

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>31 MAY 2016</b>
<b>SUBJECT:</b>	<b>REVENUE BUDGET DRAFT OUTTURN 2015/16</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES</b>
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<b>LOCAL MEMBERS:</b>	<b>n/a</b>

### A - Recommendation/s and reason/s

1. In February 2015, the Council set a net budget for 2015/16 with net service expenditure of £124.6m, to be funded from Council Tax income, NNDR and general grants.
2. The budget for 2015/16 included required savings of £4.3m. These have been incorporated into the individual service budgets and achievement or non-achievement of these is reflected in the net under/overspends shown.
3. This report sets out the provisional outturn for the financial year which relates to the period 1 April 2015 to 31 March 2016.
4. The overall projected financial position for 2015/16 on budgets controlled by services is an underspend of £1,756k. This is a significant improvement on the forecast underspend of £376k which was reported during quarter 3. The explanations for significant variances are included within the report and the reasons for changes from quarter 3.
5. A number of items are excluded from the service budgets, as expenditure against these headings are outside the control of the services. After taking into account these items, the overall underspend for the Council increases to £1,849k and it is this sum that is available to be transferred to the Council's General Balances.
6. The underspend is made up of departmental under or overspends, unused contingencies and any other off items identified during the financial year. Below is a table identifying the variances:-

<b>Net Underspend</b>		<b>-1,849</b>
<b>Total Additional Funding From Reserves:</b>		
Children's Services	476	
Highways	375	
Leisure	250	
<b>Total One Off Adjustments:</b>		<b>1,101</b>
Salt Stock	220	
Adjustment of previous years Accruals	260	
<b>Total Corporate Budget &amp; Contingencies</b>		<b>480</b>
Insurance Provision	600	
Capital Financing	400	
<b>Total Corporate Budget and Contingencies</b>		<b>1,000</b>
<b>Net Overspend on Service Budgets</b>		<b>732</b>

7. The Executive, following on from the quarter 3 report where it was identified that there was increasing budget pressures on the demand led services within Children's Services, approved a sum of £476k to help ease those pressures.
8. The quarter 3 report projected an overspend of £420k for Highways and Transport, of which £350k was the result of significant damage caused by the exceptional flooding and storms which affected the Island. The Executive requested to fund this from the Council's Insurance Earmarked Reserve, which would still leave an adequate amount for other insurance risks (£1.5m after all funding for storm damage). This has been actioned.
9. It is recommended that the following are noted:-
  - (i) the position set out in respect of financial performance for 2015/16;
  - (ii) that the outturn reported in this document remains provisional until the completion of the statutory audit.

**B - What other options did you consider and why did you reject them and/or opt for this option?**

n/a

**C - Why is this a decision for the Executive?**

This matter is delegated to the Executive.

**CH - Is this decision consistent with policy approved by the full Council?**

Yes

**D - Is this decision within the budget approved by the Council?**

Yes

**DD - Who did you consult?**

**What did they say?**

	Who did you consult?	What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	C/Ex approves of this report
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

**E - Risks and any mitigation (if relevant)**

1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

**F - Appendices:**

- Appendix A - Revenue Budget Monitoring Report – Provisional Outturn (includes Annex A – table of provisional revenue outturn 2015/16).

**FF - Background papers (please contact the author of the Report for any further information):**

- 2015/16 revenue budget (as recommended by this Committee on 16 February 2015 and adopted by the the County Council on 26 February 2015).

## REVENUE BUDGET MONITORING – PROVISIONAL OUTTURN 2015/16

## 1. General Balance – Opening Position and Planned Contribution in 2015/16

1.1 The provisional outturn for 2015/16 resulted in general balances at the start of the current financial year of £7.5m, a healthier position than previously expected. During the year, £476k has been transferred from the General Reserves with a further £1m being allocated as part of the 2016/17 budget to fund specific projects.

## 2. Year ending 31st March 2016 – Financial Performance by Service

2.1 The details of the financial performance by service for the year is set out in Annex A. A net under spend of £1,756k on services; this is an improvement on the estimated outturn reported at Quarter 3 which predicted an overspend on the services of £390k. The table below summarises the significant variances:-

<b>Summary of provisional out-turn variances at 31 March 2016</b>	
	<b>(Under) /Overspend £000</b>
Central Education	(125)
Adult Social Care	186
Children's Social Care	(221)
Housing	(208)
Economic and Community	66
Highways and Transport	(111)
Planning and Public Protection	(323)
Property	(90)
Waste Management	131
Corporate - Other Services	(968)
Resources – excluding benefits granted	125
Transformation	(333)
Resources – benefits granted	(466)
Legal & Committees	(99)
Corporate Finance	428
Other	252
Net over/(under) spend on services	(1,756)

3. Explanation of Significant Variances – Please note all references to variances and outturn positions below are provisional and they only include controllable variances.

