

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	MEETING OF THE EXECUTIVE
Date	18 FEBRUARY 2013
Subject	MEDIUM TERM REVENUE BUDGET STRATEGY AND FINAL REVENUE BUDGET PROPOSALS FOR 2013-14
Portfolio Holder(s)	COUNCILLOR JOHN CHORLTON (FINANCE PORTFOLIO HOLDER)
Lead Officer(s)	CLARE WILLIAMS HEAD OF FUNCTION (RESOURCES)
Contact Officer	CLARE WILLIAMS/GILL LEWIS
Nature and reason for reporting:	
To present the revenue budget proposals for 2013-14.	

A – Introduction / Background / Issues

See Section 3 of the report.

B – Considerations

See Section 2 of the report.

C – Implications and Impacts

1	Finance / Section 151	
2	Legal / Monitoring Officer	
3	Human Resources	
4	Property Services (see notes – separate document)	
5	Information and Communications Technology (ICT)	
6	Equality (see notes – separate document)	
7	Anti-poverty and Social (see notes – separate document)	
8	Communication (see notes – separate document)	
9	Consultation (see notes – separate document)	
10	Economic	
11	Environmental (see notes – separate document)	
12	Crime and Disorder (see notes – separate document)	
13	Outcome Agreements	

CH – Summary
D – Recommendation
See Section 2 of the report.

Name of author of report: Clare Williams, Head of Function (Resources)

Date: 18 February 2013

Appendices:
Appendix 1 Summary of proposed budget 2013-14 Appendix 2 Final savings proposals Appendix 3 Summary of pressures Appendix 4 Summary of proposed growth Appendix 5 Proposed Budget 2013-14 – change from 2012-13
Background papers

1. MEDIUM TERM FINANCIAL PLAN AND 2013-14 BUDGET

1.1 Purpose

1.1.1 The Executive has to agree a number of key 2013-14 budget matters, for recommendation to full Council on the 5th March. These are:-

- **the Council's revenue budget and resulting Council Tax for 2013-14;**
- **the Council's Treasury Management Strategy**

and to note

- **The Council's approach to the Medium Term Financial Plan;**
- **The use of one off funds to support the budget currently forecasted which is subject to regular monitoring to the Executive;**
- **The Council's Capital Programme for 2013-14.**

1.2 Summary

1.2.1 This paper shows the detailed revenue budget proposals requiring final review and agreement for 2013-14 and the resulting impact on the Isle of Anglesey County Council's budget. These are matters for the Council to agree and the Executive is asked to make final recommendations to the Council.

It also updates the latest Medium Term Financial Strategy which provides a context for work on the Council's future budgets.

2. REVENUE BUDGET AND COUNCIL TAX 2013-14 RECOMMENDATIONS

The Executive is requested:

- To note the formal consultation meetings on the budget as outlined in paragraph 4.1;
- To note the equalities impact assessment summary on the budget proposals in Section 7;
- To agree that, within the proposed budget, schools are given an increase in budget which meets the Welsh Government's pledge for schools' funding as detailed in paragraph 4.1.3;
- To agree the final details of the Council's proposed budget, investments, pressures and savings as shown in Appendices 1-5;
- To note the Section 151 Officer's recommendations that minimum General Fund Balances be maintained at £5m, the confirmation of the robustness of the estimates underlying the proposals and the adequacy of the General Reserves in the context of other earmarked reserves;
- To recommend a net budget for the County Council and resulting Council Tax to Council, noting that a formal resolution including the North Wales Police and Community Councils' precepts will be presented to Council on the 5th March;
- To authorise the Section 151 Officer to make such changes as may be necessary before submission to the Council.

3. BACKGROUND

3.1 A 'joined up approach'

3.1.1 A number of different reports for 2013-14 are being presented to the Executive in addition to the main revenue budget report. These separate reports are on the monitoring of the revenue budget 2012-13, Council's Treasury Management and Capital activities. Whilst the detail behind these was always 'joined up', bringing them together gives a clear picture of their connectivity and the inter-relationships between each and crucially, how they meet the needs of ensuring that Council funding is allocated to meet its priorities. In reality, the revenue budget is where the financial impacts of each come together as the following exemplification shows:

- The financing costs of the capital programme depend on the Council's Minimum Revenue Provision policy and the scale of the Capital Programme itself. The financing costs are a discrete budget in the Council's overall revenue budget;
- The Council's Treasury activities are affected by a number of issues; in particular its borrowing requirements which in turn depend on the scale of the Capital Programme as well as the Treasury policies around how the capital programme is to be funded, from a 'cash' perspective. In turn, these have an effect on the Council's borrowing interest costs and investing activities which earn interest which, again, are discrete budgets in the Council's overall revenue budget;
- The revenue budget in general has been largely driven by the Council's Medium Term Financial Strategy (MTFS) which highlighted the key drivers across Welsh Government grants, capital financing costs, costs of key corporate priorities and the resulting need for budget savings.

