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:** **CABINET**

**DATE:** **TUESDAY, 14 JULY 2015**

**REPORT BY:** **CORPORATE FINANCE MANAGER**

**SUBJECT:** **CAPITAL PROGRAMME 2014/15 (OUTTURN)**

**1.00 PURPOSE OF REPORT**

1.01 To provide Members with the outturn capital programme information for 2014/15.

**2.00 BACKGROUND**

2.01 The Council approved a Housing Revenue Account (HRA) capital programme for 2014/15 of £12.106m and a Council Fund (CF) capital programme of £20.970m at its meeting of 18<sup>th</sup> February 2014.

2.02 For presentational purposes the capital programme is shown as a whole, with sub totals for Council Fund and HRA. In reality the HRA programme is ring-fenced and can only be used for HRA purposes.

**3.00 CONSIDERATIONS**

**3.01 Programme - Changes since Budget approval**

3.01.1 The table below sets out how the programme has changed during 2014/15. Detailed cumulative information relating to each programme area is provided in Appendix A, and summarised below:-

<b>REVISED PROGRAMME</b>	<b>Original Budget 2014/15</b>	<b>Rollover from 2013/14</b>	<b>Changes (Previous)</b>	<b>Changes - This Period</b>	<b>Rollover to 2015/16</b>	<b>Savings</b>	<b>Revised Budget 2014/15</b>
	£m	£m	£m	£m	£m	£m	£m
Chief Executives	0.015	0.007	0	0	(0.006)	0	0.016
People & Resources	0.075	0.086	(0.013)	(0.002)	0	(0.060)	0.086
Governance	0.795	0.935	0	0.008	(0.445)	0	1.293
Education & Youth	9.228	2.212	(0.291)	0.056	(1.087)	(0.018)	10.100
Social Care	0	0	0.642	0	0	0	0.642
Community & Enterprise	2.848	2.654	2.747	0.277	(0.513)	0	8.013
Planning & Environment	1.709	0.923	(0.819)	0.625	(0.507)	0	1.931
Transport & Streetscene	5.345	0.578	0.911	0.325	(0.089)	0	7.070
Organisational Change 1	0	0.038	0.015	0.367	(0.033)	0	0.387
Organisational Change 2	0.955	0.301	0.025	0.134	0	0	1.415
<b>Council Fund Total</b>	<b>20.970</b>	<b>7.734</b>	<b>3.217</b>	<b>1.790</b>	<b>(2.680)</b>	<b>(0.078)</b>	<b>30.953</b>
<b>Housing Revenue Account</b>	<b>12.106</b>	<b>0.000</b>	<b>0.325</b>	<b>0.075</b>	<b>0.000</b>	<b>0.000</b>	<b>12.506</b>
<b>Programme Total</b>	<b>33.076</b>	<b>7.734</b>	<b>3.542</b>	<b>1.865</b>	<b>(2.680)</b>	<b>(0.078)</b>	<b>43.459</b>

### 3.02 Rollover from 2013/14

3.02.1 Rollover occurs when schemes due to be completed in a given financial year are delayed, possibly due to procurement issues/weather or if funding from external sources is altered e.g. rephasing of Welsh Government (WG) grants and are therefore not completed until the following year.

3.02.2 Revised rollover sums of £5.830m were agreed in year as part of the quarterly reports to Cabinet and of £1.904m as part of the outturn report to Cabinet on 15<sup>th</sup> July, 2014, giving a total rollover amount of £7.734m.

3.02.3 For rollover into 2015/16 see Section 3.05.

### 3.03 Changes during this period

3.03.1 Changes during this period have resulted in a net increase in the programme total of £1.865m (CF £1.790m, HRA £0.075m). A summary of the changes, showing major items, is shown in the table below -

<b>CHANGES DURING THIS PERIOD</b>	
<b><u>COUNCIL FUND</u></b>	<b>£m</b>
<b>Increases</b>	
Town Centre Regeneration - Introduction of Grant Funding	0.523
Engineering - Introduction of Grant Funding	0.509
Play Areas - Introduction of Funding	0.361
Highways - Introduction of Grant Funding	0.334
Sustainable Waste Mgt - Introduction of Grant Funding	0.315
Other Aggregate Increases	0.360
	2.402
<b>Decreases</b>	
Transportation - Reduced Need for Grant Funding	(0.307)
Private Sector Renewal - Reduced Need for Grant Funding	(0.246)
Other Aggregate Decreases	(0.059)
	(0.612)
<b>Total</b>	<b>1.790</b>
	<b>£m</b>
<b><u>HRA</u></b>	
<b>Increases</b>	
Other Aggregate Increases	0.103
	0.103
<b>Decreases</b>	
Other Aggregate Decreases	(0.028)
	(0.028)
<b>Total</b>	<b>0.075</b>

3.03.2 At outturn, in Capital Programme monitoring, changes need to be made to ensure budgets are aligned to actual expenditure and the relevant funding source. This is the case with the vast majority of the movements above.

- 3.03.3 In some instances available grant funding has been introduced to meet expenditure in preference to general funding which has been identified as needing to be rolled forward into 2015/16 (if approved) to meet future committed expenditure. This is necessary as there are more restrictions associated with grant funding
- 3.03.4 Within the HRA there are similar adjustments which have led to a small increase in the overall programme.
- 3.03.5 Within People and Resources is a centrally held provision for urgent Health and Safety issues. These funds are reallocated to relevant programme areas as they are requested and approved. Minor reallocations of £0.002m have taken place this quarter.

### 3.04 Capital Expenditure compared to Budget

- 3.04.1 Outturn expenditure across the whole of the programme is £40.372m. The breakdown of expenditure is analysed in the following table, along with the percentage spend against budget. This shows that 92.90% of the budget has been spent across the programme (CF 91.68% and HRA 95.90%). Corresponding outturn figures for 2013/14 were 95.23% (CF 92.95% and HRA 100%). Given the size and complexity of schemes within the programme this is considered an appropriate level of spend against budget, and poses no risk or negative impact for the Council e.g. loss of funding.

<b>EXPENDITURE</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance Budget v Outturn (Under)/Over</b>	<b>Percentage Spend v Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Chief Executives	0.016	0.016	0	100.00
People & Resources	0.086	0	0.086	0.00
Governance	1.293	0.985	0.308	76.18
Education & Youth	10.100	9.245	0.855	91.53
Social Care	0.642	0.642	0	100.00
Community & Enterprise	8.013	7.669	0.344	95.71
Planning & Environment	1.931	1.291	0.640	66.86
Transport & Streetscene	7.070	7.055	0.015	99.79
Organisational Change 1	0.387	0.378	0.009	97.67
Organisational Change 2	1.415	1.097	0.318	77.53
<b>Council Fund Total</b>	<b>30.953</b>	<b>28.378</b>	<b>2.575</b>	<b>91.68</b>
<b>Housing Revenue Account</b>	<b>12.506</b>	<b>11.994</b>	<b>0.512</b>	<b>95.90</b>
<b>Programme Total</b>	<b>43.459</b>	<b>40.372</b>	<b>3.087</b>	<b>92.90</b>

- 3.04.2 Details of the variances for individual programme areas are listed in Appendix B, which includes the reasons, and the required remedial action, where those variances exceed 10% of the budget. In addition, where rollover into 2015/16 has been identified, this is also included in the narrative.

### 3.05 Rollover into 2015/16

3.05.1 During the quarter further rollover of £3.087m (Council Fund £2.575m and HRA £0.512m) has been identified which reflects reviewed spending plans across all programme areas; these committed amounts have been identified as now required to meet the cost of programme works in 2015/16.

