

FLINTSHIRE COUNTY COUNCIL**REPORT TO:** **CABINET****DATE:** **TUESDAY, 16 SEPTEMBER 2014****REPORT BY:** **CORPORATE FINANCE MANAGER****SUBJECT:** **REVENUE BUDGET MONITORING 2014/15 (MONTH 3)****1.00 PURPOSE OF REPORT**

- 1.01 To provide Members with the latest revenue budget monitoring information for 2014/15 for the Council Fund and the Housing Revenue Account based on actual income and expenditure as at Month 3 and projected forward to year-end based on the most up to date information available.

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2.00 EXECUTIVE SUMMARY

The projected year end position, as estimated at Month 3 is as follows:

Council Fund

- Net in year non pay expenditure forecast to be £0.603m higher than budget. This does not include any potential effect of variances on pay (see paras 3.02 – 3.03)
- Projected contingency reserve balance at 31 March 2015 of £2.338m.

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.038m higher than budget.
- Projected closing balance as at 31 March 2015 of £1.127m

3.00 COUNCIL FUND LATEST IN YEAR FORECAST

- 3.01 The table below shows the projected position by portfolio which reflects the Council's new Operating Model which came into effect on 1 June 2014.
- 3.02 Following the implementation of the Single Status agreement in June 2014 extensive work has been undertaken to rebase all staffing budgets to reflect the actual new costs arising from the new pay and grading structure and this is now at a key point and being verified by Portfolio areas. It is anticipated that this work will be concluded by the end of September.
- 3.03 Due to the above significant piece of work no pay variations are included within this report, although this is deemed reasonable due to the fact that the relevant budgetary provision will be allocated to the actual costs being incurred in line with the affordability model used to estimate costs. Month 3 revenue monitoring has therefore been focussed on the major variations within non-pay areas of Portfolios, as well as on the risk assumptions and the achievement of the 2014/15 efficiencies.
- 3.04 The table below shows projected in year non pay expenditure to be £0.603m higher than budget.

TOTAL EXPENDITURE AND INCOME	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend
	£m	£m	£m
Social Services	59.508	60.154	0.646
Community & Enterprise	14.727	14.642	(0.085)
Streetscene & Transportation	28.227	28.520	0.293
Planning & Environment	6.030	5.997	(0.033)
Education & Youth	96.948	96.851	(0.097)
People & Resources	5.235	5.250	0.015
Governance	8.221	8.390	0.169
Organisational Change 1	5.810	5.821	0.011
Organisational Change 2	3.785	3.768	(0.017)
Chief Executives	2.163	2.173	0.010
Central & Corporate Finance	24.522	24.213	(0.309)
Total	255.176	255.779	0.603

The reasons for the projected variances occurring to date are summarised within appendix 1.

Programme of Efficiencies

Corporate and Functional Efficiencies

- 3.05 The 2014/15 budget contains £8.8m of specific efficiencies comprising Corporate Value for Money (VFM) in relation to Procurement and Back to Basics of £1.3m and specific Functional VFM efficiencies of £7.5m.
- 3.06 The table below summarises the initial position in relation to the achievement of these items. The analysis shows that it is currently projected that £8.444m (96%) will be achieved resulting in a net underachievement of £0.396m. Details in relation to the in year efficiencies currently projected to not be achieved in full are shown in appendix 2.

Status of Efficiency	Value of Budgeted Efficiency £m	Value of Projected Efficiency £m	(Under) Over Achievement £m
Already Achieved	1.643	1.643	0.000
Expected to be achieved in full	5.211	5.211	0.000
Achievable in part	1.936	1.590	(0.346)
Not achievable	0.050	0.000	(0.050)
Total	8.840	8.444	(0.396)

- 3.07 It should be noted that a significant efficiency is included within the Functional VFM element which relates to administrative support across the organisation. This is subject to further review and though currently assumed as achievable remains a risk.

Workforce Efficiencies

- 3.08 The 2014/15 budget also contains £3.1m of Workforce Efficiencies. As reported in the Month 2 report, an initial Voluntary Redundancy Programme has now identified a number of efficiencies as part of its first phase and a second Voluntary Redundancy programme was commenced on 1st September and this will run alongside the next phase of the Management Review.
- 3.08 The table below details the efficiencies achieved to date against each phase of the Workforce Programme:

Workforce Phase	Efficiency Achieved (%)
Management Phase 1 (Tier 1 & 2)	79
Management Phase 2	25
Workforce Scale Review	41
Cost of Employment	Allocated to Portfolios

4.00 INFLATION

- 4.01 Included within the 2014/15 budget there were amounts in relation to pay (£1.316m), targeted price inflation (£0.590m), non standard inflation (£0.670m) and income (£0.151m).
- 4.02 The amounts in relation to non standard inflation (Fuel, Energy and Food) will be held centrally and allocated out to Portfolio areas once evidenced by need.

