

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	12 JUNE 2017
SUBJECT:	REVENUE BUDGET MONITORING, QUARTER 4 2016/17
PORTFOLIO HOLDER(S):	COUNCILLOR JOHN GRIFFITH – PORTFOLIO HOLDER (RESOURCES)
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. In March 2016, the Council set a net budget for 2016/17 with net service expenditure of £124.037m to be funded from Council Tax income, NDR and general grants.
2. The budget for 2016/17 included required savings of £3.46m. 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 of the financial year which relates to period 1 April 2016 to 31 March 2017.
4. The overall projected financial position for 2016/17 is an underspend of £633k. This is an improvement on the forecast overspend which was reported at quarter 3. The explanations for significant variances on the controlled budgets by services are included within the report.
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 decreases to £311k and it is the 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 one off items identified during the financial year.

The Executive, following on from the quarter 3 report, approved a transfer of any underspend at year-end on winter gritting budget to an earmarked reserve. This was to help fund additional costs in future years arising from adverse winter conditions. The sum transferred was £33,477.

7. It is recommended that the following are noted:-
 - (i) The position set out in respect of financial performance for 2016/17;
 - (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?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	n/a– this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	Will be consulted as part of SLT
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:		
<ul style="list-style-type: none"> Appendix A – Revenue Budget Monitoring, provisional outturn. Appendix B – Provisional Outturn (includes Annex A – table of provisional revenue outturn 2016/17). 		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> 2016/17 revenue budget (as recommended by this Committee on 1 March 2016 and adopted by the the County Council on 9 March 2016). 		

REVENUE BUDGET MONITORING – PROVISIONAL OUTTURN 2016/17

1. General Balance – Opening Position

1.1 The general fund balance at the start of the year was £7.886m. However, against this there is a need to allow for a potential commitment in the region of £2.8m to settle outstanding equal pay claims, which reduces the uncommitted reserve level to £5.086m, which is £86k above the minimum figure of £6m set by the Executive for the balance of general reserves in 2016/17. The Council is endeavouring to secure agreement from the Welsh Government which would allow the Council to treat the expenditure as capital expenditure which would charge the cost to the revenue budget over a number of years. If this is successful, then the £2.8m becomes uncommitted and adds back to the general reserve available to the Council.

2. Year ending 31st March 2017 – Financial performance controlled by Service

2.1 The details of the financial performance by service for the year is set out in Appendix B.

A net overspend of £538k (0.49%) on budgets controlled by Services is an improvement on the estimated outturn reported at Quarter 3 which predicted an overspend on Services of £756k. However, an underspend of £1.541m (12.01%) on Corporate Finance will fund the overspend on services. In addition, there has been a shortfall of £370k on the collection of Council Tax. This then gives a total revenue outturn for 2016/17 excluding accounting adjustments of an underspend of £633k (0.51%). Following the accounting adjustments of £321k, the total underspend that will be transferred to the general fund for 2016/17 is £311k.

The table below summarises the significant variances (£100k or higher):-

Summary of provisional controlled budget outturn variances at 31 March 2017	
	(Under) / Overspend £000
Lifelong Learning	861
Culture	(141)
Adult Services	(510)
Children's Social Care	1,019
Planning and Public Protection	(288)
Property Services	(233)
Highways	(102)
Economic	(104)
ICT	(109)
Corporate Transformation	(147)
Corporate & Democratic	255
Corporate Finance	(1,541)
Council Tax Collection	370
Other (total of variances less than £100k)	37
Net over/(under) spend	(633)

3. Explanation of Significant Variances

3.1 Lifelong Learning

3.1.1 Central Education

3.1.1.1 The service was £861k (23.96%) overspent at year end. This is a worsened position than what was reported at quarter 3 £775k (21.14%)

3.1.1.2 Increase in specialist out-of-county placements from the commencement of the new academic year has led to significant budgetary pressures for the Service, the overspend for the Financial year is £396k for these budgets. School transport costs have overspent to the sum of £331k as well as school meals (inclusive of school breakfasts) by £75k. The Youth Section was underspent to the sum of £138k, which was the result of staff costs and activities being available to be reclaimed through various grants. There are also a number of other minor compensating over and underspends. Through the invest-to-save monies received the department is working on investing in the One Management System which will help to reduce school transport costs (taxis) from 2017/18. All efficiency savings for 2016/17 were achieved.