3.1.2 Therefore, we are asking the Executive to consider the key budget issues together and

- recommend an overall revenue budget and resulting Council Tax to the Council;
- recommend the Council's treasury management and Investment policies, plus its Prudential Indicators to the Council;
- To note the current position on the Council's Medium Term Financial Strategy (MTFS);
- To note the current position on the 2012-13 budget.

4. THE COUNCIL'S REVENUE BUDGET AND COUNCIL TAX

4.1 Consultation

4.1.1 During the summer of 2012, Elected Members and Directors/Heads of Service approved a budget strategy for 2013-14 and the medium term revenue financial strategy (MTRFS). In the Autumn the assumptions that had been approved were further reviewed and refined in the light of more up to date information, and detailed budget proposals within parameters agreed by the Executive were reported in December 2012. In January 2013, the Executive approved the detailed Draft budget proposals with an updated MTRFS which have been consulted on as follows:

- With all elected members through two separate workshop sessions in December 2012 and January 2013;
- With all Scrutiny Committees in their January/February 2013 meetings where Subject Scrutiny Committees reviewed their discrete parts of the budget and Corporate Scrutiny summarised all those views and scrutinised the budget proposals as a whole package;

- With the Schools' Forum on 3 December 2012 and 4 February 2013;
- With the Town and Community Councils on 29 January 2013;
- With the economic forum on 7 February 2013;
- With the public, via the Council's website as per consultation report to be presented to Executive on 18 February 2013.

In summary, there was general acknowledgement of the financial pressures facing the Council. Whilst comments were made on a wide range of budget proposals, the main focus of comments was as follows:

4.1.2 Public consultation

- Public conveniences;
- Protection for social care;
- Leisure services given the opportunity to transform provision;
- Support for growth bids.

4.1.3 Schools Forum

- Acknowledgment of the cash increase of 2.08% in accordance with the WG commitment. and a positive response to the offer of support to the schools to develop spend plans for schools with sufficient reserves and those in or facing a deficit position.

4.1.4 Town and Community Councils

- Expressed an interest in exploring the possibility of working in collaboration to deliver services to the citizens of Anglesey, and wanted to commence the dialogue early in 2013 to ensure that sufficient time was built in to plan.

4.2 Revenue Budget 2013-14

4.2.1 The Commissioners approved the budget statement and strategy set out the Commissioners initial budget guidelines for the 2013-14 budget on 23 July 2012.

4.2.2 The initial draft revenue budget proposals were presented to the Executive in December 2012, which presented a draft standstill position budget, highlighting a potential gap of £3.450m between the standstill position and the total of the Aggregated Exchequer Funding and 5% increase in Council Tax.

The report also referred to the ongoing work to identify the savings required at 7% across all Departments. As was noted in the report, it was not expected that this target would necessarily be split evenly between all Directorates, with the setting of a target higher than the absolute percentage saving needed was intended to allow for the incorporation of protection for both education and social care, and also to allow for prioritization. The further progress that was then made and presented to the Executive at the meeting of 7 January is detailed under 4.3 below.

4.2.3 The standstill budget included a "process contingency" of £500k for issues which had been identified as likely to need additional funding but it was still too early to quantify. This is a development from themes in 2012-13, and as we complete the forecast for 2012-13 year end position, it is becoming clear that the additional pressures on both Children's services and the level of savings expected from adult social care are both areas that are likely to cause problems going forward unless addressed.

- Children's services - £250k allocated for looked after children. There has been considerable pressure on this budget and this is forecast to continue into 2013-14. £600k was set aside to address this in the base budget presented in December. Since then, the pressures have actually further increased. This is due to a small number of children who have recently moved to the locality, but need significant levels of support. The families moved into the area part way through 2012-13 and the additional £250k is to cover the full year effect of the support needed in 2013-14;
- Adult Social Care - £250k allocated to allow the more gradual introduction of savings previously programmed in the APP. As noted elsewhere in the report, a certain level of protection has been given to Social Care budgets for 2013-14, both to recognise the immediate pressures that are being faced and the need to secure savings through a planned transformation of the service, rather than adopt more instant, but less structured savings. This allocation is a further aspect of this approach.