5.00 MONITORING BUDGET ASSUMPTIONS AND RISKS

5.01 Potential legal claim

A claim is being pursued against the Council based on the actions of one of its employees. This is being handled by a specialist external expert due to its complexity. This could result in a potential claim against the Council, though as yet no proceedings have been issued. Further updates on this will be included in future monitoring reports.

5.02 Outcome Agreement Grant

The full allocation of this grant is subject to future agreement by Welsh Government (WG) that performance against key criteria has been met. Current self assessment of the performance for 2013/14 by the Council indicates that this will be the case, although until we are advised of this formally, the receipt of the full grant remains a risk.

5.03 Single person discount Review

A single person discount review is intended to take place in October 2014. It has been predicted that a 4% reduction in SPD claims will be achieved. This will equate to an additional £0.200m of Council Tax income collected in 2014/15 and the impact of actual income achieved as a result of this will be included as part of regular monitoring reports.

5.04 Schools ICT Infrastructure

A balance of £0.220m was brought forward from 2013/14 for investment in Schools ICT infrastructure. The estimated cost of investment required is £0.500m and this has been ringfenced within the budget. No commitment has yet been made as to the options for providing School ICT therefore the amount may be subject to change.

Former Euticals Site

- 5.05 As referred to in the Month 2 report, tenders are shortly due to be invited for the full decommissioning, decontamination and clearance of the former chemical site in Sandycroft (Euticals Ltd). Once the full cost of site decommissioning is known, the Council will be able to consider its options in managing through to conclusion this public health risk project. Depending on the final cost, the Council may need to re-approach Welsh Government for assistance.

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 relating to 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 Currently it is estimated that £2.5m will be required from the contingency reserve to fund the one off costs in 2014/15.
- 6.05 The Month 2 Monitoring report to Cabinet on 15th 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 current projected outturn at month 3, the projected balance on the contingency reserve at 31 March 2015 is £2.338m. This is summarised in Appendix 3.

7.00 HOUSING REVENUE ACCOUNT

- 7.01 On 18th 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 15th July 2014 showed a closing balance at the end of 2013/14 of £1.662m (subject to audit).
- 7.03 The position at Month 3 is reporting an overall projected overspend of £0.038m and a projected closing balance at Month 3 of £1.127m, which at 3.75% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
- 7.04 Appendix 4 details the reasons for significant variances.
- 7.05 The HRA Garden Service is currently being reviewed and contracts amended meaning there will be additional costs for carrying out the service and reduced income from tenants.

8.00 RECOMMENDATIONS

8.01 Members are recommended to :-

- a) Note the overall report.
- b) Note the projected Council Fund contingency sum as at 31st March 2015 (paragraph 6.06).
- c) Note the projected final level of balances on the Housing Revenue Account (paragraph 7.03).