3.05.2 Information relating to each programme area is contained in Appendix B and summarised in the table below along with rollover previously approved:-

ROLLOVER INTO 2015/16	Month 4	Month 6	Month 9	Reversed	Outturn	Total
	£m	£m	£m	£m	£m	£m
Chief Executives			0.006			0.006
People & Resources					0.086	0.086
Governance		0.065	0.380		0.308	0.753
Education & Youth	0.026	1.015	0.064	(0.018)	0.855	1.942
Community & Enterprise	0.115		1.560	(1.162)	0.344	0.857
Planning & Environment	0.135	0.204	0.182	(0.014)	0.640	1.147
Transport & Streetscene		0.089			0.015	0.104
Organisational Change 1			0.033		0.009	0.042
Organisational Change 2					0.318	0.318
<b>Council Fund</b>	<b>0.276</b>	<b>1.373</b>	<b>2.225</b>	<b>(1.194)</b>	<b>2.575</b>	<b>4.937</b>
<b>Housing Revenue Account</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.512</b>	<b>0.512</b>
<b>Programme Total</b>	<b>0.276</b>	<b>1.373</b>	<b>2.225</b>	<b>(1.194)</b>	<b>3.087</b>	<b>5.449</b>

3.05.3 Rollover has been requested to fund; schemes where retentions are payable in the new financial year, schemes that span more than 1 financial year, and schemes that have experienced delays for a variety of reasons where the Council is contractually committed to the scheme.

3.05.4 In some circumstances amounts which have previously been identified as EIR are reversed as it becomes clear that the expenditure is going to be incurred in the current financial year. These are shown in the column 'Reversed' above.

3.05.5 If the outturn rollover is approved, this will take the total rollover into 2015/16 to £5.449m. This is below the £7.734m rolled over from 2013/14 into 2014/15 and is a result of the continued scrutiny of the programme by both Officers and Members.

### 3.06 Savings

3.06.1 Savings of £0.078m have been identified in the current year as per the table below.

<b>IDENTIFIED SAVINGS</b>	
	<b>Savings</b>
	<b>£m</b>
Corporate Finance	(0.060)
Education & Youth	(0.018)
<b>Total</b>	<b>(0.078)</b>

### 3.07 Financing

3.07.1 The capital programme is financed as summarised below:-

<b>FINANCING RESOURCES</b>	<b>General Financing<sup>1</sup></b>	<b>Specific Financing<sup>2</sup></b>	<b>Total Financing</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Latest Monitoring</b>			
Council Fund	10.341	20.612	30.953
Housing Revenue Account	5.435	7.071	12.506
	<b>15.776</b>	<b>27.683</b>	<b>43.459</b>
<b>Total Financing Resources</b>	<b>15.776</b>	<b>27.683</b>	<b>43.459</b>

1 Supported Borrowing / General Capital Grant / Capital Receipts / Major Repairs Allowance  
2 Grants & Contributions / Capital Expenditure charged to Revenue Account / Reserves / Prudential & Other Borrowing

3.07.2 That element of the Council Fund total financed from general (non-specific) financing resources, relies in part on the generation of capital receipts from asset disposals. The continuing harsh economic climate has impacted on the Council's ability to achieve the budgeted level of anticipated capital receipts, a situation that has been ongoing for some years and will continue until the economy picks up at some future point. The capital receipts situation has been closely monitored and reported as part of overall capital monitoring arrangements.

3.07.3 The overall position for 2014/15 (including the capital receipts impact) is summarised below:-

<b>FUNDING OF APPROVED SCHEMES</b>		
	<b>£m</b>	<b>£m</b>
<b>Shortfall from 2013/14</b>		<b>1.578</b>
<b>Increases</b>		
Receipts to fund 2014/15 budgetted expenditure	0.488	
Pressures (Previously Reported)	0.030	0.518
<b>Decreases</b>		
Actual In year receipts	(3.337)	
Savings (Previously Reported)	(0.078)	
Unallocated Headroom	(0.003)	(3.418)
<b>Projected shortfall / (surplus) to 2015/16</b>		<b>(1.322)</b>

The shortfall of funding for schemes approved at the end of 2013/14 brought forward into 2014/15 was £1.578m. Capital receipts generated in year totalled £3.337m, which together with some minor adjustments combines to a total surplus in 2014/15 of £1.322m. The final outturn figure will not be confirmed until the conclusion of the final accounts process and will be reported in the 2015/16 Month 4 Capital Monitoring report.

- 3.07.4 The surplus outturn position has improved from that reported at Month 9, when a small surplus of £0.090m was projected. The difference is due to the completion of the sale of 2 large assets at the very end of the financial year as opposed to 2015/16 (which is what had been anticipated in the Month 9 report).
- 3.07.5 The situation regarding disposals remains fluid in this economic climate and hence it is difficult to predict with certainty when disposals will be delivered. It is therefore suggested that the Council continues to monitor the disposals programme closely and will bring further updates to Cabinet in future capital monitoring reports.
- 3.07.6 Moving forward the surplus at outturn of £1.322m, combined with the unallocated funding of £0.333m in setting the 2015/16 capital programme, totals £1.655m of capital funding available to fund the demands of the overall ongoing capital programme. Portfolios through their business plans have identified significant capital investment needed to improve services and to achieve revenue efficiencies. Business cases are in the process of being written to bring additional capital schemes to Cabinet for approval into the 2015/16 and/or future Capital Programmes.

#### **4.00 RECOMMENDATIONS**

4.01 Cabinet is requested to:-

- Approve the report.
- Approve the rollover adjustments in 3.05.2.

#### **5.00 FINANCIAL IMPLICATIONS**

5.01 As set out in Sections 2 and 3 of the report.

#### **6.00 ANTI POVERTY IMPACT**

6.01 None as a direct result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

7.01 Many of the schemes in the programme are designed to improve the environment, infrastructure and assets of the Authority.

#### **8.00 EQUALITIES IMPACT**

8.01 None as a direct result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

9.01 None as a direct result of this report.

#### **10.00 CONSULTATION REQUIRED**

10.01 None as a direct result of this report.

#### **11.00 CONSULTATION UNDERTAKEN**

11.01 None as a direct result of this report.

#### **12.00 APPENDICES**

12.01 Appendix A : Capital Programme - Changes During 2014/15  
Appendix B : Variances

#### **LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS**

Capital Programme Monitoring Papers 2014/15.

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## CAPITAL PROGRAMME - CHANGES DURING 2014/15