## 3.1 Lifelong Learning

## 3.1.1 Central Education

3.1.1.1 This service underspent by £125k during the year, at quarter 3 the forecast for the year-end was an underspend of £62k. The underspend is mainly a result of a number of compensating minor over and underspends. The larger overspends include an overspend of £97k on secondary integration, £137k on school transport and £152k Gwe. Significant underspends include an underspend of £107k on out-of-county placements, £95k Central Education Staffing, Early Years provision £80k, Appetite for Life £51k and an underspend of £95k on Youth Services.

### **3.1.2 Culture**

**3.1.2.1** This service was £9k underspent during the financial year, with the forecast outturn at quarter 3 for the year being an underspend of £2k. Museums and Galleries overspent by £88k, a significant reason being Oriol Ynys Môn not having achieved its income targets. Library Services underspent by £89k which will offset the overspend in Galleries and Museums. There are other various under and over spends for the service.

## **3.2 Communities**

### **3.2.1 Adult Social Care**

**3.2.1.1** This service was £186k overspent for the year, the forecast at quarter 3 for the year end was an overspend of £221k. This is a significant improvement on the overspend.

**3.2.1.2** The elements within the forecast outturn variance are as follows:-

- Services for the Elderly: forecast overspend of £71k;
- Physical Disabilities (PD): forecast underspend of £77k;
- Learning Disabilities (LD): forecast overspend of £272k;
- Mental Health (MH): forecast overspend of £202k;
- Provider Unit: forecast underspend of £219k; and
- Management and Support: forecast underspend of £83k.

**3.2.1.3** The service areas that are currently experiencing overspends are due to (i) higher than expected demand and (ii) cost pressures, include external home care placements £537k, Learning Disabilities Day Care £136k and external Mental Health residential care £276k. Management of overall placement occurs through allocation panels which allow managers to consider in detail how placements are commissioned. This ensures not only a safe outcome for service users but also the most cost effective outcome for the Council. A specific review of LD Day Care is currently underway. An example of the cost pressures on the service is the 1.7% increase on fees for external residential placements for 2015/16 for which no additional budget has been provided. We estimate the impact of this alone to be £150k across the service for 2015/16.

### **3.2.2 Children's Services**

**3.2.2.1** At the end of the third quarter it was projected that the Service would be overspent by £476k and, as a result, this sum was released from general balances to give a revised forecast position of break even at the end of the year. During the last quarter additional income relating to Looked after Children was identified which had not been included in the quarter 3 forecast. This, along with other efficiencies during the final quarter, resulted in a final position of an underspend of £221k for the Service.

**3.2.2.2** The main variances includes an underspend on Looked-after-Children £18k, which includes an overspend of non-standard placements £545k which was reduced by the transfer of funds from the general reserves by £476k, leaving an overspend of £69k. Internal Foster carers overspent by £179k, however, out of county was under spent by £218k.

**3.2.2.3** Family Support shows an underspend of £74k, which mainly relates to the Integrated Family Support Service. Other Children and Family Services is showing an underspend of £40k which, in the main part, related to service improvement costs. Children with Disabilities budget showed an underspend of £55k, which in the main part relates to the community support external payments and social work.

### **3.2.3 Housing (Council Fund)**

**3.2.3.1** This service outturn is an underspend of £208k; an underspend of £120k was estimated by the end of the financial year during Quarter 3. This is an improvement on the underspend of £88k. The underspend is due to welfare reform and debt advice projects starting later than anticipated and £93k of expenditure that had been re-allocated to grant funded work.

## **3.3 Sustainable Development**

### **3.3.1 Economic and Community (includes Maritime and Leisure)**

**3.3.1.1** The Service overall was overspent by £66k at the end of quarter 4. The service at quarter 3 was projected to be overspent by £95k by 31 March 2016, however, this is lower than expected.

**3.3.1.2** The outturn position for Economic Development shows an underspend of £59k. It was estimated to achieve an underspend of £7k by the end of the financial year during Quarter 3. The main elements of concern related to arrangements following the termination of European funded projects and the lack of income as a result.

**3.3.1.3** Maritime has underspent by £7k, which is an improvement on the underspend of £1k reported during Quarter 3. This is due to underspends in Beach Wardens £18k, docks and ports running expenses £18k, and repairs and maintenance £15k, which will offset the unachieved marine oil sales at Holyhead Port £38k.