9.00 FINANCIAL IMPLICATIONS

9.01 The financial implications are as set out in Sections 3.00 – 7.00 of the report.

10.00 ANTI-POVERTY IMPACT

10.01 None

11.00 ENVIRONMENTAL IMPACT

11.01 None

12.00 EQUALITIES IMPACT

12.01 None

13.00 PERSONNEL IMPLICATIONS

13.01 None

14.00 CONSULTATION REQUIRED

14.01 None

15.00 CONSULTATION UNDERTAKEN

15.01 None

16.00 APPENDICES

Council Fund -Non pay variances – Appendix 1

Council Fund - Efficiencies not fully achieved – Appendix 2

Council Fund - Movements on unearmarked reserves – Appendix 3

Housing Revenue Account Variances – Appendix 4

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Social Services				
Social Services for Adults	45.367	45.881	0.514	The biggest influence within the net projected overspend of £0.514m relates to Domiciliary Care provision within the Localities teams. This is a demand led service with the key influences on a significant increase in demand being the changing demographic profile, complexity of need and the increasing numbers of older people with dementia. As a result of the Modernising of Social Services programme, Social Services for Adults have been successful in reabling many clients, which has delivered significant savings for the Council over the last four years. However, there is a cyclical impact of this approach whereby clients who have been successfully reabled in the past will return to the service with increasing needs and increased frailty. Detailed analysis has been carried out which illustrates the range of influences on the significant growth in client demand for domiciliary care, as a consequence of this we are seeking to proactively manage this demand lead pressure.
Development & Resources	1.543	1.414	(0.129)	Impact of an increase by Welsh Government in the level of the maximum charge cap from £50 per week to £55 per week.
Social Services for Children	12.598	12.859	0.261	(£0.153m) overspend is a result of an increase in the level of boarded out payments for Foster care placements within the service. Costs need to be made due to the demand of the service. (£0.142m) overspend due to increased direct payment for Children's Integrated Disability Services (CIDS) and cost of placements within the leaving care service. (£0.034m) underspend due to other minor variances.
Total Social Services	59.508	60.154	0.646	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Community & Enterprise				
Customer & Housing Services	1.100	1.151	0.051	An overspend (£0.074m) is projected to occur due to a lower level of support recharge to the Council Fund from the HRA. (£0.023m) underspend due to other minor variances.
Supporting People	0.534	0.601	0.067	Projected over spend (£0.018m) against mileage costs. Projected over spend (£0.015m) on the Maintenance Contract due to insufficient budget to meet renewed contract. (£0.034m) overspend due to other minor variances.
Regeneration	0.701	0.716	0.015	Minor Variance
Revenues & Benefits	11.277	11.033	(0.244)	(£0.104m) surplus on the Council Tax Collection Fund (£0.145m) underspend on Council Tax Reduction Scheme (£0.005m) overspend minor variances
Customer Services	1.115	1.141	0.026	(£0.025m) pressure on Postage services (£0.001m) overspend minor variances
Total Community & Enterprise	14.727	14.642	(0.085)	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Streetscene & Transportation				
Street Scene	19.190	19.433	0.243	The Service Scoping of Highways Related Services is subject to a service review due to be completed 01/01/2015. This, in addition to the limited take up on the Voluntary Redundancy Scheme, means only partial recovery of this efficiency is likely (£0.140m). There are a number of vacant posts within the Waste Service that are currently required to be covered by Agency or additional overtime to maintain service delivery (£0.080m). (£0.023m) overspend due to other minor variances.
Assets & Transportation and Public Protection	2.985	3.046	0.061	The trunk road collaboration project is currently stalled following a Ministerial announcement on the future procurement of Trunk Road services in Wales (£0.050m). (£0.011m) overspend is due to other minor variances.
School Transport	6.052	6.041	(0.011)	Minor Variance
Total Streetscene & Transportation	28.227	28.520	0.293	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Planning & Environment	1.414	1.339	(0.075)	Higher than expected levels of Planning Fee Income in the first quarter of 14/15, have contributed to the favourable variance. These levels will be closely monitored during the year.
Public Protection	2.739	2.736	(0.003)	Minor Variance
Miscellaneous Services*	0.821	0.863	0.042	The overspend is due to projected costs for external contractors / hired plant for Public Rights of Way Works
Management Support & Performance	0.772	0.780	0.008	Minor Variance
Greenfield Valley & Heritage Park	0.284	0.279	(0.005)	Minor Variance
Total Planning & Environment	6.030	5.997	(0.033)	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Education & Youth				
Primary & Early Years Education	44.176	44.176	0.000	No Variance
Secondary, 14 -19 & Continuing Education	36.757	36.767	0.010	Minor Variance
Inclusion Services	12.866	12.780	(0.086)	Current Projected underspend on Out of County Placements (£0.078). (£0.008m) underspend due to other minor variances.
Access (School Planning & Provision)	0.712	0.699	(0.013)	Minor Variance
21st Century Schools	0.082	0.082	0.000	No Variance
Youth Services	1.646	1.655	0.009	Minor Variance
Commissioning & Performance	0.505	0.484	(0.021)	Minor Variance
School Management & Information	0.204	0.208	0.004	Minor Variance
Total Education & Youth	96.948	96.851	(0.097)	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
People & Resources				
HR&OD	2.423	2.433	0.010	Minor Variance
Corporate Finance	2.812	2.817	0.005	Minor Variance
Total People & Resources	5.235	5.250	0.015	
Governance				
Legal Services	0.934	1.045	0.111	(£0.131m) pressure due to Litigation around local land charges (£0.020m) underspend due to other minor variances
Democratic Services	2.092	2.085	(0.007)	Minor Variance
Internal Audit	0.504	0.498	(0.006)	Minor Variance
Procurement	0.178	0.178	0.000	No Variance
ICT	4.513	4.584	0.071	(£0.040m) pressure due to Oracle Licence Management review (£0.031m) overspend due to other minor variances
Total Governance	8.221	8.390	0.169	