3.1.2 Culture

3.1.2.1 This service was £141k (10.52%) underspent at outturn. The forecast outturn for the year at quarter 3 being an underspend of £75k (5.28%). This is an increase on the projected underspend of £69k. The main difference between quarter 3 and outturn has been the result of expected expenditure within the Libraries function not taking place. Museums and Galleries were underspent by £4k and Library Services were underspent by £93k. An underspend of £28k was achieved on South Stack, £10k of this is due to surplus income following an increase in fees. All efficiency savings for 2016/17 were achieved.

3.2 Adults Social Care

3.2.1 This service was underspent by £510k (2.32%). This is an improvement on the overspend of £44k predicted at quarter 3. The significant difference from the predicted outturn in quarter 3 is as a result of changes in client residential and nursing placements from those forecasted at the end of the previous quarter and an increase in a combination of Health Board income and client income.

3.2.2 The elements within the outturn variance are as follows:-

- Services for the Elderly: underspend of £1k;
- Physical Disabilities (PD): overspend of £198k;
- Learning Disabilities (LD): overspend of £430k;
- Mental Health (MH): overspend of £71k;
- Provider Unit: forecast underspend of £1,110k;
- Management and Support: underspend of £95k.

3.2.3 These budgets are demand-led and a small increase in placements can lead to a significant increase in costs depending on the complexity of care packages. The most significant budgetary pressure is in Learning Disabilities where day care is overspent by £176k and Home Care overspending by £196k. This overspend reflects that the department's aim is for LD clients to be able to be supported within their own homes in the community rather than in institutional placements. The budget pressures identified from Mental Health services have reduced since quarter 3, however, the vacant posts that were assisting in reducing the overall overspend for 2016/17 have now been filled. Two new residential placements and increased fees have increased the overspend from the Quarter 3 forecast to an overspend of £198k within Physical Disability services. However, increase income within the Provider Unit has led to an overall underspend at outturn of £1,110k and an underspend of £95k in management and support offset much of these budgetary pressures.

3.3 Children's Services

3.3.1 The service was overspent £1,019k (9.05%) at outturn. This is significantly more than the projected outturn at quarter 3, £718k (9.59%). The overspend for Looked-after-Children (LAC) was £1,019k. There are also a number of other minor compensating over and underspends.

3.3.2 Cost of LAC are, by nature, demand led and can vary between £3k – £10k per week in specialist provision. The Local Authority is having to meet the cost of court directed interventions e.g. Parent and child residential/supported accommodation assessments: supervised contact and other specialist assessments, which are also unpredictable and demand-led. The Public Law Outline requires that these assessments are in place pre-proceedings also – which is placing a demand on the service's budgets. The Executive has approved releasing additional funding to fund the Edge of Care team, aimed at providing a preventative approach to the delivery of wellbeing and reducing the Looked-after-children population on Anglesey. £100k was set aside as a contingency for 2016/17 and £241k will be added to the service's budget for both 2017/18 and 2018/19.

3.4 Housing (Council Fund)

3.4.1 This service was £46k (5.60%) underspent at outturn, which is comparable to the forecasted underspend of £50k (6.05%) at quarter 3. The Housing Strategy budget was underspent by £23k and the Housing Administration budget was underspent by £46k, primarily as a result of vacant posts that have now been filled. Homelessness costs exceeded the budget by £23k, but this is a demand-led service and, as such, is largely out of the Service's control.