	Original Budget 2014/15	Rollover from 2013/14	Changes (Previous)	Changes (Current)	Rollover to 2015/16	Savings	Revised Budget 2014/15
	£m	£m	£m	£m	£m	£m	£m
<b>Council Fund :</b>							
<b>Chief Executives</b>							
Clwyd Theatr Cymru	0.015	0.007	0	0	(0.006)	0	0.016
	<b>0.015</b>	<b>0.007</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.006)</b>	<b>0.000</b>	<b>0.016</b>
<b>People &amp; Resources</b>							
Corporate Finance	0.075	0.086	(0.013)	(0.002)	0	(0.060)	0.086
	<b>0.075</b>	<b>0.086</b>	<b>(0.013)</b>	<b>(0.002)</b>	<b>0.000</b>	<b>(0.060)</b>	<b>0.086</b>
<b>Governance</b>							
Information Technology	0.795	0.935	0.000	0.008	(0.445)	0.000	1.293
	<b>0.795</b>	<b>0.935</b>	<b>0.000</b>	<b>0.008</b>	<b>(0.445)</b>	<b>0.000</b>	<b>1.293</b>
<b>Education &amp; Youth</b>							
Education - General	2.081	0	(1.801)	0.011	0	0	0.291
Primary Schools	0.040	0.278	1.547	(0.002)	(0.021)	(0.018)	1.824
Schools Modernisation	7.062	0.665	(0.323)	0.085	(0.940)	0	6.549
Secondary Schools	0	0.314	0.401	(0.038)	(0.054)	0	0.623
Special Education	0	0.955	(0.115)	0	(0.072)	0	0.768
Minor Works, Furn & Equip	0.045	0	0	0	0	0	0.045
	<b>9.228</b>	<b>2.212</b>	<b>(0.291)</b>	<b>0.056</b>	<b>(1.087)</b>	<b>(0.018)</b>	<b>10.100</b>
<b>Social Care</b>							
Partnerships & Performance	0	0	0.642	0	0	0	0.642
	<b>0.000</b>	<b>0.000</b>	<b>0.642</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.642</b>
<b>Community &amp; Enterprise</b>							
Private Sector Renewal/Improvement	2.311	0.469	1.267	(0.246)	0	0	3.801
Travellers' Sites	0.150	0	(0.150)	0	0	0	0.000
Flintshire Connects	0.250	0.507	0.041	0	(0.398)	0	0.400
Town Centre Regeneration	0.137	1.676	(0.036)	0.523	(0.115)	0	2.185
Vibrant & Viable Places	0	0	1.625	0	0	0	1.625
Community Centres	0	0.002	0	0	0	0	0.002
	<b>2.848</b>	<b>2.654</b>	<b>2.747</b>	<b>0.277</b>	<b>(0.513)</b>	<b>0.000</b>	<b>8.013</b>
<b>Planning &amp; Environment</b>							
Ranger Services	0.135	0.239	0.020	0	(0.279)	0	0.115
Energy Services	0.200	0	0.107	0.116	0	0	0.423
Engineering	1.065	0.591	(0.950)	0.509	(0.102)	0	1.113
Planning Grant Schemes	0	0	0.004	0	0	0	0.004
Townscape Heritage Initiatives	0.309	0.093	0	0	(0.126)	0	0.276
	<b>1.709</b>	<b>0.923</b>	<b>(0.819)</b>	<b>0.625</b>	<b>(0.507)</b>	<b>0.000</b>	<b>1.931</b>

**CAPITAL PROGRAMME - CHANGES DURING 2014/15**

	<b>Original Budget 2014/15</b>	<b>Rollover from 2013/14</b>	<b>Changes (Previous)</b>	<b>Changes (Current)</b>	<b>Rollover to 2015/16</b>	<b>Savings</b>	<b>Revised Budget 2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Transport &amp; Streetscene</b>							
Sustainable Waste Management	0	0.569	0.090	0.315	0	0	0.974
Highways	3.645	0.009	0.363	0.334	(0.089)	0	4.262
Local Transport Grant	0	0	1.443	(0.017)	0	0	1.426
Transportation	1.700	0	(0.985)	(0.307)	0	0	0.408
	<b>5.345</b>	<b>0.578</b>	<b>0.911</b>	<b>0.325</b>	<b>(0.089)</b>	<b>0.000</b>	<b>7.070</b>
<b>Organisational Change 1</b>							
Leisure Centres	0	0.029	0.015	0.006	(0.025)	0	0.025
Recreation - Other	0	0.008	0	0	(0.008)	0	0.000
Play Areas	0	0.001	0	0.361	0	0	0.362
	<b>0.000</b>	<b>0.038</b>	<b>0.015</b>	<b>0.367</b>	<b>(0.033)</b>	<b>0.000</b>	<b>0.387</b>
<b>Organisational Change 2</b>							
Administrative Buildings	0.955	0.301	0.025	0.134	0	0	1.415
	<b>0.955</b>	<b>0.301</b>	<b>0.025</b>	<b>0.134</b>	<b>0.000</b>	<b>0.000</b>	<b>1.415</b>
<b>Housing Revenue Account :</b>							
<b>Housing Revenue Account</b>							
Major Works	6.328	0	(3.414)	(0.028)	0	0	2.886
Accelerated Programmes	0.300	0	0.818	0	0	0	1.118
WHQS Improvements	4.000	0	3.399	0.103	0	0	7.502
Disabled Adaptations	1.000	0	0	0	0	0	1.000
Other Services	0.478	0	(0.478)	0	0	0	0
	<b>12.106</b>	<b>0.000</b>	<b>0.325</b>	<b>0.075</b>	<b>0.000</b>	<b>0.000</b>	<b>12.506</b>
<b>Totals :</b>							
<b>Council Fund</b>	20.970	7.734	3.217	1.790	(2.680)	(0.078)	30.953
<b>Housing Revenue Account</b>	12.106	0.000	0.325	0.075	0.000	0.000	12.506
<b>Grand Total</b>	<b>33.076</b>	<b>7.734</b>	<b>3.542</b>	<b>1.865</b>	<b>(2.680)</b>	<b>(0.078)</b>	<b>43.459</b>

CHIEF EXECUTIVES

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Clwyd Theatr Cymru	0.016	0.016	0.000	0	(0.006)		
<b>Total</b>	<b>0.016</b>	<b>0.016</b>	<b>0.000</b>	<b>0</b>	<b>(0.006)</b>		

PEOPLE & RESOURCES

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Corporate Finance	0.086	0.000	(0.086)	(100)	0	Corporate provision for urgent Health & Safety works allocated when requested	Rollover - Request rollover of £0.086m
<b>Total</b>	<b>0.086</b>	<b>0.000</b>	<b>(0.086)</b>	<b>(100)</b>	<b>0.000</b>		

Variance = Budget v Projected Outturn

GOVERNANCE

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Information Technology	1.293	0.985	(0.308)	(24)	(0.380)	Microsoft Enterprise Agreement - Final invoices now due 2015/16	Rollover - Request rollover of £0.308m
<b>Total</b>	<b>1.293</b>	<b>0.985</b>	<b>(0.308)</b>	<b>(24)</b>	<b>(0.380)</b>		

Variance = Budget v Projected Outturn

## EDUCATION &amp; YOUTH

## Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Education - General	0.291	0.291	0.000	0	(0.007)		
Primary Schools	1.824	1.552	(0.272)	(15)	(0.019)	Various on-going works across the Primary Schools programme. Includes works at Mold Bryn Gwallia (£0.068m) and Broughton CP (£0.112m)	Rollover - Request rollover of £0.272m
Schools Modernisation	6.549	6.547	(0.002)	(0)	0	Retention payment due on scheme at Shotton, St Ethelwolds	Rollover - Request rollover of £0.002m
Secondary Schools	0.623	0.422	(0.200)	(32)	(0.038)	Various on-going works across the Secondary Schools programme. Includes schemes at Argoed High and Connah's Quay High	Rollover - Request rollover of £0.200m
Special Education	0.768	0.396	(0.372)	(48)	0	Various on-going works across the DDA/SEN programme. Includes works at Flint Gwynedd, Saltney Wood Memorial and Connah's Quay High. Includes provision for SEN Rolling Programme.	Rollover - Request rollover of £0.372m
Minor Works, Furn & Equip	0.045	0.036	(0.009)	(20)	0	Minor variances	Rollover - Request rollover of £0.009m
<b>Total</b>	<b>10.100</b>	<b>9.245</b>	<b>(0.855)</b>	<b>(8)</b>	<b>(0.064)</b>		

Variance = Budget v Projected Outturn

SOCIAL CARE

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Partnerships & Performance	0.642	0.642	0	0	0		
<b>Total</b>	<b>0.642</b>	<b>0.642</b>	<b>0.000</b>	<b>0</b>	<b>0.000</b>		

