

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **REVENUE BUDGET MONITORING 2014/15 (MONTH 8)**

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 8 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 8 is as follows:

Council Fund

- Net in year expenditure forecast to be £1.014m lower than budget.
- Projected contingency reserve balance at 31 March 2015 of £3.955m

Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.324m less than budget.
- Projected closing balance as at 31 March 2015 of £1.490m

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 £1.014m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 7	Month 8
				£m	£m
Social Services	59.889	58.946	59.142	0.090	0.196
Community & Enterprise	14.368	13.271	12.366	(0.521)	(0.905)
Streetscene & Transportation	28.381	29.753	29.988	0.311	0.235
Planning & Environment	6.394	5.346	5.215	(0.121)	(0.131)
Education & Youth	97.167	96.154	96.207	(0.045)	0.053
People & Resources	5.395	4.836	4.870	0.038	0.034
Governance	8.821	8.366	8.549	0.297	0.183
Organisational Change	9.738	9.827	10.074	0.076	0.247
Chief Executive	2.160	3.227	3.152	(0.078)	(0.075)
Central & Corporate Finance	22.863	25.450	24.599	(0.868)	(0.851)
Total	255.176	255.176	254.162	(0.821)	(1.014)

3.04 The reasons for all movements from Month 7 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**

Changes in revised budget over month 7 relate to adjustments relating to the single

status rebasing exercise. Although this work is substantially complete there are still some outstanding queries which will 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 includes a projected under achievement of the VFM efficiency relating to the Review of Administrative Support.

3.09 The analysis shows that it is currently projected that £7.574m (86%) will be achieved resulting in a net underachievement of £1.266m. 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	4.829	4.829	0.000
Achievable in Part	1.318	1.102	(0.216)
Not Achievable	1.050	0.000	(1.050)
Total	8.840	7.574	(1.266)

3.10 Workforce Efficiencies

The 2014/15 budget also contains £3.1m of Workforce Efficiencies and following the conclusion of the work in relation to the second phase of the voluntary redundancy programme and the organisational work on vacancies there is still an in – year amount to find of £0.520m. The month 7 report advised that the effect of this and the corporate admin review was £1.623m which was offset by reduced investment costs of £1.002m and the financial impact is included in the projected outturn within central and corporate.

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 Existing risks

- Out of County Placements – the risk is the volatility in demand and the impacts on service costs which cannot be predicted. Service fluctuations are being accommodated within the combined budgets of the Social Services and Education Chief Officer portfolios in-year. Status: stable/amber risk
- Former Euticals Site – the risks are the significant cost options for the decommissioning, decontamination and clearance of the former chemical site in Sandycroft and the cost burden for the Council (noting that negotiations with Welsh Government are ongoing). Monthly costs for ongoing security and maintenance of the site are in the region of £0.030m and are accumulating within the financial year. Status: unstable/red risk
- Schools ICT Infrastructure – the risk is the loss of schools income from buying into the service due to a planned change to delivery of ICT in schools. The new service model is at an advanced stage of planning with the full involvement of schools and is to be adopted shortly with a good degree of confidence. Status: stable/amber risk
- Winter Maintenance – the risk is the additional cost of managing the highways network should we experience a severe winter. At a mid point in the season the winter can be classed as an average one which should mean that the budget provision is sufficient, noting that a ring-fenced reserve is held to draw upon should the situation deteriorate. Status: stable/amber risk
- Single Status – the risk is the possible unintended impacts on workforce establishment budgets as a consequence of the re-basing of the total corporate budget for employees following the introduction of Single Status. This complex rebasing exercise is nearing completion with no adverse impacts at this stage, however, the exercise is not yet complete. Status: stable/amber risk.
- Workforce Efficiencies – the risk is the under achievements of workforce financial efficiency targets. As reported to Cabinet in January the exercise to

review and readjust the targets, and build in the implications into the 2014/15 budget and the 2015/16 draft budget has been completed. The risk remains open as the 2015/16 budget is only in draft form at this stage. Status: stable/green risk

- Council Tax – the risk is the volatility of the Council Tax Reduction Scheme and collection rates as it is customer demand and compliance led. A budget under-spend reported under Community Enterprise in appendix 2 and is based on current usage patterns. These patterns could change and impact negatively on the in-year and 2015/16 budgets. Status: stable/amber risk

5.02 **Changes to previously reported risks (closed)**

- Design Fee Income – the risk is the potential loss of income included within the Design Consultancy business plan income projections. The actual impact of this risk is now being reported within appendix 1 of this report under the Organisational Change portfolio and has been mitigated.
- Deprivation of Liberty Assessments (DoLs) – the risk is the additional responsibilities upon Local Authorities and the costs in meeting them. The estimated cost associated with this risk was £0.270m as reported in month 2. This has been included in the 2015/16 budget as a pressure and the risk has been mitigated.
- Professional Support (Leaving Care) – the risk is an increase in demand for services as an ongoing impact of the Southwark case. An estimated cost of £0.120m was reported in month 2 and actual expenditure in the month 7 report. The costs have been met within existing resources and the risk has been mitigated.
- Single Persons Discount (SPD) Review – the risk is the outcome of a review which took place during October where it was predicted the number of SPD claims would be reduced. A reduction of 4% in single persons discount claims was predicted to be achieved as a result of the review – generating a £0.200m efficiency. The review has now been completed and an actual reduction of £0.270m is being reported under the Community Enterprise portfolio in appendix 2 of this report. The risk has been mitigated.

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 8, the projected balance on the contingency reserve at 31 March 2015 is £3.955m. 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 8 is reporting an overall projected underspend of £0.324m and a projected closing balance at month 8 of £1.490m, which at 4.96% 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**

**Contact Officer: Sara Dulson
Telephone: 01352 702287
Email: sara.dulson@flintshire.gov.uk**