

## FLINTSHIRE COUNTY COUNCIL

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

**DATE:** **TUESDAY, 17 MARCH 2015**

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

**SUBJECT:** **REVENUE BUDGET MONITORING 2014/15 (MONTH 9)**

### **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 9 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 9 is as follows:

#### Council Fund

- Net in year expenditure forecast to be £1.978m lower than budget.
- Projected contingency reserve balance at 31 March 2015 of £4.919m

#### Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.304m less than budget.
- Projected closing balance as at 31 March 2015 of £1.470m

### 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 £1.978m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 8	Month 9
				£m	£m
Social Services	59.889	58.571	58.617	0.196	0.046
Community & Enterprise	14.368	13.361	12.519	(0.905)	(0.842)
Streetscene & Transportation	28.381	29.291	29.449	0.235	0.158
Planning & Environment	6.394	5.777	5.612	(0.131)	(0.165)
Education & Youth	97.167	96.539	96.585	0.053	0.046
People & Resources	5.395	4.858	4.850	0.034	(0.008)
Governance	8.821	8.476	8.656	0.183	0.180
Organisational Change	9.738	10.030	10.139	0.247	0.109
Chief Executive	2.160	3.247	3.151	(0.075)	(0.096)
Central & Corporate Finance	22.863	25.026	23.620	(0.851)	(1.406)
<b>Total</b>	<b>255.176</b>	<b>255.176</b>	<b>253.198</b>	<b>(1.014)</b>	<b>(1.978)</b>

3.04 The reasons for all movements from Month 8 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 8 to month 9**

Changes in revised budget over month 8 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 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 £7.588m (86%) will be achieved resulting in a net underachievement of £1.252m. 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	2.318	1.116	(1.202)
Not Achievable	0.050	0.000	(0.050)
<b>Total</b>	<b>8.840</b>	<b>7.588</b>	<b>(1.252)</b>

### 3.10 Workforce Efficiencies

The 2014/15 budget report also contains £3.1m of Workforce Efficiencies. As previously reported there was an in year pressure of £0.621m once the underspend on investment costs was offset.

Within Month 9 work has been undertaken to identify further in year vacancies which has improved the position further by £0.501m. This has now reduced the in year unachieved workforce efficiencies in 2014/15 to £0.120m.

#### **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 £0.015m on the amount required for food and an underspend of £0.102m on fuel, which has increased from month 8 due to a reduction in the amount of inflation required.

#### **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. Every salting turnout in excess of an average winter would result in an additional cost of £0.005m, however if there were to be a prolonged snow event the additional costs would rise significantly to £0.040m per day. 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

- 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**

- Workforce Efficiencies – the risk is the under achievements of workforce financial efficiency targets. As previously reported the efficiency targets have been reviewed and adjusted. The impact for 2014/15 has been reduced to a net shortfall of £0.120m due to the further identification of vacancy savings. The 2015/16 impact has been dealt with as part of the 2015/16 budget. The risk remains open as the 2015/16 budget is only in draft form at this stage. Status: stable/green risk

## 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 8, the projected balance on the contingency reserve at 31 March 2015 is £4.919m. 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.
- 7.03 The position at Month 9 is reporting an overall projected underspend of £0.304m and a projected closing balance at month 9 of £1.470m, which at 4.89% 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 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 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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