Variance = Budget v Projected Outturn

## COMMUNITY &amp; ENTERPRISE

## Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Private Sector Renewal/Improvement	3.801	3.749	(0.052)	(1)	0	Rollover requested Disabled Facility Grants. The grants are ongoing and based on demand.	Rollover - Request rollover of £0.052m
Travellers' Sites	0	0	0		0		
Flintshire Connects	0.400	0.347	(0.053)	(13)	(0.398)	Rollover requested as there have been delays to the start of Buckley Connects.	Rollover - Request rollover of £0.053m
Town Centre Regeneration	2.185	1.951	(0.234)	(11)	(1.162)	Streetworks project were delayed but are now on site. Rollover is needed to complete project	Rollover - Request rollover of £0.234m
Vibrant & Viable Places	1.625	1.620	(0.005)	(0)			Rollover - Request rollover of £0.005m
Community Centres	0.002	0.002	0	0	0		
<b>Total</b>	<b>8.013</b>	<b>7.669</b>	<b>(0.344)</b>	<b>(4)</b>	<b>(1.560)</b>		

Variance = Budget v Projected Outturn

## PLANNING &amp; ENVIRONMENT

## Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Ranger Services	0.115	0.047	(0.068)	(59)	(0.042)	Delays with the design / tendering process have resulted in construction works starting later than scheduled. Due to the delay the bulk of expenditure is expected to happen in 2015-16. This scheme is funded by the Heritage Lottery Fund.	Rollover - Request rollover of £0.068m
Energy Services	0.423	0.423	0	0	0		
Engineering	1.113	0.541	(0.572)	(51)	0	Majority of land drainage schemes have been delayed due to re-directing funds to the Mold FAS which has been completed up to the design & development stage. Planning application for the next stage of the works is scheduled to be considered at the June 2015 Planning Committee.	Rollover - Request rollover of £0.572m
Planning Grant Schemes	0.004	0.004	0	0	0		
Townscape Heritage Initiatives	0.276	0.276	0	0	(0.140)		
<b>Total</b>	<b>1.931</b>	<b>1.291</b>	<b>(0.640)</b>	<b>(33)</b>	<b>(0.182)</b>		

Variance = Budget v Projected Outturn

TRANSPORT & STREETSCENE

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Sustainable Waste Management	0.974	0.974	0	0	0		
Highways	4.262	4.262	0	0	0		
Local Transport Grant	1.426	1.411	(0.015)	(1)	0	£15k relates to the WG funded Active Travel Mapping project. The funding period relate to October 2014 to October 2015 and is currently in progress.	Rollover - Request rollover of £0.015m
Transportation	0.408	0.408	0	0	0		
<b>Total</b>	<b>7.070</b>	<b>7.055</b>	<b>(0.015)</b>	<b>(0)</b>	<b>0.000</b>		

Variance = Budget v Projected Outturn

ORGANISATIONAL CHANGE 1

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Leisure Centres	0.025	0.016	(0.009)	(36)	(0.025)	Accoustic works at Jade Jones Pavilion delayed until 2015/16	Rollover - Request rollover of £0.009m
Recreation - Other	0	0	0		(0.008)		
Play Areas	0.362	0.362	0	0	0		
<b>Total</b>	<b>0.387</b>	<b>0.378</b>	<b>(0.009)</b>	<b>(2)</b>	<b>(0.033)</b>		

Variance = Budget v Projected Outturn

ORGANISATIONAL CHANGE 2

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Administrative Buildings	1.415	1.097	(0.318)	(22)	0	Disabled Disability Adaptations works relating to Buckley Connects postponed until 2015/16. Fire safety works on behalf of Education & Youth also postponed until 2015/16. Asbestos & legionella works ongoing	Rollover - Request rollover of £0.318m
<b>Total</b>	<b>1.415</b>	<b>1.097</b>	<b>(0.318)</b>	<b>(22)</b>	<b>0.000</b>		

Variance = Budget v Projected Outturn

HOUSING REVENUE ACCOUNT

Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Major Works	2.886	2.988	0.102	4	0.074		
Accelerated Programmes	1.118	0.606	(0.512)	(46)	(0.081)	Delays in the Eco funding works which are continuing into 2015/16	Rollover - Request rollover of £0.512m
WHQS Improvements	7.502	7.431	(0.071)	(1)	0.004		
Disabled Adaptations	1.000	0.960	(0.040)	(4)	0		
Other Services	0	0.009	0		0		
<b>Total</b>	<b>12.506</b>	<b>11.994</b>	<b>(0.512)</b>	<b>(4)</b>	<b>(0.003)</b>		

Variance = Budget v Projected Outturn

## SUMMARY

## Capital Budget Monitoring 2014/15 - Outturn

Programme Area	Total Budget £m	Outturn £m	Variance (Under)/ Over £m	Variance %age %	Variance Prev Qtr £m	Cause of Variance	Action Required
Chief Executive's	0.016	0.016	0.000	0	(0.006)		
People & Resources	0.086	0.000	(0.086)	(100)	0		
Governance	1.293	0.985	(0.308)	(24)	(0.380)		
Education & Youth	10.100	9.245	(0.855)	(8)	(0.064)		
Social Care	0.642	0.642	0	0	0		
Community & Enterprise	8.013	7.669	(0.344)	(4)	(1.560)		
Planning & Environment	1.931	1.291	(0.640)	(33)	(0.182)		
Transport & Streetscene	7.070	7.055	(0.015)	(0)	0		
Organisational Change 1	0.387	0.378	(0.009)	(2)	(0.033)		
Organisational Change 2	1.415	1.097	(0.318)	(22)	0		
<b>Sub Total - Council Fund</b>	<b>30.953</b>	<b>28.378</b>	<b>(2.575)</b>	<b>(8)</b>	<b>(2.225)</b>		
Housing Revenue Account	12.506	11.994	(0.512)	(4)	(0.003)		
<b>Total</b>	<b>43.459</b>	<b>40.372</b>	<b>(3.087)</b>	<b>(7)</b>	<b>(2.228)</b>		

Variance = Budget v Projected Outturn



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE**

**DATE:** **MONDAY, 13 JULY 2015**

**REPORT BY:** **CHIEF EXECUTIVE**

**SUBJECT:** **MANAGEMENT OF THE WORKFORCE CHANGE PROGRAMME**

### **1.00 PURPOSE OF REPORT**

1.01 To present the internal self-assessment of our performance in managing our first major programme of workforce reduction against the recommendations of the Wales Audit Office in its recent national study of public sector practice and performance.

### **2.00 BACKGROUND**

2.01 Following the publication of the Council Fund Revenue Budget for 2014-15 and being mindful of the challenging budget 'gap' of £15M plus in January 2014, the Council took the decision to introduce a Voluntary Redundancy Scheme.

2.02 The Voluntary Redundancy (VR) Scheme was introduced in February 2014. The purpose of the Scheme was to help the Council become more efficient, to achieve its budget targets for workforce scaling and to provide an opportunity for employees to apply to leave the employment of the Council thereby minimising the need for compulsory redundancies. The aim of the Scheme was to balance the wishes of individuals with the need to make budget savings as far as possible and to protect a safe and capable level of resourcing for each and every service. The scheme was open to all employees of the Council as part of the Council's efficiency measures with the exception of those staff employed by a School Governing Body funded via delegated budgets.

2.03 Before launching the Voluntary Redundancy Scheme we researched current practice across Wales and with a number of English Councils with greater experience of managing major workforce reform programmes.

### **3.00 CONSIDERATIONS**

3.01 The Scheme was originally open for applications between 3<sup>rd</sup>

February 2014 and 10<sup>th</sup> March 2014. A total of 174 applications were received of which 83 were approved. The summary of applications considered by portfolio during Phase I are detailed below:

Portfolio	No of applications considered	No of applications approved	% approved
Chief Executives	5	3	60%
Community & Enterprise	6	6	100%
Education and Youth	25	13	52%
Governance	8	6	75%
Organisational Change 1	11	7	63.63%
Organisational Change 2	16	7	43.75%
People & Resources	9	6	66.66%
Planning & Environment	13	11	84.61%
Social Services	52	14	26.92%
Streetscene and Transportation	29	10	34.48%
Total	174	83	47.70%

Given the scale of the workforce efficiencies required, employees were given a further opportunity to apply for VR through a second phase.

