

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 commenced on 1st September and this will run alongside the next phase of the Management Review.
- 3.09 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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