

Report of the Cabinet Member for Finance and Resources

Cabinet - 26 August 2014

REVENUE AND CAPITAL BUDGET MONITORING FIRST QUARTER 2014/15

Purpose:	To report on financial monitoring of the 2014/15 revenue and capital budgets.
Policy Framework:	Budget 2014/15 Sustainable Swansea
Reason for Decision:	To note any significant variations from the agreed budget 2014/15 and actions planned to achieve a balanced budget.
Consultation:	Cabinet Members, Corporate management Team, Legal Services and Corporate Equalities Unit.
Recommendation:	It is recommended that the comments and variations in this report, and the actions in hand to address these, are noted.
Report Author:	Mike Hawes
Finance Officer:	Mike Hawes
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

1.1 This report details forecast variations from the agreed budget for 2014/15.

2. Revenue outturn forecast based on June position

2.1 Based on information to date the following is the current forecast year end position for each Directorate:-

Directorate	Forecast variation at year end	Directors comments/current position
Corporate Services	-0.4m	Service expected to be delivered under budget.
People – Education	+1.3m	Overspends forecast on 1 to 1 (£160k), Home Tuition (£170k). Employment training (£720k), due to Welsh Government grant reduction of £600k. Slippage in delivery of full savings in breakfast club and cleaning costs (£200k). Other spending pressures offset by management action to reduce the net identified overspend.
People - Social Services	+0.8m	Child and Family predicted breakeven. On Adult Services, shortfall in savings targets (£600k) as reported on budget savings tracker, overspending on direct payments/domiciliary care (£600k), overspending on Learning Disability and Mental Health (£600k), offset partially by windfall income (£600k). Less £500k of pressures related to care home fee costs traditionally funded from contingency fund once fully evidenced. Further management action is being identified to manage the pressures and bring down the potential overspend.
People - Poverty and Prevention	+0.1m	There is spending pressure which may not be covered off by grant in Promoting Inclusion. There are some shortfalls, especially in outdoor and residential centre planned

		savings, as reflected on the budget savings tracker. Further management action is being identified to manage the pressures and bring down the potential overspend.
Place	0	Although initial forecast is overall breakeven there is an identified pressure in excess of £0.5m relating to replacing essential waste and recycling fleet owned by the Council. It is recommended that any service area savings are initially used to mitigate against this budget pressure.
HRA	0	There are no major variances identified at this stage.
Totals	1.8m	

2.2 Authority to incur expenditure is delegated to Responsible Officers in accordance with the Council's Constitution. However, this authority does not include a power to exceed agreed budgets. It is the responsibility of Directors and Heads of Service to manage within their budgets and where necessary, identify savings to offset any forecast overspendings.

2.3 It is essential that the overspends summarised above are contained within existing service budgets.

2.4 Executive Board has strengthened the current arrangements for budget monitoring with the aims of:-

- quicker reporting;
- focus on corrective action;
- increased control;
- and a specific focus on the large scale savings required and built into the 14/15 budget.

2.5 In respect of the large scale savings required for 2014/15 there is a separate budget savings tracker and this is subject to a separate report on this agenda. The two monitoring tools have been reviewed and assessed for consistency of reporting. The two will not be identical as the budget savings tracker measures only savings against agreed targets and otherwise presumes a steady state of no other pressures or issues emerging. The overall budget monitoring focuses on both savings and spend pressures.

3. Contingency fund and inflation provision for 2014/15.

- 3.1 There is no carry forward of previous years underspends into the contingency fund for 2014/15. As such the contingency fund is set at the £5.4m contribution set out in the budget report approved by Council on 18th February 2014.
- 3.2 The provision for inflation held corporately for 2014/15 is £1.049m as approved by Council in the same report. This will be allocated on the basis of proven inflationary pressures on individual budgets. There are currently no proven claims on this sum.
- 3.3 The estimated calls on the contingency fund at present are:-

Contingency Fund 2014/15	Prediction
	2014/15 (£m)
Contribution for year	5.400
Care Home fees uplift	-0.500
ERVR scheme	-3.000
Additional costs of carbon reduction commitment	-0.180
Balance 31st March	1.720

In line with previous years it is proposed to fund the actual care home fees uplift (current estimate £0.5m) from the contingency fund. There is also an identified potential overspend as a result of increased costs arising from the Carbon Reduction Commitment.