The summary of VR Applications considered during Phase II is detailed below:

Portfolio	No of applications considered	No of applications approved	% Approved
Chief Executives	3	3	100%
Community and Enterprise	30	5	16.66%
Education & Youth	13	9	7.69%
Governance	6	3	33.33%
Organisational Change 1	15	2	13.33%
Organisational Change 2	33	16	48.48%
People and Resources	10	5	50%
Planning and Environment	10	4	40%
Social Services	51	5	9.80%
Streetscene and Transportation	42	9	21.42%
Total	213	61	28.63%

Following Phase II it was agreed that the programme should remain open on a rolling basis. In practical terms, this means that employees who are not already in scope of organisational change can make an application to leave under VR. The panel meets on a

monthly basis to consider any applications received during the period. Deferred or rejected applications from previous phases can be resubmitted in situations where the reasons for deferral or rejection have changed.

3.02 During February 2015 Wales Audit Office published its findings in relation to its national study of public sector practice and performance in relation to the management of early departures across welsh public bodies. The study lists seven proposals for improvement. A summary of the study report is attached at Appendix 1. The full report can be accessed on [W:\Early Departures English 2015.pdf](#). Flintshire undertook a voluntary self- assessment of our performance against each. The Council either met or exceeded each of the relevant recommendations. Our self-assessment is included at Appendix 2. We have submitted our self-assessment to Wales Audit Office as model practice.

3.03 An internal audit of the 2014/15 Voluntary Redundancy / Compulsory Redundancy programme, which included a review of the Workforce Consultation Database found that Management can take reasonable assurance that the controls upon which the organisation relies to manage risk are suitable designed, consistently applied and effective.

#### **4.00 RECOMMENDATIONS**

4.01 That the committee is assured of local policy and practice and its effectiveness in managing such a complex change programme.

4.02 That the committee supports the recommendation of Flintshire policy and practice as exemplar practice to Wales Audit Office.

#### **5.00 FINANCIAL IMPLICATIONS**

None.

#### **6.00 ANTI POVERTY IMPACT**

None.

#### **7.00 ENVIRONMENTAL IMPACT**

None.

#### **8.00 EQUALITIES IMPACT**

None.

#### **9.00 PERSONNEL IMPLICATIONS**

None.

#### **10.00 CONSULTATION REQUIRED**

None.

## **11.00 CONSULTATION UNDERTAKEN**

Local policy and practice was developed in consultation with the Trade Unions and with the involvement of the Leader, Deputy Leader and Cabinet Member.

## **12.00 APPENDICES**

**12.01** Appendix 1 – Wales Audit Office (WAO), *Managing Early Departures Across Welsh Public Bodies* Report.

**12.02** Appendix 2 – Flintshire response to WAO *Managing Early Departures Across Welsh Public Bodies* Report

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985** **BACKGROUND DOCUMENTS**

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## Wales Audit Office - National Studies Programme

April 2015

### Response to *Managing Early Departures Across Welsh Public Bodies* Report

The Wales Audit Office's *Managing Early Departures Across Welsh Public Bodies* report is welcomed. Flintshire County Council has reviewed the report and compared itself to the recommendations. Our analysis is set out below. We have examples of good practice to share nationally and would welcome comparing practice with other peer public bodies.

Before launching the Voluntary Redundancy Scheme we researched current practice across Wales and with a number of English Councils with greater experience of managing major workforce reform programmes. The revised suite of Council policies was developed following a full and thoughtful review which involved both the Trade Unions and the Cabinet.

The application process for employees was structured to provide a consistent set of data for consideration by the panel. The voluntary redundancy programme has been managed in phases to allow co-ordination of decision-making in tranches. Wherever possible voluntary redundancy opportunities have been prompted by service reviews where change and cost reduction is being sought.

The Council pre-estimates the costs of its annual redundancy figure targets and sets aside annual financial provision to meet those costs so that the efficiency realised by each departure can be immediate from the accounting month of departure..

The local programme has been self-evaluated for local learning and improvement.

Listed below are the seven proposals for improvement of the Wales Audit Office along with our detailed response. Examples of working papers are available on request for good practice sharing.

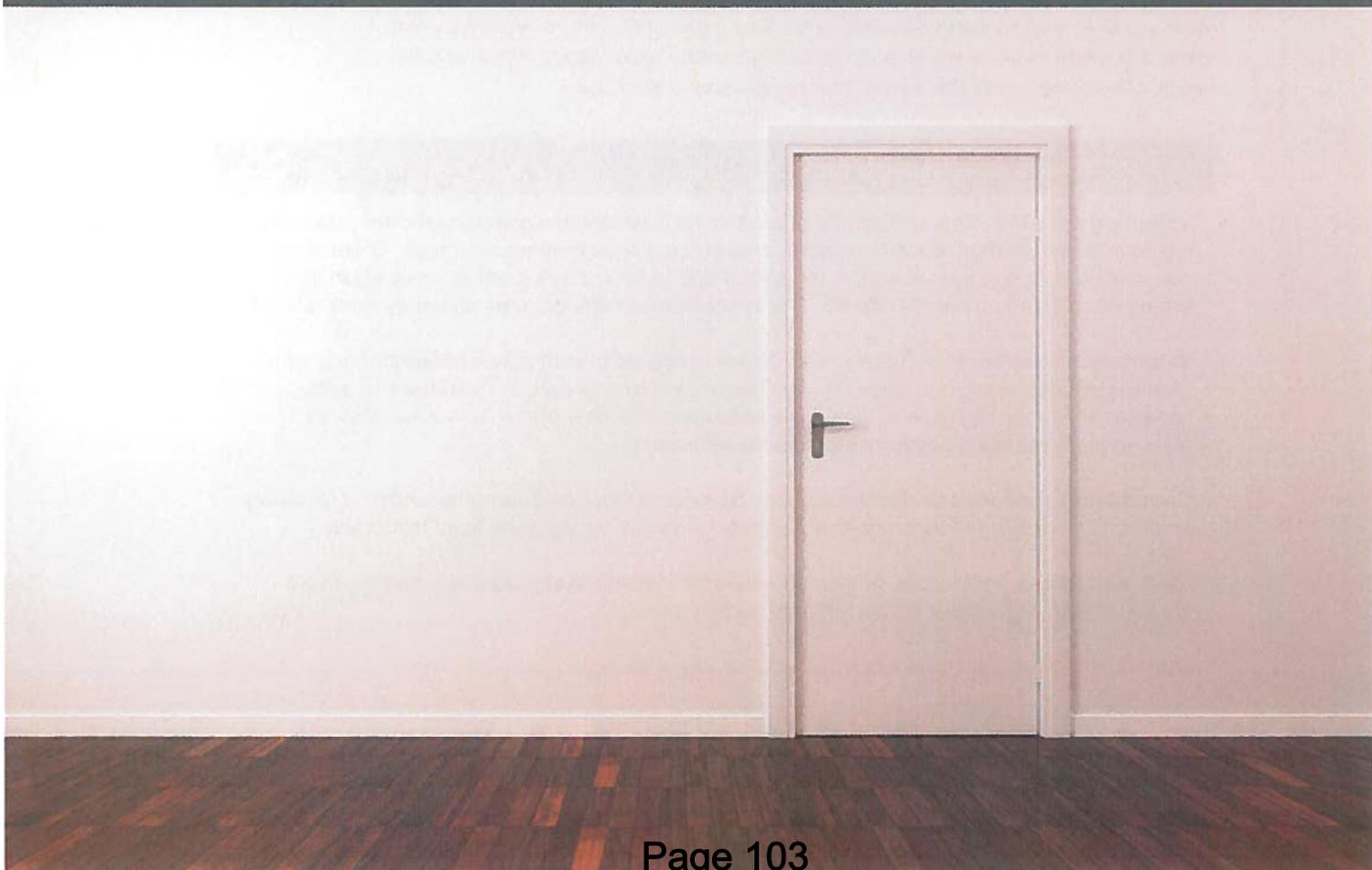
<b>Recommendations (R1-7)</b>	<b>Response</b>
<b>R1</b> Public bodies should use business cases to support all individual early departures. Business cases should identify the cost and service delivery implications of the individual leaving and take account of relevant wider workforce planning.	The Council has met and exceeded this recommendation.  All applications for Voluntary Redundancy (VR) require a business case with input from both the immediate line manager and the accountable Chief Officer. Both officers are required to first consider whether the post can be deleted with or without the need for service or job redesign. They are also required to comment on the impact of deleting the post on service delivery, team capacity, and skills retention within the service, and any connected impact on other services where there is a co-reliance for service planning and delivery.  This process has been managed consistently and robustly, and is promoted as an example of good organisational practice.

