

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**               **TUESDAY, 14 JULY 2015**

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

**SUBJECT:**           **REVENUE BUDGET MONITORING 2015/16**

**1.00**   **PURPOSE OF REPORT**

1.01    To provide Members with the first available revenue budget monitoring information for the Council Fund and Housing Revenue Account (HRA) for 2015/16.

**2.00**   **BACKGROUND**

2.01    The Council Fund budget and the HRA budget for 2015/16 were agreed by Council on 17 February 2015.

**3.00**   **CONSIDERATIONS**

3.01    As in previous years, during the early part of the 2015/16 financial year Corporate Finance resources have been dedicated to the closure of the accounts for 2014/15 to ensure that the statutory deadline for completion of the draft statement of accounts by the end of June is achieved. The draft Statement of Accounts are to be presented to the Audit Committee on 15 July and the 2014/15 revenue final outturn report is included elsewhere on this agenda.

3.02    Although resources have been prioritised to complete the 2014/15 statutory accounts significant work has already been undertaken to review the progress and risks associated with the efficiencies included in the 2015/16 budget.

3.03    The 2015/16 budget includes £12.874m of efficiencies relating to Business Planning and Corporate Financing efficiencies across Portfolios. The significant level of efficiencies needed to deliver the budget has led to the establishment of Programme Boards for each Portfolio attended by both Officers and Members, with the remit of tracking efficiencies and highlighting risks and mitigating actions in relation to the achievement of the 2015/16 efficiencies.

3.04 In addition Service Managers and Corporate Finance have continued to liaise with regard to any early changes in demand, particularly in known volatile service areas despite the fact that in the first couple of months of a new financial year it is more difficult to rely on trends around service demand for forecasting purposes.

3.05 This first budget monitoring report of the year does not provide the level of detail which follows from month three onwards but does highlight the risks identified through the work referred to above in paragraphs 3.03 – 3.04 and these are detailed below.

**Disability Services (Resources & Regulated Services)**

3.06 There is a projected underspend of £0.300m against a new pressure of £0.338m in respect of the transfer of the responsibility for the former Independent Living Fund (ILF) from UK Government to devolved administrations. The pressure was included in the budget on the basis of the amount being paid to local authorities being distributed on the RSG formula. Following completion of the consultation (after the Council's budget had been set), it was determined that the funding for this would be distributed as a specific grant amount based on the amount actually required to pay service users. There is no allocation to cover the administration of the scheme so it is intended to keep an element of this allocation to fund the additional administration burden and to cover for obligations to meet employer liability insurance for carers employed by service users.

**Business Services Income (Charging Policy Fee Income)**

3.07 There is a projected excess of income above the level budgeted of £0.300m in respect of charging policy fee income. Welsh Government increased the maximum charge cap to £60 per week with effect from 1st April 2015. A budget efficiency of £0.100m was applied as an increase to the target income budget. The latest projections indicate that total income will exceed budget by £0.300m.

**Children's Services (Family Placement)**

3.08 There is currently a projected overspend of £0.170m on this service to meet service demand. There have been significant overspends on this service for each of the last four financial years, however the final outturn for 2014/15 reflected a reduction in the level of overspend to £0.222m.

**Funding for Voluntary Sector Organisations**

3.09 An efficiency of £0.203m was approved as part of the 2015/16 budget in respect of a programme of phased reductions in payments to voluntary sector organisations over a period of three years. The original estimate of achieving £0.203m efficiency is now known to be not realistic, however this amount will be found as a cumulative total over 3 years.

**3.10 Localities (Locality Teams)**

There remains a significant demand influenced pressure on domiciliary care provision which is a continuation of the pressure experienced in last financial year. The final outturn position in 2014/15 was an overspend of £0.837m.

In 2015/16, the early projection for domiciliary care is an overspend of £0.514m, which is significantly less than in 2014/15 primarily due to the loss of one very high cost care package.

As was the case in 2014/15, this significant overspend is offset by a projected underspend on Residential Care which is primarily due to an excess of income above budget mainly in respect of property related income but with some influence of free nursing income. There is currently a projected underspend of £0.620m on Residential Care.

**3.11 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.

**3.12 Planning Fee Income**

The anticipated increase in planning fees by Welsh Government will not now take place until 1<sup>st</sup> October 2015 which means that there will potentially be a shortfall of £0.125m on the budgeted efficiency.