**3.3.1.4** Leisure Service is overspent by £134k at the end of the financial year. This is an improved position from the overspend of £155k reported during quarter 3. Some of the overspends, as previously indicated, are more historical in nature and relate to two main areas, the Outdoor Facilities and the Municipal Golf Course. Following the claw back of budget of the Park and Outdoor Facilities in 2012/13 the function have bore the additional costs within their own budget year on year, resulting in a net overspend of £65k for 2015/16. The historic trend of over spending on the Golf Course has continued with a final out-turn figure of £39k. This is due to the longstanding under achievement on income targets. Llangefni Partnership has now taken over the responsibility of the golf course.

**3.3.1.5** Sports Development and Administration shows a net underspend, in the main due to additional income of £10k, whilst the Leisure Centres shows a final overspend of £38k, £7k less than predicted in quarter 3.

**3.3.1.6** There are both over and underspends in relation to the Leisure Centres, in particular Holyhead and Plas Arthur, with Holyhead suffering the most due to storm damage, building issues in general as well as lack of income generation. Concerns were raised in reference to the lack of income generated in the last quarter for all four centres where profiles were behind considerably. This, however, has recovered, but not enough to equal the additional efficiency savings targets set. The Executive in quarter 3 approved a transfer from the Insurance Earmarked Reserve to fund up to £250k for the storm damage repairs to leisure centre roofs.

### **3.3.2 Highways**

**3.3.2.1** This service was £459k overspent for the financial year but, following an accounting adjustment for long term debtor on salt stock which provides one off income of £220k and a contribution from Insurance Contingency Reserve, the service shows an improved position of the £111k underspend.

**3.3.2.2** Damages following exceptional storms and flooding during the third quarter attracted funding from the Welsh Government to the sum £472k towards the repairs and the Executive approved a transfer of £350k from the Insurance Earmarked Reserve to cover the remaining cost incurred by the storms. As a result, the projected year end overspend of £350k in quarter 3 has at year end come back in line with the budget.

**3.3.2.3** There is an improved position at year end for departmental administration, an underspend of £61k on employee and various supplies and services, public transport shows an underspend of £55k, a result of lower transport, concessionary and marketing costs and MCT & Fleet also show an underspend of £58k, which has been the result of lower spend on transport, employees and supplies and services costs. Income has also exceeded its target by £14k due to the undertaking of two new contracts. An overspend in Maintenance Management £77k and Maintenance Design is £81k above budget as professional fee income has not been achieved - these are the main outturn figures for the service.

### **3.3.3 Planning and Public Protection**

**3.3.3.1** The outturn for the two services combined is a £323k underspend.

**3.3.3.2** Most of the budgets within Planning are underspending with the exception of Planning Delivery Wales, which is overspent by £28k, PEG which is overspent by £35k and Countryside and Coast are also overspent by £15k. The main underspends come from the major developments and planning control, where the income is exceeding targets by £104k and £131k respectively.

**3.3.3.3** There are a number of more minor compensating under and overspends within Public Protection. There is an underspend on environmental health £41k and Trading Standards £21k, while Licencing have overspent by £35k.

### **3.3.4 Property**

**3.3.4.1** The outturn figure for the Property Service shows a net underspend of £90k, an increase of £16k from the forecasted figure reported in Quarter 3, a projected underspend of £74k for the year as a whole. The Administration Buildings, however, continued to underspend by £31k at year end and commercial properties by £30k. This is, in the main, due to the successful re-tendering of contracts by the Central Procurement team and successful renting of commercial units. The most significant overspend is £78k in emergency and planned maintenance works. This will be offset by a number of minor underspends and an underspend of £99k against employee budgets due to vacancy management. The service mitigates its overspends by funding these from underspending areas.

### **3.3.5 Waste Management**

**3.3.5.1** This service is £130k overspent at the end of the financial year, this is slightly more than the figure projected in Quarter 3, which was an overspend of £100k for the year as a whole.

**3.3.5.2** The outturn position is due to an underspend on Waste Disposal £60k, which has subsequently been transferred to reserve as is required under the terms and conditions of the ESR Grant, staffing costs and Agency costs at Penhesgyn Transfer Station – although these are considerably lower than expected and the Waste Collection Contract costs continue to exceed the core budget.

## **3.4 Deputy Chief Executive**

### **3.4.1 Corporate - Other Services**

**3.4.1.1** This budget was £968k underspent at outturn. It was projected at quarter 3 that the year end was expected to be an underspend of £248k (9.23%) for the year as a whole. This is a vast improvement of that projection. The main reason for the underspend is an accounting transfer for an amount of £262k from the balance sheet to revenue relating to a prior-year over-provision. This is a one-off windfall for 2015/16 only and a reduction in the required Insurance Reserve has resulted in a movement from restricted reserves to general balances £598k.