4.2.4 The process contingency is usually taken out at the end of the budget process, replacing it with a 'general contingency'. This process contingency will now be allocated at the end of the process to these two service budgets to contain the pressures on an on-going basis. There will be no sum available for a 'general contingency' from this for 2013-14, but other sums have been set aside as discussed in Section 4.6.

4.2.5 Since the draft budget proposals were presented to the Executive on 7 January 2013, a number of issues have emerged which require amendments to the proposals and these are summarised in the table below.

1	The Process Contingency of £500k has been allocated to cover the following: a) a reduction of £250k in savings previously programmed in the Affordable Priorities Programme for 2013-14, in respect of residential care home fees, and b) an increase of £250k in the amount allowed for the forecast pressures for Looked After Children, from £600k to 850k.
2	Following the late changes that have been made to the implementation of Welfare Reform, the amount estimated to be required to cover the cost of increased service demand resulting from the changes, in Social Care and in Housing, has been reduced by £150k.
3	One of the service specific contingencies has been reduced by £50k.
4	There is a minor change to the Levies line, which has reduced by £3k.
5	Also as a result of the late changes to the implementation of Welfare Reform, it is estimated that the Council will benefit by a net increase in the amount of Council Tax collectable of £156k.
6	The Improvement Contingency is to be used to fund expenditure on the Education Improvement Board and other spending related directly to the improvement of services, and the description shown has been amended to clarify this.
7	A reduction of £125k in the savings previously programmed in the Affordable Priorities Programme in respect of staff car allowances.
8	Adjustments within Corporate and Democratic Costs, reducing the total by £135k.

4.2.6 The Executive is requested to confirm the adjustments outlined above.

- 4.2.7** Affordable Priorities Programme. The separate APP line which appears in the reports of 3 December, 7 January and the Consultation Report includes just two items, £250k in respect of Procurement and £230k for Staff Travel (this will be reduced to £105k in the report to the Executive on 18 February). Other than these, all APP items have been integrated into the relevant service budgets and any significant variations against them are highlighted within budget monitoring reports. Any reduction of the original targets is separately highlighted and the budget report on 18 February will contain two examples of this, being the reduction in the saving expected to be achieved in 2013-14 from Staff Travel referred to above, and the allocation of £250k to Adult Social Care from the Process Contingency to allow the more gradual introduction of planned savings (this links to the wider theme of a level of protection for Social Care budgets to allow time for service transformation plans to be finalised and implemented).
- 4.2.8** Senior Management re-structuring – during 2012/13, the new SLT posts were advertised and successfully appointed to, and the full SLT is now in place. Following discussions and efforts to collaborate with other bodies on joint posts, the Council took the view that it needed to attract high calibre candidates for these positions in order to drive the Council forward and out of intervention. This necessitated setting out a package that attracted a higher salary than envisaged, and also included the ability to earn an additional 10% of salary by way of a collective bonus payment. As such, additional budget could have been required for 2013/14. SLT have collectively agreed that any potential bonus for 2013/14 will not be paid and the performance element will be considered in parallel with the implementation of the outcomes of job evaluation for all Council staff.

4.3 Savings

- 4.3.1** The meeting of the Board of Commissioners held on 23 July 2012 considered a report which projected a funding gap of up to £4.3m in 2013-14. The percentage reduction in budgets needed to meet this was approximately 3.2%, but it was recognised from the outset that a more flexible approach than a uniform percentage reduction across all services was needed, to allow for the fact that there were some services where it would be more difficult than others to secure savings in the short-term. Specifically, it was recognised that that consideration needed to be given to protecting budgets for schools and in Social Services.
- 4.3.2** Different options for savings profiles were presented, showing the target reductions that would be set at different percentage levels if applied evenly across the board, with further columns showing the effect of protection for particular services. The base percentage which produced the required total saving was 7%. The table from the report of 23 July 2012 is reproduced below.