3.5 Regulation and Economic Development

3.5.1 Economic and Community (includes Maritime and Leisure)

3.5.1.1 The service overall was £35k (1.84%) underspent at outturn. This is made up of a £27k underspend on Economic, £77k underspend on Maritime and an overspend of £69k on Leisure Services.

3.5.1.2 The Economic Development element of the Service is £27k underspend and this is the result of underspend on staffing due to various reasons and other various small underspends in relation to general Office running costs.

3.5.1.3 The Maritime Section is £77k underspend at year-end due to a revision of seasonal staff numbers and hours worked, management staff vacancies and savings following the transfer of Holyhead Fish Dock back to Stena Line.

3.5.1.4 The Leisure Service at year-end is overspent by £69k. This is in part due to reduced income from the closure of Holyhead Leisure Centre Pool during the summer period for essential maintenance work and repairs following storm damage last financial year which was estimated to be £50k. The achievement of income targets are also putting pressure on the budget, however, there are compensatory underspends within other expenditure subjective headings for the Leisure Function which reduce the overall overspend.

3.5.2 Regulation (Planning and Public Protection)

3.5.2.1 This service was £288k (11.19%) underspent at year end. This is an increase on the underspend of £30k reported during quarter 3. There was underspends in planning administration £49k created by vacant posts and underachieved income, planning control have underspent to the sum of £82k largely due to increase in income fees. Building Control has also seen an increase in fees which has contributed to the overall underspend for the section of £86k.

3.5.2.2 Most of the budgets within Regulation are underspending with the exception of Planning Delivery Wales, Countryside and Coast, Licencing and Markets which have overspent slightly.

3.5.2.3 In its meeting on 19 September 2016, the Executive resolved to transfer any excess income on this cost centre at year end to reserve for the purpose of reinvesting in future needs to deliver Energy Island related projects. At the end of financial year 2016/17, therefore, £240k was transferred to earmarked reserves.

3.6 Highways, Waste and Property

3.6.1 Highways

3.6.1.1 This service was £102k (0.88%) underspent at year end, this is slightly different from the forecast year end position at quarter 3 of an underspend of £16k (0.25%).

3.6.1.2 Additional income has been generated through Car Parks during 2016/17 by implementing charges at 4 car parks that were previously free of charge. As a result, income generated was £555k against a target of £562k (includes annual vouchers) leaving only a small balance unachieved of £7k. There has been a significant increase in income for street works, which sees and underspend of £90k and Fleet sees an increase income resulting in an underspend of £49k

3.6.1.3 There are a number of other minor compensating over and underspends.

3.6.2 Waste

3.6.2.1 The Waste Service was £8k (0.11%) underspent at outturn This is a worsening result in outturn compared to the quarter 3 forecast of an underspend of £60k (0.96%).

3.6.2.2 An overspend of £59k has been created on Waste Collection which includes half year impact of new 3 weekly collection arrangements. At the end of the year, the Waste Disposal budget was underspent by £73k as a result of less landfill waste. The underspend is expected to increase next financial year but the budget will need to be realigned between waste collection and waste disposal to take account of the impact of 3 weekly collection. Costs at Penhesgyn Transfer Station were below budget at year end by £18k.

3.6.3 Property

3.6.3.1 Property Services was underspent by £233k (20.20%) at outturn, which is comparable to the predicted outturn at quarter 3 of an underspend of £175k (19.12%).

3.6.3.2 There was an overspend of £149k on repairs and maintenance, refuse collection costs £10k and office rationalisation costs £16 and they were offset by: underspends on employees (£64k), underspends in Non Domestic Rates (£104k), Cleaning service (£125k) and underspends of £118k on rents and utilities.

3.7 Transformation

3.7.1 The Transformation Service is £269k (7.19%) underspent at outturn. This the result of an underspend of staffing within Transformation £62k, underspend on the Anglesey and Gwynedd Partnership £82k and an underspend of £72k on ICT Supplies There are also a number of other minor compensating over and underspends.