### **3.4.2 Corporate & Democratic**

**3.4.2.1** This budget area was £10k overspent, with a forecast at quarter 3 of an overspend of £15k for the year as a whole. Recharges from the coroner's service for 2014/15 are £9k more than was accrued. WLGA subscriptions are £7k underspent as fees have not increased in line with inflation. There is also £7k spend on legal fees for the Standards hearing for which there is no associated budget.



### **3.4.3 Deputy Chief Executive's Office**

**3.4.3.1** The budget was overspent by £50k at outturn, at quarter 3 it was projected to be £84k (115%) overspent by the year-end. There has been an underspend on the general office running costs of £28k, but also an overspend of £51k due to expected savings which were parked in the DCE cost centre but which relate to the wider authority. Spend on the Sycle system (CAMMS invoices) totalled £22k for the year, for which there was no associated budget. Full year support was expected to be £33k, however, the contract was able to be terminated early. There is no ongoing obligation for the service.

### **3.4.4 Resources – Excluding Benefits Granted**

**3.4.4.1** The service was overspent by £125k at the end of the financial year, the quarter 3 forecast for year end was an overspend of £135k (16.92%). Budgetary pressures include more significant overspends of £60k on accounting staff, including agency; overspends on bank charges of £46k and saving to be found against tendering exercise. The more significant underspends includes £24k savings in various sections for staffing and £39k of windfall grants.

### **3.4.5 Resources - Benefits Granted**

**3.4.5.1** The forecast outturn is an underspend of £466k, which is an improvement on the projected underspend of £338k reported at Quarter 3. This forecast includes an underspend on the Council Tax Reduction Scheme of £550k.

### **3.4.6 Human Resources**

**3.4.6.1** This section was underspent by £44k at outturn compared to a forecasted underspend of £21k as at quarter 3. There have been some savings made on employee costs £14k and Central Training £28k which is the corporate training for the whole Authority. Additional capacity had to be purchased in the form of consultancy during Quarter 4 due to additional pressures from Smarter Working/Transformation, the spend on the consultant was £25k, however, this was offset by various small underspends.

### **3.4.7 ICT**

**3.4.7.1** The IT outturn was an underspend of £4k. At quarter 3 it was forecasted to overspend by £14k by year-end. There was an underspend on employees of £48k due to vacant posts and the late appointment of the ICT Manager post. As reported during the year, this underspend was used to offset employing consultants to provide specific project support and to fill capacity gaps due to the vacant posts. Spend on consultants was £51k. The outturn result was an unachieved income variance of £11k. There were also minor savings on travel budgets and supplies and services budgets of £4k and £8k respectively.

### **3.4.8 Legal & Committees**

**3.4.8.1** This service was underspent by £99k for the financial year, at quarter 3 it was forecasted to be £61k (44.53%) underspent by the year-end. The main reason for the underspend is on employees £61k, however, this was the result of being able to charge officer time to Land Charges. There is an overspend in the Scrutiny section due to interim arrangements, other underspends have mitigated the overall overspend to £18k. Committee Services and Translation were both underspent to the sums of £45k and £25k respectively.

### **3.4.9 Transformation**

**3.4.9.1** This section underspent by £333k, at quarter 3 it was forecasted to be £122k underspent for the year as a whole, which is a significant increase. The underspends are due to delays in recruiting to key posts within the team £128k. During quarter 4 an agreement had been reached over the invoices to be paid for the Anglesey and Gwynedd Partnership for 2014/15 and 2015/16. Accruals have been made in anticipation of the outstanding invoices and this has resulted in an underspend of £190k. This was mainly due to a large number of vacant posts within the Partnership.

### **3.4.10 Audit**

**3.4.10.1** This section underspent by £38k by the end of the financial year, at quarter 3 it was forecasted to underspend by £30k. The main reasons for this underspend was two vacant Audit Assistant posts and an overspend on the interim Management arrangements for the first half of the financial year.

### **3.4.11 Corporate Finance**

**3.4.11.1** This budget header contains a number of areas such as investment income, financing costs and contingencies used by the Authority as a whole and where other adjustments identified during the closure process which cannot be attributed to any one service are charged. These adjustments will not have a corresponding budget. At the end of the year this heading showed an overspend of £428k. The main variance is the transfer of the £300k of Transformation Smarter Workings savings where there has been a delay in implementing of the programme. The remaining is made up of adjustments to the contingencies.