Budget MonitoringCouncil fund variancesAppendix 1**MONTH 3 - SUMMARY**

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Organisational Change 1				
Public Libraries & Arts, Culture & Events	1.891	1.875	(0.016)	Minor Variance
Museums Service	0.062	0.058	(0.004)	Minor Variance
County Archives	0.261	0.261	0.000	No Variance
Leisure Services	3.537	3.573	0.036	Repairs to swimming pool at Buckley Leisure Centre.
Community Assets	0.059	0.054	(0.005)	Minor Variance
Total Organisational Change 1	5.810	5.821	0.011	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Organisational Change 2				
Valuations & Estates	(0.718)	(0.785)	(0.067)	Estimated net income shortfalls across the Industrial Estate Portfolio. Potential Risk from additional rental loss from a unit where current leaseholder is experiencing financial difficulties. Rental Income levels will be closely monitored through the year.
Property Design & Consultancy	3.054	3.088	0.034	Minor Variance
Management	0.095	0.095	0.000	No Variance
Engineering Services	(0.140)	(0.136)	0.004	Minor Variance
Facilities Services	1.494	1.506	0.012	Minor Variance
Total Organisational Change 2	3.785	3.768	(0.017)	
Chief Executives				
Chief Executives	2.163	2.173	0.010	Minor Variance
Total Chief Executives	2.163	2.173	0.010	

MONTH 3 - SUMMARY

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Cause of Major Variance
Central & Corporate Finance				
Central & Corporate Finance	24.522	24.213	(0.309)	Corporate Windfall Income (£0.098m), this is in relation to additional Non Domestic Rate revaluations, which are one-off. (£0.301m) within the budget for Pension Fund Contribution, requires realignment to pay as part of Single Status Accounting to be undertaken by the end of September 2014. Unbudgeted costs in relation to former Euticals Ltd site (£0.115m). (£0.025m) underspend is due to other minor variances.
Total Central & Corporate Finance	24.522	24.213	(0.309)	
TOTAL	255.176	255.779	0.603	

* Miscellaneous services include Drainage, Highways Development Control, Public Rights of Way, Energy Services, and Landfill Sites (closed).

EFFICIENCY NOT ACHIEVABLE		
Portfolio	Efficiency Description	Efficiency not achieved (£m)
Streetscene & Transportation	Streetscene - North Wales Trunk Road Association Financial benefit from involvement with the NE Wales Trunk Road Hub.	0.050
Reason for efficiency not being achieved		Ministerial announcement re: the future of the Trunk Road Management arrangements has stalled the project.

Total		0.050
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EFFICIENCY ACHIEVABLE IN PART		
Portfolio	Efficiency Description	Efficiency not achieved (£m)
Social Services	LD - Short Term Care - Rightsizing project worker staffing levels	0.013
Reason for efficiency not being achieved		Care Packages being reviewed ongoing, projected end date of reviews is April 2015.
Social Services	LD - Enhanced Community Residential Services - Rightsizing 4 supported living houses	0.023
Reason for efficiency not being achieved		ECRS Reviews being reviewed as part of the Rightsizing.
Social Services	Community Living - Transition	0.100
Reason for efficiency not being achieved		Currently projected to be a shortfall of circa £0.100m.
Streetscene & Transportation	Streetscene & Transportation - Highways Related Services - the ongoing diagnostic of the two service areas will make recommendations on synergies	0.140
Reason for efficiency not being achieved		Savings subject to completion of the Service Review by 1 January 2015.
Education & Youth	Inclusion Services -Securing early, local and effective intervention for vulnerable children and young people through increasing locality working and school autonomy	0.070
Reason for efficiency not being achieved		We anticipate that the £0.070m relating to delegation of the TA support budget to schools will be affected by the delay in implementation. Full year efficiency is expected to be achieved in 2015/16.
Total		0.346

APPENDIX 3

Movements on Council Fund Unearmarked Reserves

	£m	£m
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		5.392
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		2.941
Less projected non pay overspend as at Month 3		(0.603)
Total projected Contingency Reserve as at 31st March 2015		2.338

HRA Major Variance Report - Period 3

Service	Revised Budget (£m)	Projected Outturn (£m)	Variance (£m)	Variance Last Month (£m)	Cause of Variance
Rents	(27.713)	(27.659)	0.054		Garage income is lower than anticipated due to high void rates.
Other variances (aggregate)	26.548	26.532	(0.016)		
Total :	(1.165)	(1.127)	0.038		