3.8 Resources

3.8.1 The Resources Function budget showed an overspend of £52k (1.72%) by the end of the Financial year. The function was forecast at quarter 3 to overspend by £92k (3.37%). This is an improvement on the overspend.

3.8.2 The key budgetary pressures relate to consultancy costs within Revenues and Benefits £121k, bank charges £10k and other small overspends. The budget pressures are net off by underspends in Procurement of £78k, £51k relates to staffing costs and Internal Audit £23k.

3.9 Council Business

3.9.1 The function was £79k (5.43%) overspent at outturn.

3.9.2 The more significant reasons for this is due to an underspend in Committee Services (£45k) and land charges over-achievement of income (£33k). An overspend of £64k on legal agency costs, £53k on Corporate copiers, £12k on Corporate franking and £18k on County Election. There are also other compensating minor over and underspends.

3.10 Corporate and Democratic Costs

3.10.1 The budget is overspend by £255k (15.31%) as a result of accounting adjustments at year end.

3.11 Corporate Management

3.11.1 The function was underspent £96k (9.76%) at outturn due to savings arising from the restructuring of Strategic Management.

4. Corporate Finance

4.1 Corporate Finance was underspent by £1,541k.

4.2 The benefits granted budget covers housing benefits, discretionary housing payments and the council tax reduction scheme. This budget underspent by £729k. The significant element of this is an underspend of £508k was due to caseloads, which were less than originally budgeted for. In addition, there has been a one-off windfall of £391k this was due to the incorrect coding of reliefs in 2014/15 and 2015/16 covered by grants. This windfall was only achieved as result of employing a member of staff through an agency to work through the details. However, this is reduced by £148k of benefits granted which are not eligible for subsidy, and an overspend of £25k in discretionary housing payments.

4.3 There is an estimated shortfall on the Corporate savings target of £302k relating to smarter working. There are savings that can be clearly linked to the project, for example closure of offices, which can be credited against this budget. However, other savings in staff administration and general administration costs are being realised within service budgets and not accounted for against this target. However, the whole Smarter Working project has created savings of £585k throughout the whole project.

4.4 There is also a significant shortfall on interest receivable on the Authority's bank deposits (£105k), which has worsened by the cut to the official bank rate from 0.50% to 0.25%. These overspends are offset, however, as an underspend of £844k is forecast on capital financing due to reduced borrowing costs from the Authority's use of balances rather than external borrowing on the capital programme. This internal borrowing, however, may not be possible into the future due to the significant capital projects, particularly in relation to the 21 Century Schools programme.

4.5 A review of the allocation of capital financing charges was also undertaken during the year in light of the HRA buy out and this review has identified that the HRA should be charged a higher proportion of the costs arising from loans taken out before the buy out. This in turn reduces the charges to the Council's revenue account which has contributed significantly to the projected underspend on capital financing costs. The HRA business plan anticipated this higher charge and as a result it does not impact on the financial viability of the Housing Revenue Account business plan.

4.6 Appendix C summarises the financial position on contingency budgets for 2016/17. A total contingencies budget of £2.039m was approved as part of the 2016/17 budget less the Corporate savings £300k giving a net budget of £1.739m. £1.648m has been vired to services to fund specific projects or budgetary issues approved by the Section 151 Officer.

5. Collection of Council Tax

5.1 There was a shortfall on the actual Council Tax collected of £156k due to back-dated banding changes and changes to the number of single person discounts awarded and exemptions granted. In addition, the increase in the provision for bad and doubtful debts to be charged to the revenue account was £214k. Therefore, the current projection is that the Council Tax Fund will underachieve the target figure by £370k (0.29%) largely due to the requirement to make a prudent provision for bad debts. This is a worse position in comparison to the shortfall of £264k predicted during quarter 3.