<p><b>R2</b> Working with local government, Welsh Government should seek agreement on some common principles to underpin any early departure arrangements arising from local government mergers.</p>	<p>The Council supports this recommendation provided that individual authorities can apply reasonable and appropriate local discretion.</p> <p>The principles, policy and practice adopted by the Council is promoted as an example of good organisational practice.</p>
<p><b>R3</b> We recommend that public bodies:</p> <ol style="list-style-type: none"> <li>1. Ensure that councillors or board members have the opportunity to examine the value for money of early departure schemes through established/governance arrangements.</li> <li>2. Ensure that councillors and/or board members approve higher value packages, such as those senior management.</li> <li>3. Consider using internal audit to provide overall assurance on overall management of overall departures.</li> </ol>	<p>The Council has met and exceeded this recommendation.</p> <p>Council policy and practice was fully reviewed by Chief Officers, Cabinet members and Trade Unions, and readopted, with reference to comparable sector practice, before the workforce reduction programme was begun.</p> <p>All VR applications are considered by a corporate panel for peer challenge, impact assessment, consistency of judgements, and reporting and accountability. The Panel reserves the right to ask Managers/Chief Officers to attend or provide more information if necessary. If in doubt the Panel will defer a decision on any given applications. The Panel outcomes are circulated to the full Chief Officer Team in tranches for final comment before 'sign off' and before confirmation is given to applicants. (In service areas of political sensitivity the outcomes have also been shared with Cabinet members for observation.) In the case of any significant disagreement or dispute a case is escalated to the respective Chief Officers and the Chief Executive.</p> <p>The Corporate Panel consists of Chief Officers, Human Resources Officers, Trade Union representatives and Finance Officers.</p> <p>The period of payback (break-even) is available for all applications and is duly considered in all cases.</p> <p>Applications are progressed through a workflow system on a bespoke database. This enables Human Resources and Finance to plan and manage employment actions and financial investments (including pension 'strain') and efficiencies. Internal Audit also have access to the database and can undertake 'spot checks' or a full audit as needed. Internal Audit were also involved in the development of the process.</p> <p>Higher level settlements would only be agreed through structural review/changes and require formal</p>

	council agreement.
<p><b>R4</b> Public bodies should ensure where settlement agreements are used, their records clearly identify whether a package includes an enhancement payment and if so, its value and the reason for the enhancement payment.</p>	<p>No enhancements have been applied by the Council. In any case where an enhancement were to be under consideration the case would be escalated and require formal Council agreement.</p>
<p><b>R5</b> Public bodies should give due consideration to the equality impact of all early departure arrangements, in particular where a public body is running a specific scheme covering multiple possible departures</p>	<p>The Council has met this recommendation.</p> <p>The adopted Council policy was subject to an equality impact assessment before it was approved. The Corporate Panel gives due consideration to any equalities impacts and risks in the course of its work. The presence of Trade Union representatives is a constructive and protective influence for ensuring parity of treatment.</p>
<p><b>R6</b> Public bodies should monitor and report as part of their internal governance arrangements on expected and achieved savings as a result of early departures. This will help inform future cost reduction plans.</p>	<p>The Council has met this recommendation.</p> <p>Expected and achieved aggregated departure savings (and costs) are reported on a regular basis both informally (to the Chief Officers Team) and formally (to Cabinet and Overview and Scrutiny in the course of monthly budget monitoring reports).</p>
<p><b>R7</b> Public bodies should review their record keeping for early departure arrangements, so they can more readily identify key information including the number and costs of early departures in a given period, payback period information based on salary and employers' National Insurance and pension costs, and settlement agreements.</p>	<p>The Council has met this recommendation as in R1, R3 and R4 above.</p>

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# Summary report



# Summary

- 1 Public sector organisations have faced continued financial pressure and the requirement to make significant cost savings following the 2010 and 2013 UK Government spending reviews. Between 2010-11 and 2015-16, the Welsh Government's budget allocated by the UK Government reduced by £1.7 billion in real terms<sup>1</sup>.
- 2 For most public services, their main controllable cost is their wage bill. As a result, public services have inevitably had to consider ways of cutting staff costs to contribute to wider financial savings targets, whether by reducing pay and/or reducing the number of employees or their working hours. One means of reducing staff numbers is to promote 'early departure' by providing a financial incentive or 'exit package' for employees to exit the organisation, with the expectation that the employing organisation would then realise a longer-term saving.
- 3 The Auditor General's *Picture of Public Services 2011*<sup>2</sup> report noted that public-sector wage and recruitment freezes and early departures would help bridge the financial gap facing public services in Wales, but that effective workforce planning and communication were needed to manage related risks. Those risks include the potential for skills gaps arising from these schemes – which may then need filling at additional cost – and the general impact on service delivery. The report also noted that there are significant up-front costs involved in such approaches and that it can take time for the savings to outweigh the initial costs.
- 4 In practice, early departures go by a variety of names. This report uses the terms voluntary exit, voluntary redundancy, compulsory redundancy and early retirement to refer to the four main types of early departures (Box 1). However, organisations may use their own terms to describe these four types of departure. Voluntary exit generally offers more favourable terms than voluntary redundancy, which in turn would offer more favourable terms than compulsory redundancy.

## Box 1 – Types of early departures

**Voluntary exit:** Voluntary exit can be offered in the interests of workforce efficiency and where employers wish to reduce staff numbers, or to support organisational changes. There is no compulsion on individuals to accept the offer. Public bodies have greatest flexibility in the arrangements and payments offered. This is sometimes referred to as voluntary early release.

**Voluntary redundancy:** Voluntary redundancy is offered to staff at risk of redundancy, with formal consultation through trade unions. There is no compulsion on individuals to apply, however, they may be made compulsorily redundant at a later stage. This is sometimes referred to as voluntary severance or flexible severance.

**Compulsory redundancy:** Individuals may be selected for compulsory redundancy following an offer of voluntary redundancy. The payment terms are typically the least favourable.

**Early retirement:** Individuals may be able to retire before the standard age and receive a lump sum payment and/or enhancements on their pension.

Source: Wales Audit Office and Civil Service Compensation Scheme Guidance

<sup>1</sup> Written Statement – The UK Government's Spending Round of 26 June 2013, Welsh Government, June 2013. Accessed at <http://wales.gov.uk/about/cabinet/cabinetstatements/2013/spendinground2013/?lang=en>.