Savings Rate: 7%			
Directorate	Saving	Saving Excl Schools	Saving Excl Schools and Social Services
	£m	£m	£m
Lifelong Learning (including schools)	3.59	1.20	1.20
Community Services	3.14	3.14	0.63
Sustainable Development	2.12	2.12	2.12
Deputy Chief Executive/Corporate and Democratic Costs	0.58	0.58	0.58
Total	9.43	7.04	4.53

4.3.3 Following on from this, Directorates were asked in August-September 2012 to produce savings proposals based on this profile. The proposals were challenged, reviewed and validated over the following weeks (this included Members' workshops in November and December). Revised targets were then derived for each Directorate, based both on the assessment of the achievability of the individual savings proposals put forward and on the wider factors referred to above. The overall savings required from services were now estimated at £2.940m.

4.3.4 The results of this were shown in Appendix C to the report considered at the meeting of 7 January, and are summarised in the table below.

Budget 2013/14: Savings Targets and Amounts Identified		
Directorate	Revised Target	Possible Savings Proposed By Services
	£'000	£'000
Lifelong Learning (including schools)	250	506
Community Services	965	996
Sustainable Development	1,486	1,856
Deputy Chief Executive/Corporate and Democratic Costs	239	817
Total	2,940	4,175

4.3.5 During the Scrutiny and consultation processes, the following areas were highlighted for further consideration.

- Whether any savings to be taken from the Youth Service and the Leisure Service could be kept to a minimum.
- There were significant concerns about the impact of implementing the closure of all Public Conveniences. It was recognised that the way in which the service is provided needed to be reviewed, but there was a strong preference for the development of alternative arrangements rather than closures.
- There was concern about the level of proposed reductions on highways infrastructure spending.

4.3.6 In response to this:

- The savings within the Youth Service included in the final proposals, have been limited to £28k, or just under half of the possible reductions put forward.
- The savings in the Leisure Service have been limited to the revised target of £100k, or just under £60% of proposals totalling £168k.
- The proposal to close all Public Conveniences, saving £228k, has not been included in the final list. Instead, to reflect comments that have been made about possible alternative ways of providing the service, and the need to make sure that progress is made in doing this, the service is to make a saving of £19k in 2013-14.
- It has not been possible to significantly reduce the savings that will be made from spending on highways infrastructure, but the reduced target set has allowed the service to decrease the figure slightly, from £343k to £300k.

4.3.7 In addition, the Directorates have carried out further work to prioritise their proposals, with the reduced targets allowing consideration to be given to relative risk, impact on service capacity, etc. The total required from the services was also revised downwards by a further £80k, to £2.860m.

4.3.8 From this, a final list of proposed savings has been drawn up. This is summarised below and set out in detail in Appendix 2.

Budget 2013/14: Targets, Amounts Identified and Final Proposals			
Directorate	Revised Target	Savings Proposals	Final Prioritised Savings Proposals For Delivery
	£'000	£'000	£'000
Lifelong Learning (including schools)	250	506	307
Community Services	965	996	978
Sustainable Development	1,486	1,856	1,336
Deputy Chief Executive/Corporate and Democratic Costs	239	817	239
Total	2,940	4,175	2,860

4.4 Pressures and Growth

4.4.1 The appendices to the report of 7 January included allowance for pressures and growth totalling £1.3m and £84k respectively. At the meeting, it was decided that an additional growth item of £300k in respect of Energy Island should be added to the recommendations.

Budget 2013/14: Pressures	
Description	Amount
	£'000
Looked After Children	600
Welfare Reform	200
Schools Protection	500
Total	1,300

Budget 2013/14: Growth	
Description	Amount
	£'000
Social Services:	
Adoption and Fostering Panel Representation	28
Court Ordered Remands	28
Transition Working	28
Energy Island	300
Total	384

4.4.2 Appendix CH to the report listed a larger number of growth bids, but showed that the majority of these were not recommended for approval. A rigorous approach was taken to evaluation of these bids but, in the current financial climate, approval was only recommended in exceptional circumstances.

4.4.3 There have been two developments since the last report in respect of the listed pressures.

- The latest figures available suggest that a greater allocation is needed for Looked After Children, and so a further £250k has been allocated from the Process Contingency.
- A recent announcement of a change in the way that Welfare Reform is to be implemented, which means that the anticipated impact on demands for support will be less than previously thought. As a result of this the allocation made has been reduced to £50k.

4.4.4 Although the Energy Island bid was subjected to close examination during the Scrutiny process, all comments received were ultimately supportive of the four growth items.

