

29 October 2014

Finance and Resources Committee

Half Year Budget Review 2014/15

Report of: *Jo-Anne Ireland – Acting Chief Executive*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report provides the Finance and Resources Committee with an update of the Council's revenue and capital position for the half year ending 30 September 2014, projected to the year end.
- 1.2 The Council began the current year with a General Fund (GF) balance of £4.5m.
- 1.3 The projected outturn for the GF is a potential surplus of £90k compared to an original estimate of £81k surplus. After taking account of this projected surplus and the £1.2m earmarked for the William Hunter Way project the projected year end GF working balance is £3.4m.
- 1.4 The Housing Revenue Account (HRA) is projecting a potential deficit of £19k compared to an original estimate of £86k surplus. This gives a projected HRA working balance of £1.6m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the GF.
- 1.5 The projected capital spend at 30 September 2014 stands at £6.7m for 2014/15 compared to an original budget of £11.1m. Capital budgets cannot contribute to the GF revenue position although officers ensure that all appropriate capitalisations occur.

2. Recommendation(s)

- 2.1 Note the projected half year outturn position for 2014/15 of the Council's GF revenue budget at 30 September 2014, as detailed in paragraph 4 of the report;**
- 2.2 Note the half year position for the HRA at 30 September 2014, as detailed in paragraph 5 and of the report; and**
- 2.3 Note the projected half year outturn position for 2014/15 of the Council's capital budget as at 30 September 2014, as detailed in paragraph 6 of the report.**

3. Introduction and Background

- 3.1 At its meeting on 5 March 2014, Full Council approved the budgets for 2014/15 for the GF, HRA and Capital.
- 3.2 As part of year two of the New Ways of Working Transformation Programme anticipated savings of £450k were included within the GF for 2014/15.
- 3.3 Full Council also agreed that the minimum GF balance for 2014/15 would be set at £2.5m. Should the balance fall below £2.5m a report would be presented to Council explaining the reasons for the breach and the actions that were being taken. At 1 April 2014 the GF balance was £4.5m and the current projected balance at 31 March 2015 is £3.4m.
- 3.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is essential that services are delivered within the approved budget for the year. Overspends within budgets and savings/income targets not achieved will erode the available reserves and therefore limit the options that reserves could present in the medium term.

4 General Fund

- 4.1 The MTFP approved in February 2013 included a high level business case outlining a 3 year transformation programme for the Council. The transformation programme is based on 4 key strands:

- 1) **Customer Excellence** – a customer transformation project which will promote a channel shift for customer enquiries, supported by a multi-skilled front of house reception team.
- 2) **Efficiency Reviews** – primarily focused on reducing back office costs by streamlining processes and exploring different service delivery models.
- 3) **Management Restructure** – a flexible, interim structure will be required to support the transformation. However, a further reduction in Senior Management posts is anticipated to mirror the new organisational model.
- 4) **Entrepreneurial Activities** – generation of additional income through commercial activities, better use of our assets and improved performance (e.g. recycling rates).

4.2 As a result of the above, the MTFP for 2014/15 included the following anticipated savings:

	2014/15 Estimate	2014/15 Projected Outturn
	£	£
Customer Access Project	(250,000)	0
Revenues & Benefits	(200,000)	0
TOTAL	(450,000)	0

4.3 The Contact Centre was opened as part of a “soft launch” in April. Unfortunately due to the resignation of the Head of Business Transformation (project lead) in the Summer, this project has lost some momentum. Before his departure, it was highlighted the achievement of the savings would be incredibly challenging in Year 1 of the project implementation. This is largely due to the amount of training and reorganisation required to make the Contact Centre effective. A new Head of Customer Services is now in post and work is currently underway to review the work undertaken and to evaluate the anticipated savings that could be delivered over the medium term. A separate report on this matter is due to be presented to Audit & Scrutiny at its meeting on 26 November 2014.

4.4 The anticipated savings from the Revenues and Benefits Service was linked to the introduction of Universal Credit which would have seen a radical change to how benefit claims were processed within the Council. Unfortunately due to IT design issues within Central Government, this project has been delayed until at least 2018. Notwithstanding this, a review of the service has been undertaken internally and, subject to staff consultation, some savings may be possible from 2015/16.

4.5 In addition to the non-achievement of the anticipated savings, the table below outlines a number of other key variances identified as part of the Half Year Review:

Budget	Difference £	Explanation
Corporate Management - Salaries	(78,000)	Senior Management vacancy
Council Tax & NNDR - Discretionary Rate Relief	(87,000)	Now funded within the Retained Business Rates
Democratic Support – Members Allowances	(15,000)	Lower than anticipated spend
Housing Benefits – Software Licenses	(84,000)	Savings identified in 2013/14 – carried forward to 2014/15
Housing Benefits – Income	(130,000)	Higher than anticipated recovery of Benefit Overpayments
Internal Audit – Contract	(17,000)	New contract costs are lower than anticipated
Legal Services – Contract	41,000	Legal costs higher than anticipated
CCTV - Salaries	33,000	Additional costs arising from Single Status adjustment to contracted hours
Car Parks – Income	(116,000)	Higher than anticipated income
Car Parks – Lease Income	(69,000)	New lease arrangement effective from 1 Oct 2014
Planning – Project Management Support	69,000	Higher than anticipated Interim Staffing costs due to staff turnover
Homelessness – Bed and Breakfast	17,000	Increase in homelessness applications and requests for temporary accommodation
Housing Enabling – Project Management Support	42,000	Additional resource requirements to support the Allocations Policy implementation
Open Spaces	72,000	Rental income budgeted twice in error
Waste Management – Income	(48,000)	Net income from VAT Refund re Trade Waste

