

## FLINTSHIRE COUNTY COUNCIL

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

**DATE:** **TUESDAY, 21 APRIL 2015**

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

**SUBJECT:** **REVENUE BUDGET MONITORING 2014/15 (MONTH 10)**

### **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 10 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 10 is as follows:

#### Council Fund

- Net in year expenditure forecast to be £1.716m lower than budget.
- Projected contingency reserve balance at 31 March 2015 of £4.657m

#### Housing Revenue Account (HRA)

- Net in year expenditure forecast to be £0.354m less than budget.
- Projected closing balance as at 31 March 2015 of £1.519m

### 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 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.

3.03 The table below shows projected in year expenditure to be £1.716m less than budget.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	Projected Outturn	In-Year Over/ (Under) spend	
				Month 9	Month 10
				£m	£m
Social Services	59.889	58.568	58.557	0.046	(0.011)
Community & Enterprise	14.368	13.591	12.775	(0.842)	(0.816)
Streetscene & Transportation	28.381	29.485	29.619	0.158	0.134
Planning & Environment	6.394	5.806	5.596	(0.165)	(0.210)
Education & Youth	97.167	96.539	96.811	0.046	0.272
People & Resources	5.395	4.901	4.895	(0.008)	(0.006)
Governance	8.821	8.452	8.606	0.180	0.154
Organisational Change	9.738	10.027	10.174	0.109	0.147
Chief Executive	2.160	3.253	3.157	(0.096)	(0.096)
Central & Corporate Finance	22.863	24.554	23.270	(1.406)	(1.284)
<b>Total</b>	<b>255.176</b>	<b>255.176</b>	<b>253.460</b>	<b>(1.978)</b>	<b>(1.716)</b>

3.04 The reasons for all movements from Month 9 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 9 to month 10**

Changes in revised budget from month 9 relate mainly to adjustments relating to the

single status rebasing exercise and to workforce efficiency accounting adjustments.

3.06 The movement from Month 9 is mainly due to John Summers High School no longer being progressed within the 21<sup>st</sup> Century Schools Programme as agreed at Cabinet on 17<sup>th</sup> February 2015. Costs incurred on this scheme which would have usually been classified as capital, as part of the overall delivery programme, will now have to be met from revenue with the overall position that this has resulted in a decrease in the overall revenue underspend by £0.250m in Month 10.

### 3.07 Programme of Efficiencies

#### Corporate and Functional Efficiencies

3.08 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.

3.09 The table below summarises the latest position for the achievement of these specific efficiency programmes which includes a projected under achievement of the VFM efficiency relating to the Review of Administrative Support.

3.10 The analysis shows that it is currently projected that £7.688m (87%) will be achieved resulting in a net underachievement of £1.152m. 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	1.772	1.772	0.000
Expected to be Achieved in Full	4.917	4.917	0.000
Achievable in Part	2.101	0.999	(1.102)
Not Achievable	0.050	0.000	(0.050)
<b>Total</b>	<b>8.840</b>	<b>7.688</b>	<b>(1.152)</b>

### 3.11 Workforce Efficiencies

The 2014/15 budget also contains £3.1m of Workforce Efficiencies. The overall net underachievement on all workforce related efficiencies (including admin support) is £0.211m after taking into account lower than anticipated exit costs. This has increased by £0.091m due to a decrease in efficiencies of £0.063m and an increase in exit costs of £0.028m.

## 4.00 CARRY FORWARD REQUESTS

4.01 Governance – A carry forward for £0.019m is requested for software maintenance

within ICT. The contract for Geographic Information System (GIS)/Mapping products is to be renegotiated in 2015/16. The 2014/15 costs will not be invoiced until a new contract is agreed. A number of options are being considered in April 2015 and the contract option chosen will affect the amount invoiced for 2014/15.

### **Previously agreed brought forward balances**

- 4.02 Organisational Change – request to carry forward £0.049m in relation to online payment for school meals. In 2013/14 funding of £0.083m was agreed for this project, however due to capacity within ICT this has not yet been rolled out to all schools. A balance of £0.049m remains from the initial agreed funding.
- 4.03 People & Resources – in 2013/14 a carry forward request of £0.010m was granted for the purchase of Disclosure & Barring Service (DBS) software. The amount is no longer required for DBS software however a change of use for this amount is being requested as there is a development requirement for iTrent.
- 4.04 Governance – request to carry forward £0.046m for provision of Event and Log Management solutions. In 2013/14 funding of £0.046m was agreed for the provision of Event and Log Management solutions. Implementation has been delayed due to ICT capacity.