**3.13 Rationalisation of Household Recycling Sites**

Further options are being considered and consultation undertaken in relation to the proposed closure of Hope recycling centre which has the effect of reducing the proposed efficiency. In addition, the delay in introducing changes to the operating times at Connah's Quay and Flint sites will result in a projected shortfall on the budgeted efficiency of £0.175m

**3.14 Highways Services - Reduction of Cleansing Standards**

The implementation date is now anticipated to be 1<sup>st</sup> January 2016 which will result in a shortfall in the efficiency of £0.100m. A separate report on this policy is scheduled for Cabinet on this agenda.

**3.15 Waste services**

There is a projected shortfall in income of £0.150m from the gas engines at Brookhill and Standard Landfill Sites due to issues with the electrical equipment.

**3.16 Out of County Placements**

As has been the case in the past the volatility in demand and the impacts on service costs cannot be predicted with any certainty. Therefore there is always a risk of significant variances occurring

although this area will continue to be closely monitored.

**3.17 People & Resources**

The 2015/16 budget includes a Business Plan efficiency of £0.105m which relates to workforce efficiencies within Human Resources. There is a risk that this efficiency will not be met in full this financial year, though this will be reported on in more detail later in the reporting cycle.

**3.18 Central & Corporate Finance**

The 2015/16 budget includes an efficiency for Workforce related proposals of £0.300m which relate to leave buy back, use of pool cars and staff parking. At this early stage it is anticipated that there will be a shortfall of £0.150m in achieving this within the current financial year. However, alternative ways of achieving the full efficiency will continue to be explored.

3.19 Within the Central Loans and Investment Account (CLIA), an efficiency of £0.600m was included in the 2015/16 budget in relation to the Housing Revenue Account (HRA) subsidy buy out. Due to a change in the settlement amount which Welsh Government announced after the budget was set it is now unlikely that this will be achieved. However, a full review of the CLIA is being undertaken on this complex account which will provide an overall assessment of the impact on this account.

3.20 Provision has been made in the 2014/15 accounts for the phase 1 and 2 decommissioning, decontamination and clearance of the former chemical site in Sandycroft. Monthly costs for ongoing security and maintenance of the site are in the region of £0.030m and will accumulate throughout the financial year until site disposal.

3.21 Within the centrally held Corporate Finance account, there is currently a potential underspend on Non-Standard Inflation of £0.335m which will continue to be held until an assessment of the in year requirements for inflation has been undertaken later in the year.

3.22 An amount of £1.747m was included in the budget in relation to estimated additional pension costs following the triennial actuarial valuation. Initial work suggests that the full amount may not be required due to workforce reductions however further work will be undertaken on this prior to Month 3 to consider the overall impact for 2015/16 and future years.

3.23 The emerging risks and issues identified in 3.06 – 3.22 are the significant items that have been raised at this early stage in the year. Where there are potential budget pressures opportunities to mitigate them will be considered and implemented where appropriate to help ensure that spend can be brought in line to the overall budget. A full detailed budget monitoring position will be reported for the first quarter

of the year to Cabinet in September.

**3.24 Housing Revenue Account**

There are no significant variations identified at this stage within the Housing Revenue Account.

**4.00 UNEARMARKED RESERVES**

4.01 The final level of Council Fund Contingency Reserve brought forward into 2015/16 was £4.745m as detailed in the 2014/15 outturn report elsewhere on this agenda (subject to Audit).

4.02 As detailed in the Final Outturn report it is recommended that the use of the additional Contingency Reserve of £1.804m is held and considered for any additional in-year and future investment in change in the context of the MTFP.

**5.00 RECOMMENDATIONS**

5.01 Cabinet is recommended to note the report.

**6.00 FINANCIAL IMPLICATIONS**

6.01 As set out in the report.

**7.00 ANTI POVERTY IMPACT**

7.01 None directly as a result of this report.

**8.00 ENVIRONMENTAL IMPACT**

8.01 None directly as a result of this report.

**9.00 EQUALITIES IMPACT**

9.01 None directly as a result of this report.

**10.00 PERSONNEL IMPLICATIONS**

10.01 None directly as a result of this report.

**11.00 CONSULTATION REQUIRED**

11.01 None directly as a result of this report.

**12.00 CONSULTATION UNDERTAKEN**

12.01 None directly as a result of this report.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985**

**BACKGROUND DOCUMENTS**

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