

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 18 NOVEMBER 2014**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **REVENUE BUDGET MONITORING 2014/15 (MONTH 5)**

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 5 and projected forward to year-end based on the most up to date information available.

INDEX OF CONTENTS

1.02	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

2.01 The projected year end position, as estimated at Month 5 is as follows:

Council Fund

- Net in year non pay expenditure forecast to be £0.608m 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 £3.549m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.044m less than budget.
- Projected closing balance as at 31 March 2015 of £1.210m

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 previously reported, 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. This work is nearing completion and portfolios will be allocated their revised workforce budgets imminently.

3.03 The table below shows projected in year non pay expenditure to be £0.608m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 4	Month 5
				£m	£m
Social Services	59.889	58.956	59.518	0.454	0.562
Community & Enterprise	14.368	14.117	13.663	(0.289)	(0.454)
Streetscene & Transportation	28.381	28.342	28.630	0.257	0.288
Planning & Environment	6.394	5.546	5.508	0.000	(0.038)
Education & Youth	97.167	96.244	96.048	(0.159)	(0.196)
People & Resources	5.395	5.010	5.041	0.031	0.031
Governance	8.821	8.448	8.667	0.233	0.219
Organisational Change	9.738	9.498	9.543	(0.030)	0.045
Chief Executive	2.160	3.380	3.415	0.034	0.035
Central & Corporate Finance	22.863	25.635	24.746	(0.550)	(1.100)
Total	255.176	255.176	254.779	(0.019)	(0.608)

The reasons for all movements from Month 4 are summarised in appendix 1 with the projected variances occurring for the year to date summarised within appendix 2.

- 3.04 To maximise the in-year position a cost control exercise has recently been undertaken to identify areas where non essential spend can either be stopped or slowed down. The budget movements between portfolios from month 4 to month 5 reflect the outcome of this work to date whereby the efficiencies made will be held centrally. The budget for Central & Corporate Finance has increased by £0.335m with corresponding decreases in the budget for Education and Youth (£0.290m), Streetscene & Transportation (£0.030) and Planning & Environment (£0.015m).

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) on Procurement and Back to Basics of £1.3m and specific Functional VFM efficiencies of £7.5m.
- 3.06 The table below summarises the latest position for the achievement of these efficiencies. The analysis shows that it is currently projected that £8.627m (98%) will be achieved resulting in a net underachievement of £0.213m. This has improved when compared with month 4, showing an increase of £0.183m in the value of projected efficiencies. 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	6.449	6.449	0.000
Achievable in Part	0.698	0.535	(0.163)
Not Achievable	0.050	0.000	(0.050)
Total	8.840	8.627	(0.213)

- 3.07 It should be noted that a significant efficiency is included within the Functional VFM targets for administrative support across the organisation, which is currently assumed as achievable. However, as there is still an amount of £1.1m to be identified in-year, there is a significant risk that these efficiencies will not be met within the current financial year, although a review of all council vacancies, being done in conjunction with the single status rebasing work, is expected to contribute to achieving this efficiency in 2014/15. Further work has commenced which will see single administrative teams within each portfolio. Whilst it is assumed this will achieve 10% efficiencies over the next two years, the effect will not impact until 2015/16 onwards; full details will be reported in future monitoring reports.

Workforce Efficiencies

- 3.08 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.

- 3.09 There is currently £1.7m of efficiencies still to be achieved and we are working through the second phase of the Voluntary Redundancy Programme to assess the financial impact of the redundancy applications. This work will be undertaken alongside an organisational review of vacant positions which will enable the council to identify any efficiencies to offset the shortfall.

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

5.01 Existing risks;

- Out of County Placements – due to volatility and unpredictable nature of service costs.
- Deprivation of Liberty Assessments (DoLs) – potential risk due to additional responsibilities of Local Authorities.
- Professional Support (Leaving Care) – due to demand led nature of the service and ongoing impact of the Southwark case.
- Former Euticals Site – risk relates to the cost of full decommissioning, decontamination and clearance of the former chemical site in Sandycroft.
- Single Persons Discount (SPD) Review – relates to a review which will take place during October, it has been predicted the number of SPD claims will be

reduced.

- Schools ICT Infrastructure – due to potential change to delivery of ICT in schools.
- Winter Maintenance – due to potential for adverse weather conditions.
- Council Tax – relates to the volatility of the Council Tax Reduction Scheme and collection rates.
- Single Status – relates to the complexity and scale of rebasing workforce budgets.

5.02 **Changes to previously reported risks**

- Land Charges Litigation – A settlement has been agreed on this and the financial impact is currently reported within the Governance Portfolio.
- Outcome Agreement Grant – communication has been received from Welsh Government stating that a recommendation will be made to the Minister that this grant should be awarded in full.

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 5, the projected balance on the contingency reserve at 31 March 2015 is £3.549m. 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 5 is reporting an overall projected underspend of £0.045m and a projected closing balance at Month 5 of £1.210m, 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

- 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 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 4 – 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**

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