4.4.5 The updated table for the pressures is shown below. The recommended growth items are unchanged from those of 7 January.

Budget 2013/14: Updated Pressures		
Description	Original Amount	Revised Amount
	£'000	£'000
Looked After Children	600	850
Welfare Reform	200	50
Schools Protection	500	500
Total	1,300	1,400

4.4.6 Further detail of pressures and growth are shown in Appendices 3 and 4 respectively

4.5 Council Tax

4.5.1 The standstill position within the Commissioners' report in July and subsequent Executive reports assumed a council tax increase of 5%. This equates to £939.14 or £18.06 per week. Each 0.5% reduction or increase is equal to approximately £130k. If the council tax is set at lower than this, the equivalent amount would have to be found through further savings in services. A 5% increase, equates to a weekly increase of

86p. Even with a 5% increase, Members are reminded that overall the Council Tax level in Anglesey remains one of the lowest in Wales.

4.5.2 Given the tight financial position, the risk inherent in the current proposals and the impending financial forecast for the next few years highlighted in all the previous budget reports, there is limited flexibility. Any reduction in the proposed council tax increase or increase in investment will need to be met by further savings generated from the services or cuts in service provision.

4.5.4 In addition to the above, the council tax base during 2012-13 has decreased by 0.65%. This is because, although the base number of properties has actually risen slightly (by 0.35%), the decision was made to raise the allowance for non-collection from 1.5% to 2.5%, to allow for the expected impact of the new arrangements for Council Tax support (see report 19 November 2012). As a result of this, the increase of 5% in the basic amount of tax will produce an actual increase in revenue of just over 4.3%.

4.6 General and Specific Reserves, Contingencies and Financial Risks

4.6.1 The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below:

- Any projected overspend in 2012-13 has direct implications for the 2013-14 budget, both in terms of assessing the robustness of individual services' budgets and in the adequacy of the level of general reserves. A net overspend position of £1.0m is currently forecast at the corporate level (although approximately half of this will be offset from unallocated contingencies in revenue funding of the Capital Programme), and given the financial risks around a number of budget areas within the Council, this has been an important part of framing the final proposals in respect of the levels of both savings and contingencies, and the recommendation that £500k should be put back into general reserves in 2013-14.
- Savings and additional income proposals in this report amount to £2.860m and will need to be delivered in order to achieve a balanced budget for 2013-14. Allowance has been made, where appropriate, for implementation costs, but there is an element of financial risk around full delivery of all savings, with the risk varying considerably between individual proposals. Realistic part year assumptions have been made where implementation cannot be immediate but there is an inherent financial risk around achieving changes in time to deliver their planned savings.
- A number of the individual proposals have already been secured, but there are others across nearly all service areas that are very challenging. The scale of savings required has necessitated the inclusion of challenging strategic and transformational proposals, in particular within Social Services. There is an inherent financial risk around achieving changes in time to deliver this type of planned saving.
- Inflationary increases in budgets have been set at a low level, consistent with most other local authorities. Invariably, this introduces a degree of financial risk as key inflationary pressures are not known with certainty at this time, but this financial risk is no higher than in any other year;

- 4.6.2** In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality in conjunction with the base budget itself and the financial risks which face the Authority. In addition, this review should incorporate a medium term view where needed and should take into account key developments that may impact on the need and use of one off resources.
- 4.6.3** In light of the above underlying risks and uncertainties set out in Section 5.1 below and the issues identified in paragraph 4.6.1 above, a robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic/transformational changes as opposed to funding significant overspends on the base budget itself.
- 4.6.4** Account has been taken of the need to keep the immediate reductions in spending and the resulting impact on services to a minimum, but this must be balanced against the need to ensure the medium- and long-term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service's budget, and reserves must also be adequate to absorb these pressures.
- 4.6.5** The budget for 2012-13 included a planned use of £1.2m of reserves, of which £900k would come from general balances and £300k from earmarked reserves. This meant that general balances would be reduced to £4.9m by the end of 2012-13, which was slightly below the previously determined threshold of £5m. The consultation report identified that, because of overspends during the year, the actual figure was likely to be lower, at between £4m and £4.5m. The details in the separate Quarter 3 monitoring report on this agenda show that the latest overall projection is an overspend of £1.9m across a number of service and corporate budgets, reduced by slippage contingency, unused contingencies and budgets clawed back, giving a projected deficit for the year of £1.0m. After the proposed further use of £500k of unallocated contingencies in revenue funding of the Capital Programme, this will produce a year end general balance of £4.4m.
- 4.6.6** In determining the threshold of £5m, consideration was given to the general 'rule of thumb' analysis for the level of general reserves suggests this is at least 5% of net revenue expenditure (excluding schools' budgets), unless a formal risk assessment justifies a lower level. This implies a level of £6m for Anglesey. However, taking the approach outlined above, this would give the Council a level of general reserves of £5m.
- Whilst it is accepted that as significant budget reductions are made, it invariably introduces financial risks, and although some difficulties have been encountered during the current year, Anglesey has a reputation of managing within its budget;
 - Budget risks have been addressed in the proposals but remain variable and high risk;
 - Protection against some budget risks is provided through earmarked reserves and contingencies. Whilst no general revenue contingencies reserves are currently held, the Council has a number of earmarked reserves for known but not always easily quantifiable financial risks;