6. Budget Savings 2016/17

- 6.1** Budget savings of £3.06m were removed from service budgets for 2016/17 with an additional £400k of savings from voluntary redundancies held as a contingency. Appendix D provides a summary of performance against these budget savings for the year. £2.289m (74.80%) of the savings were achieved during the year.
- 6.2** £355k (11.60%) were partially achieved savings while £416k (13.59%) were not achieved at all. The main reasons for the non achievement was an overspend on essential maintenance on the highways £155k, Adults Services £135k due to review, consultation and legal processes, however the savings are expected to be achieved in 2017/18. Childrens Services were unable to achieve savings on £32k due to a change in the law which restricted them from being able to make the saving.

7. Conclusion

- 7.1** A total underspend for the Authority as at 31st March 2017 was £311k (0.47%). The Services saw a £538k overspend on their controlled budgets which is better than that reported in quarter 3. The services that experienced significant budgetary pressures are Lifelong Learning and Children's Services. This is due to the cost of statutory services for specialist placements over which these services have limited control. The overspend on services was funded by an underspend in Corporate Finance of £1.541m which is mainly due to a one off windfall and savings on Corporate Financing. In addition there is an estimated shortfall on the collection on Council Tax of £370k mainly due to the requirement to provide for bad debts. Accountning Adjustements of £321k bring the total underspend for the Authority back to £311k
- 7.2** It should be noted that this is a proviosonal outturn report, the Authorities Statement of Accounts are currently being produced for the statutory deadline of 30th June 2017and are then subject to External Audit, with the final Statement of Accounts being being brought to Full Council during September 2017. Any variations from this reported outturn will be noted during the Full Council meeting in September.

Isle of Anglesey County Council Outturn 2016/17

Appendix B

Service/Function	Annual Budget	Provisional Outturn	Provisional Outturn variance	Provisional Uncontrollable variance (Exceptions)	Provisional Controllable Variance (Non-Exceptions)
	£'000	£'000	£'000	£'000	£'000
<u>Lifelong Learning</u>					
Delegated Schools Budget	43,818	43,818	0	0	0
Central Education	3,781	4,687	906	45	861
Culture	1,420	1,281	(139)	2	(141)
Adult Services	22,641	22,115	(526)	(16)	(510)
Children's Services	7,785	8,865	1,080	61	1,019
Housing	854	816	(38)	8	(46)
<u>Highways, Waste & Property</u>					
Highways	6,510	6,429	(81)	20	(102)
Property	1,224	1,040	(184)	49	(233)
Waste	6,128	6,129	1	8	(8)
<u>Regulation & Economic Development</u>					
Economic	991	878	(113)	(9)	(104)
Leisure	961	1,036	75	6	69
Planning and Public Protection	2,583	2,302	(281)	7	(288)
<u>Transformation</u>					
Human Resources	1,163	1,149	(14)	(1)	(13)
ICT	1,717	1,607	(110)	(1)	(109)
Corporate Transformation	869	721	(148)	(1)	(147)
<u>Resources</u>					
Resources	3,021	3,244	223	171	52
Council Business	1,441	1,518	77	(2)	79

Service/Function	Annual Budget	Provisional Outturn	Provisional Outturn variance	Provisional Uncontrollable variance (Exceptions)	Provisional Controllable Variance (Non-Exceptions)
Corporate & Democratic costs	1,697	1,927	230	(25)	255
Corporate Management	993	888	(105)	(9)	(96)
Total Service Budgets	109,597	110,450	853	313	538
Levies	3,194	3,195	1	0	1
Capital Financing	8,429	7,560	(869)	(144)	(725)
Discretionary Rate Relief	60	57	(3)	0	(3)
General & Other Contingencies	382	294	(88)	0	(88)
Funding and use of Reserves	(3,538)	3,601	(63)	(63)	0
Benefits Granted	5,913	5,187	(726)		(726)
Total Corporate Finance	14,440	12,692	(1,748)	(207)	(1,541)
Total Budget 2016/17	124,037	123,142	(895)	106	(1,003)
Funding 2016/17					
NDR	(21,309)	(21,309)	0	0	0
Council Tax	(32,109)	(31,525)	584	215	370
Revenue Support Grant	(70,619)	(70,619)	0	0	0
Total Funding 2016/17	(124,037)	(123,453)	584	215	370
Total outturn including impact of funding	(0)	(311)	(311)	321	(633)

