

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **THURSDAY, 16 OCTOBER 2014**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **REVENUE BUDGET MONITORING 2014/15 (MONTH 4)**

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 Housing Revenue Account based on actual income and expenditure as at Month 4 and projected forward to year-end based on the most up to date information available.

1.02 INDEX OF CONTENTS

Section 2	Executive Summary
Section 3	Council Fund Latest In Year Forecast
Section 4	Inflation
Section 5	Monitoring Budget Assumptions & Risks
Section 6	Unearmarked Reserves
Section 7	Housing Revenue Account (HRA)
Appendix 1	Council Fund – Movement in Variances from Month 3
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

The projected year end position, as estimated at Month 4 is as follows:

Council Fund

- Net in year non pay expenditure forecast to be £0.019m lower than budget. This does not include any potential effect of variances on pay (see paragraph 3.02)
- Projected contingency reserve balance at 31 March 2015 of £2.960m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.038m less than budget.
- Projected closing balance as at 31 March 2015 of £1.203m

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 As reported in Month 3, following the implementation of the Single Status agreement in June 2014, extensive work has been undertaken to rebase all workforce budgets to reflect the actual new costs arising from the new pay and grading structure. Due to the continuation of the above significant piece of work no pay variations are included within this report. Given that the workforce budgetary provision will be allocated to the actual costs being incurred in line with the affordability model used to estimate costs, variations of any significance are not expected. It is anticipated that this rebasing work will be concluded in time for the next monitoring report.

3.03 The table below shows projected in year non pay expenditure to be £0.019m less than budget.

Portfolio	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
			Month 3	Month 4
			£m	£m
Social Services	58.956	59.410	0.646	0.454
Community & Enterprise	14.117	13.828	(0.085)	(0.289)
Streetscene & Transportation	28.373	28.630	0.293	0.257
Planning & Environment	5.561	5.561	(0.033)	0.000
Education & Youth	96.533	96.374	(0.097)	(0.159)
People & Resources	5.010	5.041	0.015	0.031
Governance	8.448	8.681	0.169	0.233
Organisational Change	9.498	9.468	(0.006)	(0.030)
Chief Executive	3.380	3.414	0.010	0.034
Central & Corporate Finance	25.300	24.750	(0.309)	(0.550)
Total	255.176	255.157	0.603	(0.019)

The reasons for all movements from Month 3 are summarised in appendix 1 with the projected variances occurring for the year to date summarised within appendix 2.

Programme of Efficiencies

Corporate and Functional Efficiencies

- 3.04 The 2014/15 budget contains £8.8m of specific efficiencies comprising Corporate Value for Money (VFM) on Procurement and Back to Basics of £1.3m and specific Functional VFM efficiencies of £7.5m.
- 3.05 The table below summarises the latest position for the achievement of these efficiencies. The analysis shows that it is currently projected that £8.444m (96%) will be achieved resulting in a net underachievement of £0.396m. Details for the in year efficiencies currently projected to not be achieved in full are shown in appendix 3.

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)

- 3.06 It should be noted that a significant efficiency is included within the Functional VFM targets for the administrative support across the organisation. This is subject to further review and though currently assumed as achievable remains an additional risk.

Workforce Efficiencies

- 3.07 The 2014/15 budget also contains £3.1m of Workforce Efficiencies. As previously reported an initial Voluntary Redundancy Programme has now identified a number of efficiencies as part of its first phase and a second Voluntary Redundancy programme, which commenced on 1st September, is running 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 are provisions for pay (£1.316m), targeted price inflation (£0.590m), non standard inflation (£0.670m) and income (£0.151m).
- 4.02 The amounts for non standard inflation (Fuel, Energy and Food) will be held centrally and allocated out to portfolio areas only where a funding need is evidenced. It is currently assumed that all of the allocation will be required.

5.00 MONITORING BUDGET ASSUMPTIONS AND RISKS

Former Euticals Site

- 5.01 As referred to in previous monitoring reports, tenders are due for the full decommissioning, decontamination and clearance of the former chemical site in Sandycroft (Euticals Ltd). The cost of this work will be significant due to the work involved in the removal of lower risk chemicals which remain. The tender will comprise of a variety of estimates from contractors with specialist experience of decommissioning chemical sites and it is likely that figures could be volatile due to the nature of the task and the risks involved. It is likely that this will fall beyond the in year budget management capability of the Council, and officers have again approached Welsh Government to fund the costs as part of its national contingency support for emergency situations. The monthly costs are in the region of £30k; this funding needs to be continued to ensure the ongoing security and maintenance of the site regardless of the position moving forward.

Winter Maintenance

- 5.02 Winter Maintenance is currently projected to outturn to budget. However, there is always a risk of adverse weather which could result in higher than expected activity which may increase the financial cost.

Council Tax

- 5.03 The efficiency reported on Revenues and Benefits may be subject to change due to the volatility of the Council Tax Reduction Scheme based on external factors such as seasonal trends and the local employment market. The Council Tax Collection Fund can reduce due to exemptions and discounts etc. which may fluctuate during the year; however the planned single person discount review is expected to increase levels in the last quarter of this financial year.

Potential legal claim

- 5.04 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.

Schools ICT Infrastructure

- 5.05 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 ring-fenced 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.

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 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 £0.696 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 4, the projected balance on the contingency reserve at 31 March 2015 is £2.960m. This is summarised in Appendix 4.

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 4 is reporting an overall projected underspend of £0.038m and a projected closing balance at Month 4 of £1.203m, which at 4% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
- 7.04 Appendix 5 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

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 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 – Movement in Variances from Month 3 – Appendix 1
Council Fund – Non pay 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

Contact Officer: Sara Dulson

Telephone: 01352 702287

Email: sara.dulson@flintshire.gov.uk