- 4.6.7** Account has been taken of the need to keep the immediate reductions in spending and the resulting impact on services to a minimum, but this must be balanced against the need to ensure the medium- and long-term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service's budget, and reserves must also be adequate to absorb these pressures. For these reasons, it is proposed that provision should be made for a contribution of £500k in to general reserves in 2013-14.
- 4.6.8** Schools balances have been high in the past, which has provided adequate cover for most risks. The reduction in schools balances does reduce that level of comfort, but this is mitigated by the protection given to school budgets this year.
- 4.6.9** The principal contingencies provided for in the budget both relate to the current processes of securing budget reductions and implementing service transformation (Severances Contingency £1m and Cost of Change £500k). The Job Evaluation Contingency will meet the cost of any expenditure in this area during the year, the amount of which is uncertain, with any balance being added to the corresponding reserve that has been set aside to cover the future costs. The service specific contingencies relate to particular issues which are the subject of contractual negotiations and other decisions not fully within the Council's control, and where the estimated cost is significant, but not known with certainty.

5. ROBUSTNESS OF ESTIMATES

- 5.1** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and adequacy of financial reserves, and requires the Council to take account of this report as it adopts its budget.
- 5.2** Budget estimates are all based on assumptions about the future. These issues are interconnected. Budgets may not be exactly calculated because of estimation or risk - but the impact can be mitigated if there are good contingency plans, contingency budgets or financial reserves. Their robustness depends on how reasonable these assumptions are.
- 5.3** The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered, or targets achieved. Different risks to the budget are considered in turn below.
- 5.4** **Inflation Risk** This is the risk that actual inflation could turn out to be different to the assumption made in the budget.

The most significant expense is in relation to pay, where a 1% allowance has been made for new pay awards in 2013-14, but this seems a fairly realistic assumption in current circumstances. General inflation has remained stable at 2.7% since October 2012. The general expectation is that this will fall slightly in the coming months, remaining at or around the 2% target figure in the medium term. This is in line with the level assumed in the standstill budget approved in December 2012. However, there is always an element of risk in predicting inflation rates, although a variation of more than 1% in either direction appears very unlikely.

- 5.5 Interest Rate Risk** Interest rates mostly affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. Because the budget is now based on interest rates at long-term lows, there is hardly any downside risk. Predictions are for interest rates to remain at their historical low well into 2014 and beyond. As in previous years, this is a compensating risk for inflation risk because if one increases the other is likely to compensate.
- 5.6 Grants Risk** These are risks attached to the large number of specific grants from WG, Europe or other bodies which support a good proportion of Council spending. Some of these may be reduced substantially or cut altogether; we do not have a complete picture of all these and we will not even as the financial year begins. While the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to delivery of the Council's own objectives that the Council decides it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant: but unpleasant surprises during the year cannot be entirely ruled out.
- 5.7 Income Risks** The budget is based on securing an overall 2% increase in income, although a number of services have assumed rises of up to 5%. If the elasticity of demand for Council services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- 5.8 Optimism Risk** Probably the greatest risk in current circumstances is that the Authority, Members and officers, have been over-optimistic in the savings that will be achieved. If these projects should run into difficulties and fail to achieve the savings taken out of the budget, significant overspendings could occur. Para 5.11 below goes into further detail.
- 5.9 Over-caution Risk** This is the opposite of optimism risk: the danger that our budgets have been drawn up with too much caution, and so are more than is required.
- 5.10 Salary and Grading Risks** - The Authority continues to face a significant risk due to job evaluation and equal pay/value to which it will be required to pay compensation claims to staff because of alleged unfairness of its pay arrangements. This is a long-standing risk which will not go away, and challenges the robustness of the budget as in previous years. In mitigation there remains an annual contingency budget (£450k in 2013-14) towards the cost of the new pay structure.
- 5.11 Savings Slippage**- The main risk relates to the savings proposals. The figures that have been presented are mostly based on a full year saving and so assume that the proposals will be fully implemented from 1st April 2012. There is a high risk that some of the proposals will not achieve this start date. This is particularly the case for the proposals that involve redundancies, income generation and contractual issues. Any delay from the start date of 1st April will cause pressures in 2013-14. A 3 months slippage of all savings equates to £0.7m.
- 5.12 Social Care and Residential Fees** - Inflation of 2% has been built into the budget for 2013-14. At present the increase in these fees is being determined and will be negotiated with providers. If this is more than 2%, actions will need to be taken to address this. To mitigate this risk a contingency has been set aside.