<sup>2</sup> A Picture of Public Services 2011, Wales Audit Office, October 2011.

- 5 The UK Government Financial Reporting Manual (FRoM) introduced new financial accounts disclosures on all early departure 'exit packages' from 2010-11, applicable to the Welsh Government and its sponsored bodies. These require the disclosure of the number of early departure packages by cost band and total cost in each financial year. The 2010-11 CIPFA/LASAAC Code of Practice on Local Authority Accounting<sup>3</sup> also adopted this requirement and the Welsh Government has incorporated this requirement in its accounting guidance for Welsh NHS bodies from 2010-11.
- 6 In May 2012, the Welsh Government published *Working Together for Wales – A Strategic Framework for the Public Service Workforce in Wales*. The strategy outlines how the workforce is at the heart of enabling the Welsh Government's future vision for public services and set out the principles by which the Welsh Government will operate in relation to workforce matters. The two main priorities set out in the strategic framework are 'building an engaged, motivated and high performing workforce' and 'attracting and retaining talent'. Well managed, early departures could support these objectives.
- 7 Recently, the National Audit Office<sup>4</sup> and Audit Scotland<sup>5</sup> have reported on early departure arrangements across UK central government and the Scottish public sector respectively. The National Audit Office has also reported on such arrangements for senior BBC executives<sup>6</sup>. House of Commons Public Accounts Committee and Scottish Parliament Public Audit Committee reports have reinforced the findings of the NAO and Audit Scotland. These reports have pointed variously to weaknesses and inconsistencies in the management of early departures.
- 8 In Wales, there has been negative publicity about early departures at a number of public bodies. In 2011, a report by the National Assembly's Finance Committee<sup>7</sup> on the Welsh Government's staff numbers and costs criticised the Welsh Government's early departure arrangements. The report concluded there was little evidence that Welsh Government departments gave adequate consideration around early departures to ensure that no department was unduly affected by staff reduction.
- 9 There has also been recent negative publicity around the use of settlement agreements<sup>8</sup> and 'gagging clauses' within early departure arrangements. A 2013 National Audit Office report found a lack of transparency, consistency and accountability in the use of settlement agreements in the public sector and little is being done to change this<sup>9</sup>.

3 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

4 *Managing early departures in central government*, National Audit Office, March 2012.

5 *Managing early departures from the Scottish public sector*, Audit Scotland, May 2013, *Scotland's public sector workforce*, Audit Scotland, November 2013.

6 *Severance payments and wider benefits for senior BBC managers*, National Audit Office, June 2013.

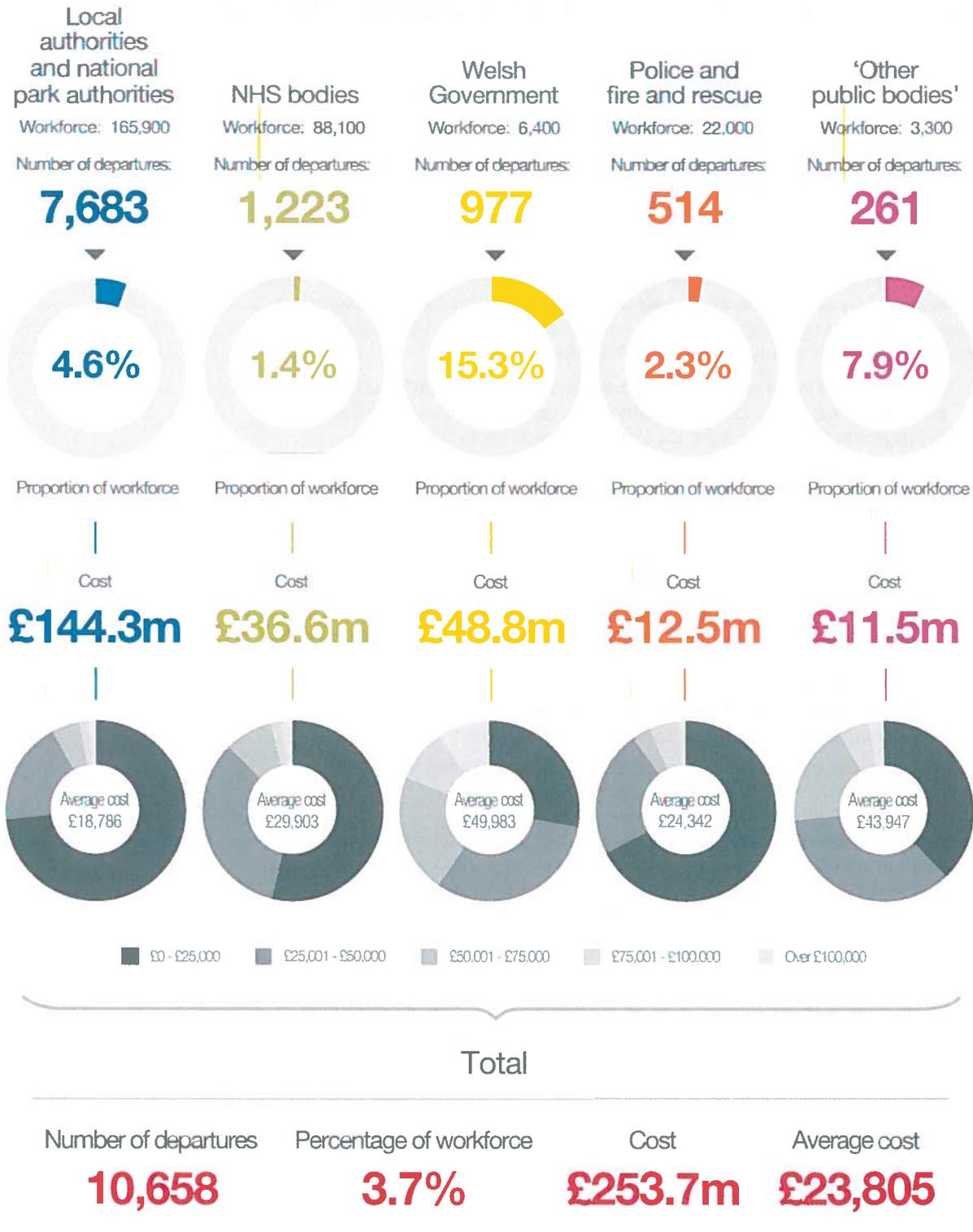
7 *Inquiry into Welsh Assembly Government staff numbers and costs*, National Assembly for Wales Finance Committee, March 2011.

8 Settlement agreements were previously known as compromise agreements until Section 23 of the Enterprise and Regulatory Reform Act came into force on 29 July 2013.

9 *Confidentiality clauses and special severance payments*, National Audit Office, June 2013.