### **5.00 INFLATION**

- 5.01 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).
- 5.02 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. Allocations of NSI have been made to departments where there has been an evidenced need, this has resulted in an underspend of £0.156m on the amount required for fuel, an underspend of £0.054m on the amount required for food, together with an underspend of £0.065m on the amount required for Non-Domestic Rates.

### **6.00 MONITORING BUDGET ASSUMPTIONS AND RISKS**

#### **6.01 Emerging Risks**

- Recycling - The recycling market (paper in particular) is going through a volatile period with fluctuating re-cycle sale values. This is likely to impact on 2015/16 recycling income levels for the Council. There is a risk of under achieving 2015/16 income targets. Status: unstable/amber risk
- Contingency Budgets - £0.050m to £0.100m is potentially required to support two sensitive multi-agency operations in child protection and adult social care. One operation is concluding and the other is ongoing. Status: unstable/amber risk.

#### **6.02 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. Monthly costs for ongoing security and maintenance of the site are in the region of £0.030m and are accumulating within the financial year. Costs incurred within 2014/15 for the phase 1 decontamination of the site are estimated at £0.800m. The total projected cost for the whole operation, combining costs incurred to date, phase 1 decontamination, and phase 2 site disposal, are in the region of £1.7m. Negotiations with the Welsh Government have successfully led to the award of a significant grant to co-fund the project costs. The Council can now proceed with the two phase plan to close the risks to public health through site clearance and disposal. A full report will be made to the April meeting of Cabinet. Status: unstable/amber 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
- Single Status – The rebasing of the workforce establishment budget is substantially complete without any adverse impact on revenue budget provision. Similarly the position of the single status reserve shows that it is sufficient to meet any outstanding liabilities. 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. Status: stable/green risk

### 6.03 **Changes to previously reported risks (closed)**

- 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 has been mitigated.
- Winter Maintenance – the risk is the additional cost of managing the highways network should we experience a severe winter. At the year end the winter can be classed as an average one which should mean that the budget provision is sufficient. The number of planned salting turnouts exceeded that required in an average year but this was cancelled out by the number of snow affected days which was lower than an average year. The ring fenced reserve will not be required and will need to be carried forward in to next

financial year. This seasonal risk has passed.

## **7.00 UNEARMARKED RESERVES**

- 7.01 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.
- 7.02 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.
- 7.03 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.
- 7.04 Currently it is estimated that £2.5m will be required from the Contingency Reserve to fund the one off costs in 2014/15.
- 7.05 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.
- 7.06 Taking into account all of the above and the current projected outturn at month 10, the projected balance on the contingency reserve at 31 March 2015 is £4.657m. This is summarised in Appendix 4.

## **8.00 HOUSING REVENUE ACCOUNT**

- 8.01 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%.
- 8.02 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.
- 8.03 The position at Month 10 is reporting an overall projected underspend of £0.354m and a projected closing balance at month 10 of £1.519m, which at 5.06% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%.
- 8.04 Appendix 5 details the reasons for significant variances.

## **9.00 RECOMENDATIONS**

9.01 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 7.06)
- c) Note the projected final level of balances on the Housing Revenue Account (paragraph 8.03)
- d) Approve the carry forward requests as stated in paragraphs 4.01-4.04

**10.00 FINANCIAL IMPLICATIONS**

10.01 The financial implications are set out in Sections 3.00 – 8.00 of the report.

**11.00 ANTI POVERTY IMPACT**

11.01 The financial implications are set out in Sections 3.00 – 8.00 of the report.

**12.00 ENVIRONMENTAL IMPACT**

12.01 None

**13.00 EQUALITIES IMPACT**

13.01 None

**14.00 PERSONNEL IMPLICATIONS**

14.01 None

**15.00 CONSULTATION REQUIRED**

15.01 None

**16.00 CONSULTATION UNDERTAKEN**

16.01 None

**17.00 APPENDICES**

17.01 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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