5.13 Staff redundancy costs - As the savings proposals are implemented there will be associated redundancy costs. The full cost of this is currently not known, due to the potential of some posts being vacant and determining the details of employees involved. To mitigate this risk a Severance Contingency of £1m has been included in the budget.

5.14 Outcome Agreement grant - The budget for 2013-14 assumes that 75% of the full grant of £729k will be received in 2012-13 in respect of 2012-13 performance. Although the full grant was received this year in respect of 2011-12, this is still a significant risk to the Authority, and in a time of financial challenge on services, it is better to take a prudent view of this item.

5.15 Council Tax Support Scheme - A sum of £200k has been included in the budget to provide for the additional net cost to the Council of the operation of the Council Tax Support Scheme, over and above the £4.625m allowed for in the Final Settlement. A significant change was approved in January which will be covered by a specific grant additional to the Settlement. However, given that this is the first year of the scheme and the variable nature of a number of aspects within it, there is an inevitable degree of uncertainty. The latest estimates suggest that actual costs might be higher.

6. **PROPOSED BUDGET & COUNCIL TAX LEVEL**

6.1 The table below shows the available and required budget funding with an increase in Council Tax of 5%, representing an increase of £18.06, or 86p per week, on a Band D property. In setting Council Tax, the Council needs to be aware of the need to set a balanced budget.

By way of background, currently the rate of RPI is 3.1% and CPI 2.7% as at December 2012.

<u>Budget requirement</u>	£000 5%
Base Budget 2011-12	119,035
Inflation & Re-pricing adjustments	12,193
BASE BUDGET 2012-13 (before investments/savings)	131,278
Budget Adjustments	(552)
Budget investments	384
Budget savings	(2,860)
BASE BUDGET 2012-13	128,250
<u>Funding available</u>	
Final WG Settlement	100,227
Increased Council Tax @ 5%	28,023
Total	128,250
Balance available	0

6.2 Before the Executive can recommend a budget to Council, it now requires decisions based around the figures shown in the above table. These decisions include whether to:

- delete specific saving items;
- provide additional capacity within services;
- fund new initiatives and policies;
- increase the base amount of Council Tax by the proposed level and so balance the budget.

7. EQUALITIES IMPACT ASSESSMENTS

- 7.1 In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 to assess the impact of key financial decisions on protected groups and have due regard to the results of such assessments.
- 7.2 As part of the 2013-14 budget-making process, services were requested to carry out an initial equality impact assessment of each proposal. Guidance was included with the budget pro-forma and further guidance on carrying out EIAs is available on the Council's intranet site. Commentary on individual proposals is contained within the appendices. Proposals which are likely to have a significant impact will need to be monitored closely by the service.

8. TREASURY MANAGEMENT STRATEGY

- 8.1 In accordance with the CIPFA Code of Practice on Treasury Management the Council is required to approve the 2013-14 Treasury Management Strategy Statement and Investment Strategy prior to the beginning of the financial year. The Treasury Management Strategy for 2013-14 was presented to Audit Committee on 5th February 2013.

9. UPDATING THE MEDIUM TERM REVENUE BUDGET STRATEGY

- 9.1 The initial budget report presented to the Executive on 3rd December 2012, updated the Medium Term Financial Strategy for changes in the funding notification from the Welsh Government. These assumptions included a level of pay award and inflation.

