

Report of the of the Cabinet Member for Finance and Strategy

Cabinet - 18 November 2014

REVENUE AND CAPITAL BUDGET MONITORING

2nd 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 and Access to Services.
Recommendation:	It is recommended that the comments and variations in this report, and the actions in hand to address these, are noted.
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1. Introduction

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

2. Revenue outturn forecast based on September 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	-1.0m	Service expected to be delivered under budget primarily as a result of the Council Tax Reduction scheme.
People – Education	+1.5m	Overspends forecast on 1 to 1 (£100k); Home Tuition/EOTAS (£130k); Employment Training (£416k) based on a grant reduction of £500k; Education Improvement a possible (£424k) due to an in year grant claw back. Slippage in delivery of full savings in Breakfast Club and Cleaning costs (£135k), other shortfalls on savings target of (£386k) as reported on the budget savings tracker. Further management action is being identified to manage the pressures and bring down the potential overspend.
People - Social Services	+0.5m	Child and Family forecasts indicates an underspend in relation to reduced costs in Looked After Children (£350k) this is in line with expectations . 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 (£660k)and safeguarding additional costs (£200k), offset partially by windfall income (£600k) . Care

		home fee costs of £500k 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	+0.3m	There is spending pressure which may not be covered by grant in Promoting Inclusion (£100k). There is an overspend /savings shortfall in the Outdoor and Residential Centres (£130k) .Further management action is being identified to manage the pressures and bring down the potential overspend.
Place	0.0m	Cost pressures within Highways and Transportation and Waste will need to be contained either in the service units or failing that within the Directorate.
Total General Fund	£1.3m	
HRA	-0.2m	There are small areas of slippage within the HRA revenue account. Any significant underspend or slippage on the HRA capital could have a major impact on the HRA revenue account in terms of underspends .

Forecast over/underspends included above assume that all cost implications in relation to the implementation of Job Evaluation will be met from existing resources (3.6 below)

2.2 In addition to the Directorate Budgets, The budget approved by Council on 14th February 2014 included a sum of £2.6m relating to workstream savings to be derived during the year.

2.3 The current estimate is some £1.5m is likely to be delivered leaving a shortfall to be made up of some £1.1m.

2.4 The above has to be set against a currently unused provision for inflation of some £1.05m, a currently unallocated sum from Contingency fund of £1.6m (assuming sums set aside for ER/VR

applications is sufficient) and a potential increase in Council tax Revenues of some £400k

2.5 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.

2.6 It is essential that the overspendings summarised above are contained within existing service budgets.

2.7 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.

2.8 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 underspendings 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
Property disposals increased staffing costs	-0.050
Balance 31st March	1.670

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 together with a shortfall in funding to allow property disposals to be brought to market.

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 and 2.2 above are likely to be broadly in line with the sums available for financing within the contingency fund, inflation provision and Council tax (see 4.3 below). The overall service specific overspends reported at £1.3m are broadly consistent with the budget delivery savings report which identifies a current forecast £1.3m shortfall on service specific savings.

3.5 It should also be noted that on going discussions with HM Revenue and Customs mean that further VAT refunds and interest on those refunds is likely to result in an additional significant one off windfall. 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 the refund will arise in 2014/15. The use of these funds 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 the autumn 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. However, the Council is likely to recover some £400k in terms of additional Council Tax during the year primarily as a result of ongoing work to challenge the level of single person discount being granted by the Council.

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 30 September 2014 is as follows:

	Budget 2014/15 £'000	Actual to 30/9/14 £'000	% spend
Corporate Services	2,708	245	9%
People	18,647	5,597	30%
Place (including HRA £38.3m)	98,306	23,402	24%
Total	119,661	29,244	24%

Note that for future reports we will amend the Capital Budget to reflect a profiled budget to compare to actual

Expenditure on major schemes is detailed in Appendix 1.

6. Legal Implications

6.1 There are no legal issues contained within this report.

7. Equality and Engagement Implications

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
Resources	
ICT works	175
People	
Burlais school new build	1,758
Glyncollen / Newton refurbishment works	955
Morrison Comp refurbishment	2,355
Place	
Sorting station and bag splitter	343
Carriageway resurfacing	1,356
Lighting energy reduction programme	497
Glyn Vivian refurbishment	646
City Centre Boulevard	2,359
Felindre infrastructure	705
Brangwyn Hall refurbishment	2,181
DFG grants	1,725
HRA door renewal programme	620
HRA WWP Mayhill Phases 1 and 2	655
HRA WWP Penlan Phases 1 and 2	600
HRA WWP West Cross	341
HRA boiler replacement programme	1,307
HRA internal improvements	1,561
HRA adaptations programme	910
Mountain Colliery aftervalue grant clawback by WG (provision)	248
Cwmfelin works site aftervalue grant clawback by WG (provision)	374
Fabian Way plots A6/7 aftervalue grant clawback by WG (provision)	350