- 10 On behalf of the Auditor General for Wales, a team from the Wales Audit Office examined whether Welsh public bodies can demonstrate that they are securing value for money from the use of early departures to control or reduce workforce costs. Between February and June 2014, we surveyed 58 Welsh public bodies audited by the Auditor General including Welsh Government, local government, the NHS, national park authorities, police, fire and rescue authorities and 'other public bodies'. Our survey sought information on the use of early departures and the wider approach that these bodies had taken to reduce or control workforce costs over recent years. We also requested data about all individual early departure packages agreed between 1 April 2010 and 31 December 2013. Full details of our methods are at [Appendix 1](#).
- 11 This report presents a high-level review based largely on the findings of that survey but supplemented where relevant with other evidence arising from our regular audit work. We have not examined the regularity or propriety of individual early departure packages as part of the work undertaken to produce this report. There have, however, been some isolated but widely reported examples where auditors have reviewed arrangements for certain individual departure packages for senior officers.
- 12 We found that Welsh public bodies have made extensive use of early departures to support workforce cost reduction, alongside a range of other approaches. Between April 2010 and December 2013, 10,658 staff left employment through early departure at a cost of around £254 million ([Figure 1](#)). Figures reported in public bodies' end of year accounts for 2013-14 suggest that, when compared with data reported to us for the period to the end of December 2013, there were around 2,300 more early departures in the final quarter of 2013-14.
- 13 Assuming staff were not directly or indirectly replaced, public bodies would start making cost savings from early departures after 10 months. Once the payback period has elapsed, public bodies can start making a net saving on the salary, national insurance contributions and pension contributions that would otherwise have been paid to departing staff. Based on our survey data, these potential savings amount to around £305 million per year, although public bodies might not realise these savings in full for a variety of reasons. While the exact contribution of early departures is unclear, staff salary costs across Welsh public bodies reduced by around £447 million in real terms between 2009-10 and 2013-14.
- 14 Overall, the governance of early departures appears to have been satisfactory, although not all schemes complied fully with good practice principles. For example, while Welsh public bodies have been largely mindful of the impact of early departures from a workforce planning perspective, some have applied more rigorous business case criteria than others.

Figure 1 – Early departures by sector, April 2010 to December 2013



Source: Wales Audit Office survey of 58 Welsh public bodies

# Recommendations

## Recommendation

We found that not all public bodies were using business cases for all individual early departures and that where public bodies are using business cases, some are applying more rigorous criteria than others (paragraphs 2.18-2.20).

**R1 Public bodies should use business cases to support all individual early departures. Business cases should identify the cost and service delivery implications of the individual leaving and take account of relevant wider workforce planning.**

For voluntary exits and voluntary redundancies, local authorities have discretion to set their own early departure arrangements and, in practice, have applied a range of different terms and conditions (paragraph 1.13). Given the Welsh Government's desired reduction in the number of local authorities in Wales, early departures are likely to be a feature of any future merger agreements.

**R2 Working with local government, the Welsh Government should seek agreement on some common principles to underpin any early departure arrangements arising from local government mergers.**

Scrutiny of early departures is important in ensuring that proposals for both schemes and individual early departures represent value for money. We found that more than three quarters of public bodies had councillors or board members involved in some way in ensuring value for money for their early departures (paragraphs 2.25-2.26).

**R3 We recommend that public bodies:**

- Ensure that councillors or board members have the opportunity to examine the value for money of early departure schemes through established scrutiny/governance arrangements.
- Ensure that councillors and/or board members approve higher value packages, such as those for senior management.
- Consider using internal audit to provide assurance on overall management of early departure schemes.

We found that around one in five early departures have involved some form of settlement agreement, with seven per cent of these cases including an enhancement payment. However, not all public bodies could tell us whether their early departures involved a settlement agreement or an enhancement payment (paragraphs 2.29-2.32).

**R4 Public bodies should ensure where settlement agreements are used, their records clearly identify whether a package includes an enhancement payment and if so, its value and the reason for the enhancement payment.**

## Recommendation

We found that not all public bodies that ran an early departure scheme undertook some form of equality impact assessment. Equality impact assessments should ensure that those with protected characteristics are not subjected to unfair disadvantage or exclusion (paragraphs 2.27-2.28).

**R5 Public bodies should give due consideration to the equality impact of all early departure arrangements, in particular where a public body is running a specific scheme covering multiple possible departures.**

We found that, assuming staff were not directly or indirectly replaced, public bodies would, on average, start to have made cost savings from early departures after 10 months. We found that once this payback period elapsed, public bodies stood to save around £305 million per year. However, public bodies might not realise any of these savings in full for a variety of reasons (paragraphs 1.18-1.23).

**R6 Public bodies should monitor and report as part of their internal governance arrangements on expected and achieved savings as a result of early departures. This will help inform future cost reduction plans.**

We found the quality of data held by public bodies on early departures was inconsistent. Several public bodies were not able to provide us with some key information we requested (paragraph 2.37).

**R7 Public bodies should review their record keeping for early departure arrangements, so that they can more readily identify key information including the number and costs of early departures in a given period, payback period information based on salary and employers' National Insurance and pension costs, and settlement agreements.**



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE**

**DATE:** **MONDAY 13<sup>TH</sup> JULY, 2015**

**REPORT BY:** **MEMBER ENGAGEMENT MANAGER**

**SUBJECT:** **FORWARD WORK PROGRAMME**

### **1.00 PURPOSE OF REPORT**

1.01 To consider the Forward Work Programme of the Corporate Resources Overview & Scrutiny Committee.

### **2.00 BACKGROUND**

2.01 Items feed into a Committee's Forward Work Programme from a number of sources. Members can suggest topics for review by Overview & Scrutiny Committees, members of the public can suggest topics, items can be referred by the Cabinet for consultation purposes, or by County Council or Chief Officers. Other possible items are identified from the Cabinet Work Programme and the Strategic Assessment of Risks & Challenges.

2.02 In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:

1. Will the review contribute to the Council's priorities and/or objectives?
2. Are there issues of weak or poor performance?
3. How, where and why were the issues identified?
4. Do local communities think the issues are important and is there any evidence of this? Is there evidence of public dissatisfaction?
5. Is there new Government guidance or legislation?
6. Have inspections been carried out?
7. Is this area already the subject of an ongoing review?

### **3.00 CONSIDERATIONS**

3.01 Overview & Scrutiny presents a unique opportunity for Members to determine the Forward Work Programme of the Committees of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix 1 for Members' consideration which has been updated following the last meeting.

### **4.00 RECOMMENDATIONS**

4.01 That the Committee considers the draft Forward Work Programme attached as Appendix 1 and approve/amend as necessary.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.

**6.00 ANTI POVERTY IMPACT**

6.01 None as a result of this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None as a result of this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 N/A.

**11.00 CONSULTATION UNDERTAKEN**

11.01 Publication of this report constitutes consultation.

**12.00 APPENDICES**

12.01 Appendix 1 – Forward Work Programme

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

None.

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**Corporate Resources Overview & Scrutiny Committee**  
**Indicative Forward Work Programme 2015/16**

<b>DATE</b>	<b>SUBJECT</b>	<b>O&amp;S Focus</b>	<b>REPORT FROM</b>
Thursday 10 <sup>th</sup> September 10.00	LSB and Strategic Partnerships Performance - End of year report	Monitoring	Karen Armstrong
	Revenue Budget Monitoring (Month 3 )		Sara Dulson
	Elections and Individual Electoral registration	Monitoring	Gareth Owens
	Forward Work Programme	Monitoring and assurance Approval and development	Robert Robins
Thursday 8 <sup>th</sup> October 10.00	Police & Crime Commissioner: consultation on the Crime & Policing Plan for 2016/17	Consultation	Robert Robins
	Revenue Budget Monitoring (Month 4 )	Monitoring	Sara Dulson
	Capital programme Budget monitoring (Month 4)	Monitoring	Liz Thomas
	Workforce Information Q 1 and 2	Information and monitoring	Sharon Carney
	Forward Work Programme	Approval and development	Robert Robins
Thursday 12 <sup>th</sup> November 10.00	Revenue Budget Monitoring (Month 5 )	Monitoring	Sara Dulson
	Forward Work Programme	Approval and development	Robert Robins

**Corporate Resources Overview & Scrutiny Committee**  
**Indicative Forward Work Programme 2015/16**

Thursday 10 <sup>th</sup> December	Revenue Budget Monitoring (Month )	Monitoring	Sara Dulson
Items to be scheduled	Health and Well-being update  Customer services and Call-handling update	Information	Helen Stappleton

By virtue of paragraph(s) 15 of Part 4 of Schedule 12A  
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