## **3.5 Council Tax Collection Fund**

**3.5.1** The actual amount credited as being collected is based on the total of the gross debit raised in the year, including any adjustments from previous years less the total paid in precepts to the Police Authority and Town and Community Councils. As a backlog of debts had been written off against the provision in the year, it was necessary to make a significant increase in the level of the provision. As a result of this charge, the position in respect of the collection of Council Tax was a shortfall against the budget of £293k.

### **3.6 Housing Revenue Account (HRA)**

**3.6.1** Currently the HRA surplus (as calculated for the Statutory Accounts) is showing £3.2m. The change from the previous quarter forecast is down to lower capital expenditure (which is funded from HRA revenue) and a receipt of VVP grant to cover some of the energy efficiency work. It is expected that much of the capital shortfall will be undertaken in 2016/17, utilising the surplus from 2015/16. The surplus relating to the HRA is ring fenced in the Council's accounts and will not form the transfer to the Council's general balances.

### **4. Uncontrollable Variances**

**4.1** There are a number of variances which impact upon the bottom line. Annex A details these bottom line impacts. The most significant reconciling items between the services' controllable variances and the bottom line variances are statutory adjustments through the Movements in Reserves Statement (see the Statement of Accounts).

### **5. Conclusion**

**5.1** The net revenue expenditure incurred by the Authority to the end of March 2016 and the forecast financial position of each service has been outlined above and included in Annex A. An estimated underspend of £1,849m on services is predicted at this stage. This may change in the future due to the completion of the Statement of Accounts. This outturn position is an improvement on that reported at Quarter 3, where an underspend of £0.376m was estimated.

**5.2** The Executive approved a transfer of £476k from the Council's General Reserves to fund the overspend on Children's Services due to the significant demand on the Looked-after-Children budget. In addition, the Executive also approved a transfer the following from Earmarked Insurance Reserves: up to £350k as required for highways flood damage and £250k for repairs following storm damage to leisure centre roofs.

**Provisional Revenue Outturn 2015/16**

<b>Service/Function</b>	<b>Annual Budget</b>	<b>Provisional Outturn</b>	<b>Provision Total Outturn Variance</b>	<b>Provision Uncontrollable Variance (Exceptions)</b>	<b>Provisional Controllable Variance (Non Exceptions)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£,000</b>
<b>Lifelong Learning</b>					
Delegated Schools Budget	43,833	43,833	0	0	0
Central Education	8,007	5,823	(2,184)	(2,059)	(125)
Culture	1,728	1,445	(283)	(274)	(9)
<b>Communities</b>					
Adult Services	21,955	21,852	(103)	(289)	186
Children's Services	6,674	6,456	(218)	3	(221)
Housing	982	1,586	604	812	(208)
<b>Sustainable Development</b>					
Economic and Community (Inc. Maritime and Leisure Services)	4,037	2,995	(1,042)	(1,108)	66
Highways & Transport	9,377	7,460	(1,917)	(1,806)	(111)
Planning & Public Protection	3,011	2,599	(412)	(89)	(323)
Property	703	-328	(1,031)	(941)	(90)
Rechargeable Works	-	-	-	-	-
Directorate Management	98	85	(13)	-	(13)
Waste	7,173	6,577	(596)	(727)	131
<b>Deputy Chief Executive</b>					
Corporate - Other Services	2,749	2,304	(445)	523	(968)
Corporate and Democratic Costs	2,233	2,302	69	59	10
Deputy Chief Executive's Office	77	4	(73)	(123)	50
Resources - Excluding Benefits Granted	915	759	(156)	(281)	125
Resources - Benefits Granted	5,917	5,451	(466)	-	(466)
Human Resources	848	77	(771)	(727)	(44)

<b>Service/Function</b>	<b>Annual Budget</b>	<b>Provisional Outturn</b>	<b>Provision Total Outturn Variance</b>	<b>Provision Uncontrollable Variance (Exceptions)</b>	<b>Provisional Controllable Variance (Non Exceptions)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£,000</b>
ICT	68	8	(60)	(64)	4
Legal and Committees	102	115	13	112	(99)
Transformation	677	114	(563)	(230)	(333)
Audit	3	0	(3)	35	(38)
Corporate Finance	3,477	10,985	7,508	7,080	428
Suplus/(Deficit) on Collection of Council Tax		293	293		293
<b>Total Council Fund</b>	<b>124,646</b>	<b>122,795</b>	<b>(1,849)</b>	<b>(93)</b>	<b>(1,756)</b>
<b>FUNDED BY</b>					
NNDR	21,986				
Council Tax	30,955				
Outcome Agreement Grant	725				
Revenue Support Grant	70,980				
	<b>124,646</b>				