

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 20 JANUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **REVENUE BUDGET MONITORING 2014/15 (MONTH 7)**

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 7 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 7 is as follows:

Council Fund

- Net in year expenditure forecast to be £0.821m lower than budget. This now includes variances on pay.
- Projected contingency reserve balance at 31 March 2015 of £3.762m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.083m less than budget.
- Projected closing balance as at 31 March 2015 of £1.249m

3.00 COUNCIL FUND LATEST 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. This work is now substantially complete and revised workforce budgets have now been allocated to portfolio areas to meet the costs of their workforce establishment (base pay, allowances and vacancies). The outcome of this work is now reflected in the figures below, though there are some outstanding queries which may result in minor adjustments in future periods.

3.03 The table below shows projected in year expenditure to be £0.821m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 6	Month 7
				£m	£m
Social Services	59.889	59.008	59.098	0.445	0.090
Community & Enterprise	14.368	13.264	12.743	(0.482)	(0.521)
Streetscene & Transportation	28.381	29.566	29.877	0.309	0.311
Planning & Environment	6.394	5.346	5.225	(0.100)	(0.121)
Education & Youth	97.167	96.219	96.174	(0.087)	(0.045)
People & Resources	5.395	4.835	4.873	0.038	0.038
Governance	8.821	8.503	8.800	0.261	0.297
Organisational Change	9.738	9.844	9.920	0.076	0.076
Chief Executive	2.160	3.314	3.236	0.013	(0.078)
Central & Corporate Finance	22.863	25.277	24.409	(1.354)	(0.868)
Total	255.176	255.176	254.355	(0.881)	(0.821)

3.04 The reasons for all movements from Month 6 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 6 to month 7**

The rebasing of workforce budgets as detailed in 3.02 has resulted in the changes to portfolio budgets from month 6. There are still some outstanding queries to

resolve which may require subsequent adjustments to portfolio budgets.

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 and now reflects a projected under achievement of the VFM efficiency relating to the Review of Administrative Support which was previously reported as unlikely to be achieved (see also 3.10 – 3.15).

3.09 The analysis shows that it is currently projected that £7.597m (86%) will be achieved resulting in a net underachievement of £1.243m. Details for the current 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	5.099	5.099	0.000
Achievable in Part	1.048	0.855	(0.193)
Not Achievable	1.050	0.000	(1.050)
Total	8.840	7.597	(1.243)

Workforce Efficiencies

3.10 The 2014/15 budget also contains £3.1m of Workforce Efficiencies. Previously it has been reported that there was an amount of £1.7m still to be achieved and an assessment of the second phase of the voluntary redundancy programme was being undertaken, in conjunction with an organisational review of vacancies, in order to ascertain a clear position to the end of the financial year. Paragraphs 3.11 – 3.15 advise of the latest position following this work in relation to all workforce efficiencies (including Administration Review). The month 6 monitoring report advised of an amount still to find of £1.1m in relation to the Administration Review giving an overall figure of £2.8m for both areas.

3.11 The second Voluntary Redundancy Scheme closed on 31st October 2014 and an assessment of successful applications has now been undertaken. This has resulted in an additional contribution of £0.240m of efficiencies to the overall target.

3.12 The organisational review of vacancies that has been undertaken has identified £0.937m of one off savings in 2014/15 which will also contribute to the in year

target.

- 3.14 The budget for 2015/16 included a one off sum of £4.8m to fund exit costs associated with the above efficiencies of which £2m has been incurred to date. An assessment of the successful VR applicants and an estimate of potential exit costs from Business Plans across the organisation has identified that an additional £1.8m is likely to be incurred by the end of this financial year. This will leave projected balance of £1m. The overall projected position for 2014/15 is summarised below:

3.15	2014/15 Position	£m
	Workforce Efficiencies outstanding at M6	2.800
	Less estimated in year effect of VR2	(0.240)
	Less in year Vacancy Savings	(0.937)
	Estimated Unachieved in 2014/15	1.623
	Less Estimated Investment cost balance	(1.002)
	Potential Impact on Outturn	0.621

The above position is now reflected within the outturn position for Month 7 within central and corporate. Any further Voluntary Redundancies or vacancies that impact on the current financial year will be reflected in future monitoring reports.

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 (NSI) (Fuel, Energy and Food) are held centrally and allocated out to portfolio areas only where a funding need is evidenced. All allocations of NSI have now been made to departments where there has been an evidenced need and this has resulted in an underspend of £0.054m on the amount required for fuel, and an underspend of £0.015m on the amount required for food.

5.00 MONITORING BUDGET ASSUMPTIONS AND RISKS

5.01 Emerging Risks

- Design Fee Income – Risk due to the potential loss of income included within the Design Consultancy business plan income projections.

5.02 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.

5.03 **Changes to previously reported risks**

- Single Status –Workforce budgets have been rebased however due to the complexity and scale of this there are still some budgets requiring further adjustments.
- Workforce Efficiencies – Work has been undertaken to assess the non achievement of the efficiencies included for Corporate Administration and other Workforce.

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 7, the projected balance on the contingency reserve at 31 March 2015 is £3.762m. 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.
- 7.03 The position at Month 7 is reporting an overall projected underspend of £0.083m and a projected closing balance at month 7 of £1.249m, which at 4.15% 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 RECOMENDATIONS

- 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)

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

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

- 16.01 Council Fund – Movement in Variances from Month 4 – Appendix 1
Council Fund – Budget 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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