

## FLINTSHIRE COUNTY COUNCIL

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

**DATE:** **TUESDAY, 16 DECEMBER 2014**

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

**SUBJECT:** **REVENUE BUDGET MONITORING 2014/15 (MONTH 6)**

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

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### **2.00 EXECUTIVE SUMMARY**

2.01 The projected year end position, as estimated at Month 6 is as follows:

#### Council Fund

- Net in year non pay expenditure forecast to be £0.881m 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 £3.822m

#### Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.027m less than budget.
- Projected closing balance as at 31 March 2015 of £1.193m

### 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. Revised workforce budgets have now been allocated to portfolio areas to meet the costs of their workforce establishment (base pay, allowances and vacancies) and are in the process of being compared to total projected staff costs to the end of March. The outcome of this work will be reflected in the month 7 report.

3.03 The table below shows projected in year non pay expenditure to be £0.881m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 5	Month 6
				£m	£m
Social Services	59.889	58.970	59.415	0.562	0.445
Community & Enterprise	14.368	14.036	13.554	(0.454)	(0.482)
Streetscene & Transportation	28.381	28.339	28.648	0.288	0.309
Planning & Environment	6.394	5.559	5.459	(0.038)	(0.100)
Education & Youth	97.167	96.237	96.150	(0.196)	(0.087)
People & Resources	5.395	4.975	5.013	0.031	0.038
Governance	8.821	8.389	8.650	0.219	0.261
Organisational Change	9.738	9.421	9.497	0.045	0.076
Chief Executive	2.160	3.408	3.421	0.035	0.013
Central & Corporate Finance	22.863	25.842	24.488	(1.100)	(1.354)
<b>Total</b>	<b>255.176</b>	<b>255.176</b>	<b>254.295</b>	<b>(0.608)</b>	<b>(0.881)</b>

3.04 The reasons for all movements from Month 5 are summarised in appendix 1 with the projected variances occurring for the year to date summarised within appendix 2.

**3.05 Significant Budget Movement Between month 5 to month 6**

There has been an increase in the Central and Corporate Finance budget of £0.207m over month 5 which is mainly due to the accounting treatment of agreed voluntary redundancies and the cost control review.

**3.06 Programme of Efficiencies**

**Corporate and Functional Efficiencies**

3.07 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.

3.08 The table below summarises the latest position for the achievement of these specific efficiency programmes. The analysis shows that it is currently projected that £8.597m (97%) will be achieved resulting in a net underachievement of £0.243m. This has decreased when compared with month 5, showing a reduction of £0.030m 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.

<b>Status of Efficiency</b>	<b>Value of Budgeted Efficiency £m</b>	<b>Value of Projected Efficiency £m</b>	<b>(Under) Over Achievement £m</b>
Already Achieved	1.643	1.643	0.000
Expected to be Achieved in Full	6.449	6.099	0.000
Achievable in Part	0.698	0.855	(0.193)
Not Achievable	0.050	0.000	(0.050)
<b>Total</b>	<b>8.840</b>	<b>8.597</b>	<b>(0.243)</b>

3.09 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. An amount of £1.1m is to be identified and it is considered unlikely that these efficiencies will be met in full within the current financial year.

**Workforce Efficiencies**

3.10 The 2014/15 budget also contains £3.1m of Workforce Efficiencies. There is currently £1.7m of efficiencies still to be achieved against these targets. Further explanation will be given at the meeting.

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

3.11 As with the Corporate Administration Review above, work is nearing completion on assessing the financial impact of the first and second phases of the voluntary redundancy programme combined, and an organisational review of vacancies which will provide a clear position on the likely position to the end of the financial year.

3.12 The work referred to in 3.09 and 3.11 is being done in conjunction with a review of the investment costs included in the budget for workforce 'exit' costs and it is envisaged that any shortfall in the current financial year will be at least partly offset by a reduction in these related costs.

#### **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.

- Workforce Efficiencies – due to the potential for non achievement of the amounts included for Corporate Administration and other Workforce.
- Single Status – relates to the complexity and scale of rebasing workforce budgets.

## 5.02 Changes to previously reported risks

- Outcome Agreement Grant – Welsh Government have advised that a recommendation has been 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 15<sup>th</sup> 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 6, the projected balance on the contingency reserve at 31 March 2015 is £3.822m. 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 (subject to audit).
- 7.03 The position at Month 6 is reporting an overall projected underspend of £0.027m and a projected closing balance at Month 6 of £1.193m, which at 3.97% 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 RECOMMENDATIONS**

8.01 Members are recommended to :-

- a) Note the overall report.
- b) Note the projected Council Fund contingency sum as at 31<sup>st</sup> March 2015 (paragraph 6.06)

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 APPENDICES 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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