Anticipated Savings not achieved	450,000	See para 4.3 and 4.4 above
Housing Benefit Subsidy Clawback Reserve	(105,000)	A final adjustment of £95k is anticipated for 2014/15, meaning that this reserve can now be closed
TOTAL	(25,000)	

- 4.6 During the first half of 2014/15, a number of new initiatives have been identified and included within the Half Year Review:

Budget	Value £	Explanation
Flu Injection Campaign	1,000	Health & Wellbeing Board initiative to hold an Immunisation Day at the Town Hall
Lighting Up Shenfield	5,500	Christmas event has been extended to include Shenfield
Borough Bulletin	10,000	Additional budget required for 2 further editions of the Bulletin for 2014/15
TOTAL	16,500	

- 4.7 The net result of the variances identified above, is a projected surplus of £90k, compared to an original surplus of £81k.
- 4.8 At its meeting on 5 March 2014, Full Council approved the sum of £1.2m to be earmarked from the GF working balance to fund the William Hunter Way project. This, together with the projected surplus, gives a total projected GF working balance at 31 March 2015 of £3.4m.
- 4.9 The Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003 and the financial position of the Council, set a minimum GF reserve level of £2.5m. The current projection would still maintain the level of the GF reserve above the recommended minimum of £2.5m, at £3.4m.

5 Housing Revenue Account

- 5.5 The HRA is currently forecast to overspend by £105k in 2014/15. The budget was originally set with a surplus of £86k, giving a projected total deficit of £19k.

5.6 The key variances are highlighted in the table below:

Budget	Difference £	Explanation
Repairs and Maintenance	11,000	Revised spend following implementation of the new Repairs and Maintenance Contract
Supervision and Management	82,000	Use of Agency Staff to cover staff vacancies
Rents, Rates, Taxes and Other Charges	12,000	Higher than anticipated Insurance costs
Charges for Services and Facilities	(23,000)	Higher than anticipated Leaseholder Service Charge Income
Contribution towards Expenditure	26,000	Employee secondment ended, reducing recharge income
TOTAL	108,000	

5.7 At 1 April 2014 the HRA working balance was £1.7m, and with the variances identified, the projected balance at 31 March 2015 is £1.6m.

6 Capital Programme

6.1 The original Capital Programme for 2014/15 totalled £9.5m. Following slippage of a number of schemes during 2013/14, an amount of £1.6m has also been carried forward to 2014/15.

6.2 The spend profile of each scheme has been reviewed, and the current projected Capital spend for 2014/15 totals £6.7m.

6.3 The table below outlines the key variances identified as part of the Half Year Review:

Scheme	Difference £	Explanation
Green Burials	(50,000)	Scheme not going ahead
Vehicle Replacement Programme	(89,000)	Revised programme following the new Housing Repairs and Maintenance Contract

Hutton Drive Parking Bays	(10,000)	Smaller scheme being proposed following Planning rejection of original scheme
Improvements and Parking Scheme at Brentwood and Shenfield	(1,600,000)	Scheme under review following an inconclusive Parking Study (attached as Appendix A). Part of these funds are earmarked for the acquisition of units at Warley, and final proposals will be considered as part of the MTFP process
Housing Assistance Loans	(10,000)	Lower than anticipated demand for these grants (in line with previous year spend profile)
CCTV Monitoring Transfer from MSCP to Town Hall	(20,000)	Lower than anticipated final price
CCTV Upgrade	(8,000)	Lower than anticipated final price
Town Hall Remodelling	(2,581,000)	Reprofiled spend
TOTAL	(4,368,000)	

6.4 During the first half of 2014/15, a number of new initiatives have been identified and included within the Half Year Review:

Scheme	Value £	Explanation
Christmas Lights	18,475	Replacement and additions to the Christmas Lighting programme
Dog Warden Van	3,950	Acquisition of van at the end of its lease contract
Cycle Racks	3,200	Implementation of 20 cycle rack storage at the Town Hall Car Park
Defibrillator	900	Acquisition of a defibrillator for the Town Hall
TOTAL	26,525	

6.5 The net result of the variances identified above, is a projected spend of £6.7m. This programme is projected to be fully funded without the need for the Council to borrow any funds to support this expenditure.

7 References to Corporate Plan

- 7.1 Good financial management underpins all priorities within the Corporate Plan. Regular budget monitoring is a key part of good financial management.

8 Implications

Financial Implications

Name & Title: Jo-Anne Ireland, Acting Chief Executive

Tel & Email 01277 312542 / christopher.leslie@brentwood.gov.uk

- 8.1 Financial implications are considered throughout this report.

Legal Implications

Name & Title: Christopher Potter, Monitoring Officer

Tel & Email 01277 312736

- 8.2 The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs.

9 Background

- 9.1 None.

10 Appendices to this report

- 10.1 Appendix A - Shenfield Station Parking and Access Study

Report Author Contact Details:

Name: Jo-Anne Ireland, Acting Chief Executive

Telephone: 01277 312712

E-mail: jo-anne.ireland@brentwood.gov.uk