Any departures under ER/VR in 2014-15 will again be charged to the contingency fund as a one off cost to release future revenue savings. It would be prudent given the experience in 2013-14 and the accelerated budgetary savings pressures likely to bear upon the authority to increase the assumed call on the contingency for the purposes of funding ER/VRs to £3m.

- 3.4 It can clearly be seen that the forecast overspends as detailed in Section 2.1 above are likely to be broadly in line with the sums available for financing within the contingency fund. This is likely to be further partially offset by lower than budgeted calls on the inflation provision, where these can be evidenced by Directorates. The overall service specific overspends reported at £1.8m are broadly consistent with the budget delivery savings report which identifies a current forecast £1.6m shortfall on service specific savings.
- 3.5 It should also be noted that, as in previous years, the Council is actively pursuing VAT refunds on a number of activities. Any refunds, together with interest on those refunds, is likely to result in an additional one off receipt. As those negotiations are not concluded it

is too early to be specific about exact amounts or timing but there is a significant chance that an element of refund will arise in 2014/15. The use of these funds if received will need to be decided.

3.6 All reporting to date is against a budget set which was before Job Evaluation and Single Status implementation. In setting the budget for 2014/15 an additional sum of £4.277m was set aside into earmarked reserves to fund the implementation of single status. A full review of all pay budgets will be undertaken during August to review and reflect upon actual cost experiences both in terms of ongoing pay, and interim pay protection. It remains, as set out and intended in setting the budget, that the £4.277m will be incorporated in to service budgets in 2014-15 and be used to negate the full impact of temporary pay protection and ongoing increased pay costs.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position.

4.2 Executive Board have reinforced the expectation that overall net expenditure must be contained within the limits of the current year budget as set by Council.

4.3 It is too early to provide an accurate forecast as to the potential outturn on Corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an increasing tax base.

4.4 The overall judgement at this point is that there is sufficient flexibility within the overall budget, having due regard to the sums in the contingency fund and the budgeted inflation provision, to contain overall expenditure for the year.

5. Capital Budget

5.1 Expenditure to 30th June 2014 is £13.712m as follows:

Directorate	Budget 2014/15	Actual to 30/06/14	As %
	£000	£000	
Corporate Services	2,697	157	6
People	21,282	2,678	13
Place	88,828	10,877	12
Total	112,807	13,712	12

Expenditure on major schemes is detailed in Appendix 1.

6. Legal Issues

6.1 There are no legal issues contained within this report.

7. Equality issues

7.1 The Revenue budget of the Council was approved following extensive Equality Impact Assessments being undertaken throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that adequate consideration is given to the equality impact of such decisions.

Background papers: None.

Appendices: Appendix 1 - Capital expenditure on major schemes.

APPENDIX 1

Capital expenditure on major schemes	£000's
Resources	
ICT works	157
People	
Burlais school new build	911
Glyncollen/Newton refurbishment works	317
Morrison Comp refurbishment	1,287
Place	
Sorting station and bag splitter	229
Carriageway resurfacing	248
Lighting energy reduction programme(PB)	246
Glyn Vivian refurbishment	338
City Centre Boulevard	1,191
Mountain Colliery aftervalue grant clawback by WG	248
Cwmfelin Works site aftervalue grant clawback by WG	374
Fabian Way plots A6/7 aftervalue grant clawback by WG	350
Felindre infrastructure	469
Brangwyn Hall refurbishment	2,008
DFG grants	1,045
HRA Door renewal programme	218
HRA WWP Penlan phase 2	221
HRA WWP West Cross	243
HRA boiler replacement programme	592
HRA internal improvements	335
HRA adaptations programme	284