Appendix C

Summary of the Financial Position on Contingency Budgets 2016/17 as at Quarter 4

	Original Budget	Virements	Amended Budget	Actual over/(under) spend at 31/03/17
	£	£	£	£
Improvement	400,000	(304,730)	95,270	95,270
General Contingency	317,927	(136,210)	181,717	181,717
Salary and Grading	500,000	(500,000)	-	-
Cost of Change	136,000	(136,000)	-	-
NDR Allow disc rate	60,000	(57,100)	2,901	2,901
Earmarked Contingency	625,000	(518,250)	106,750	(106,750)
Corporate Savings	(300,000)	4,260	(295,750)	(295,750)
Total contingency budgets	1,738,927	(1,648,029)	90,897	90,897

Appendix Ch

Summary of Forecast Performance on Achievement of 2016/17 Budget Savings – Quarter 4

Service/Function	Budget Savings 2016/17	Achievable 2016/17	Partially Achieved 2016/17	Not Achieved 2016/17	Comments
	£000	£000	£000	£000	
Lifelong Learning	1,308	1,308	-	-	All savings were achieved in 2016/17 and are expected to be maintained in 2017/18 and onwards.
Regulation and Economic Development	258	217	41	-	<p>The Service has achieved it's individual savings targets by year end. However, although the Leisure centre DD Income has increased by over £55k from 2015/16, income overall is still underachieved within the leisure centres by £126k.</p> <p>The Pest Control function increased its income and reduced expenditure to achieve a cost neutral position at year end.</p>
Highways, Waste and Property	730	230	314	186	<p>Highways, Waste and Property directly achieved 9 of their combined 14 savings targets. Details of the shortfall on the remaining 5 are:-</p> <p>a) Charges were introduced at additional car parks in accordance with the saving requirement. Consequently, income collected from car parks improved significantly, leaving only a small unachieved balance of £7k.</p> <p>b) Traffic related works was reduced but there remained a small overspend at year end of £8k.</p> <p>c) Maintenance work was overspent by £155k at year end as essential maintenance was carried out . Overall, the Highways Service has underspent by £101k which has reduced the impact of the above shortfall.</p> <p>ch) Waste Management implemented savings to reduce costs on one Public Convenience but work is ongoing to achieve saving on the remaining Public Convenience. This created a shortfall of £6k on the savings target.</p> <p>d) Waste Management were unable to achieve the £10k 'Advertisement on bins' saving due to lack of interest from outside parties.</p> <p>Overall Waste Management was underspend by £7k which has reduced the impact of the above shortfall.</p>

Service/Function	Budget Savings 2016/17	Achievable 2016/17	Partially Achieved 2016/17	Not Achieved 2016/17	Comments
	£000	£000	£000	£000	
Adults' Services	335	200		135	£135k not achieved during 2016/17 due to review, consultation and legal processes. Likely to be achievable in 2017/18. However, in 2016/17 these savings will be funded from underspends elsewhere in the service.
Children's Services	143	96		47	£32k unachievable due to change in the law, £15k is likely to be achievable from 2017/18.
Housing	74	26		48	£48k unachieved savings have been deferred to 2017/18 (£37k due to lateness of Consultant's report, £11k due to later than anticipated sale of property). However, in 2016/17 these savings were funded from underspends elsewhere in the service.
Transformation	4	4	-	-	All savings were achieved in 2016/17.
Council Business	56	56	-	-	All savings were achieved in 2016/17.
Resources	72	72	-	-	All were achieved in 2016/17.
Anglesey and Gwynedd Partnership	80	80	-	-	All were achieved in 2016/17
Total	3,060	2,289	355	416	