

Report of the Section 151 Officer

Special Cabinet - 10 February 2015

REVENUE AND CAPITAL BUDGET MONITORING 3rd 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 December 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/ % variance against original budget	Directors comments/current position
Corporate Services	-1.5m (-3.2% against original budget)	Service expected to be delivered under budget primarily as a result of the Council Tax Reduction Scheme. Additionally unfilled posts have accrued in order for savings cuts to be implemented in 15/16.
People – Education	+1.8m (+1.1% against original budget)	Overspends forecast on 1 to 1 (£100k); Home Tuition/EOTAS (£130k); Employment Training (£950k) including a grant reduction of £500k; Education Improvement a possible (£200k) 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	+0.0m	Child and Family forecasts indicates an underspend in relation to reduced costs primarily in Looked After Children (£1,500k) this reduction continues to be in line with expectations . On Adult Services, shortfall in savings targets (£600k) as reported on

		budget savings tracker, overspending on direct payments/domiciliary care (£630k), overspending on Learning Disability and Mental Health (£790) and safeguarding additional costs (£200k), offset partially by windfall income (£300k). Care home fee costs of £500k traditionally funded from contingency fund once fully evidenced.
People - Poverty and Prevention	+0.0m	There is spending pressure which may not be covered by grant in Promoting Inclusion (£60k). There is an overspend /savings shortfall in the Outdoor and Residential Centres (£130k). Ongoing management action is forecast to fully offset these pressures.
Place	-0.9m (-1.7% against original budget)	Cost pressures within Highways and Transportation and Waste will need to be contained either in the service units or failing that within the Directorate. Housing & Public Protection are forecasting an under spend of £270k comprising staffing and additional income. Within Corporate Building Services additional income arising from Rent Rebates is forecast to be £550k
Total General Fund	£-0.6m -0.2%	
HRA	-£7.8m -12.4%	Slippage in the capital programme of circa £12m (£11m re High Rise flats) will result in a reduction in revenue funding for capital of £7.4m. This funding via the reserve will be required in 2015/16 to fund this slippage. Other reductions in cost include an anticipated contribution to bad debt provision of £450k.

Forecast over/underspends included above assume that all cost implications in relation to the implementation of Job Evaluation in 2014/15 will be met from existing resources (3.6 below).

The above position reflects an overall improvement in the position in terms of Directorate net expenditure compared to quarter 2 with the significant exception of Employment training where the projected deficit has risen, largely due to two factors:-

- The in year contract reduction of £500k announced in July 2014
- A significant decline in the number of new Apprenticeships and Traineeships taken on by the Service from late summer 2014.

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 overall 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 The budget as set on 18th February 2014 included a significant sum (£2.6m) to be achieved through the development of workstream savings which would manifest in terms of an in year reduction in service budgets as and when savings were identified. Previous monitoring reports have assumed savings of some £2.128m against this target with an assumption that the remainder would be achieved as the year progressed.

2.6 A review of the current position highlights that in terms of current budget monitoring approximately £1.3m of these savings are likely to be deliverable in 2014/15 with the majority yet to be allocated.

2.7 In respect of these large scale savings required for 2014/15 there is a separate budget savings tracker.. 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 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	-3.500
Additional costs of carbon reduction commitment	-0.180
Property disposals increased staffing costs	-0.050
Balance 31st March	1.170

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 £3.5m.

- 3.4 Taking account of the overall Departmental underspend as detailed in 2.1 above, it is crucial to note at the current time that current service budgets remain largely as presented within the original budget (subject to 3.6 below) and do not reflect budget transfers in respect of agreed or proposed workstream savings totalling approximately £2m..

- 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, should result in a net gain to the Council in 2014/15.
- 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 has been undertaken during the autumn to review and reflect upon actual cost experiences both in terms of ongoing pay, and interim pay protection. As a result this sum, as expected, been incorporated in to service budgets in 2014-15.
- 3.7 There remains a sum of approximately £750,000 in respect of funding for Schools pay protection which is likely to be required in 2014/15 as a one off payment.

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. It is likely, however, that overall Council Tax Collection is at least maintained at the level included in the revenue budget.
- 4.4 In terms of Capital Charges, given the current year expenditure profile it would be reasonable to assume an overall saving in the current year of approximately £0.5m
- 4.5 As an overall summary the overall position is as follows:-

	£'000
Forecast Directorate underspend	-600
Savings streams to be allocated	2,000
Non use of inflation provision	-1,049
Potential savings on use of contingency fund	-1,170
Reduction in Capital charges	-500
Sum due in respect of Schools pay protection	750
Net forecast on outturn	-569

4.6 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.

4.7 The above assumes a use of General Reserves for 2014/15 of £2.2m in line with original budget submissions.

5. Capital Budget

5.1 Expenditure to 25th November 2014 is £37.12m as follows:

Directorate	Budget 2014/15 £000	Actual to 25/11/14 £000	As %
Corporate Services	2,708	356	13
People	18,647	7,686	41
Place	98,531	29,079	30
Total	119,886	37,121	31

Expenditure on major schemes is detailed in Appendix 1.

5.2 The capital budget above excludes the capitalisation of Equal Pay. The Capital budget for 2014-15 will be increased by an additional £9m for the revised estimated cost to settle Equal Pay claims. It is intended that this will be funded by £6.7 million of unsupported borrowing and £2.3m of capital receipts.

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 the application of the Equality Impact Assessment process 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	356
People	
Burlais school new build	2,844
Glyncollen/Newton refurbishment works	1,013
Morrison Comp refurbishment	3,170
Place	
Sorting station and bag splitter	343
Carriageway resurfacing	1,503
Lighting energy reduction programme(PB)	662
Glyn Vivian refurbishment	1,163
Dylan Thomas Exhibition Refurbishment	462
City Centre Boulevard	2,668
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	705
Brangwyn Hall refurbishment	2,264
DFG grants	2,215
HRA Door renewal programme	713
HRA BISF Housing	1,144
HRA WWP Penlan phases 1 and 2	750
HRA WWP Mayhill phases 1 and 2	791
HRA WWP West Cross	345
HRA boiler replacement programme	1,520
HRA kitchen and bathroom renewal	1,625
HRA adaptations programme	1,085