- 9.2 The table below is a further update of the medium term financial strategy, which has been updated for the proposed 2013-14 budget and the following assumptions for 2014-15 to 2015-16:

- Pay - 1%;
- Inflation – 2%.

	2012-13 £m	2013-14 £m	2014-15 £m
Previous Year Budget	125.6	128.2	130.4
Schools Inflation and Protection	0.8	0.5	0.5
Cost Increases	1.5	2.6	2.6
Demographic Changes	0.6	0.5	0.5
Capital financing and Interest	0.1	0.1	0.1
Financing unsupported borrowing	0.0	0.2	0.4
Salary & Grading Review	-0.4	1.3	0.7
Investing in change	1.5	-0.1	-0.3
Contribution to balances	0.5	-0.5	0.0
Identified Pressures	1.0		
Other growth	0.4	0.7	1.0
Savings	-2.9		
Funding Gap		-3.1	-4.0
Total	128.2	130.4	131.9
Funded by WG funding	100.2	101.0	101.0
Council Tax	28.0	29.4	30.9
Reserves	128.2	130.4	131.9

- 9.3 The medium term financial strategy will need to be reviewed and updated during the early part of 2013-14 to ensure that forecasts and assumptions remain as accurate as possible.

10. LINKS TO COUNCIL POLICIES AND PRIORITIES

10.1 In drawing up budget proposals, due regard has been given to key Council policies and priorities

11. OPTIONS AVAILABLE

11.1 The Executive must agree a recommended Council Tax and 2013-14 revenue budget to Council. Members have various options open to them on the detailed budget proposals contained within this report.

12. COMMENTS OF MONITORING OFFICER

12.1 The Revenue Budget Report has been prepared in accordance with the requirements of the Local Government Act 2003 and the Local Government Finance Act 1992. In accordance with Section 25 of the 2003 Act, the Executive must have regard to the advice of the Head of Function (Resources), as the Council's Chief Finance Officer, regarding the robustness of the budget estimates and the adequacy of the financial reserves. This advice must be taken into account when considering the proposals in the Report and in making recommendations to Council regarding the budget and the Council tax rate. In accordance with the Functions and Responsibility Regulations, agreeing the budget and setting the Council Tax rate under the 1992 Act is a matter for full Council. Therefore, the recommendations of the Cabinet will be subject to ratification and approval by full Council.

13. STAFFING IMPLICATIONS

13.1 The budget proposals outlined in the report will have a direct impact on employees across the Council, including, potentially, schools. Changes to structures and staffing will be required to make the necessary savings. This transformation agenda will be supported through Human Resources, ensuring that the Council's services are financially sustainable into the future and continue to deliver high quality to Anglesey's citizens. The change programme will need to incorporate meaningful consultation with trade unions and affected employees and this has already commenced.

13.2 The Council will aim to minimise the impact of the budget proposals on employees across our services, and a number of actions are currently being undertaken to assist in this e.g. restrictions on recruitment, reduction in use of agency staffing and overtime. However, given the scale of the challenges facing the Council over the next 3 years, it has to be recognised that the Council cannot rule out having to make redundancies. All employees directly affected will be supported by the provisions of the relevant policies, which aim to minimise compulsory redundancies and retain employees in our employment wherever possible.

14. LOCAL ISSUES

14.1 The budget proposals as shown affect the County as a whole although some specific proposals may affect certain localities more than others.

15. CONSULTATION

15.1 Wide consultation on the budget has been undertaken, as outlined in paragraph 4.1 of the report.

APPENDIX 1

Summary of proposed budget 2013-14					
	Draft Standstill Position after provisional settlement 3 Dec 2012	Final Settlement changes and other adjustments	Savings proposals (see Appendix 2)	Proposed Growth (see Appendix 4)	Proposed Budget
	£000	£000	£000	£000	£000
Directorate					
Lifelong Learning (including schools)	47,485		-307		47,178
Community Services	31,883	-85	-978	84	30,904
Sustainable Development	22,592	-190	-1,336	300	21,366
Deputy Chief Executive	8,316	29	-239		8,106
Corporate and Democratic Costs	2,269	-235			2,169
Council Tax Support - additional responsibilities	4,468	357			4,825
Levies	3,223	-3			3,220
Capital Financing and Interest	7,185				7,185
Recharges to HRA/ DSO	-358				-358
Affordable Priorities Programme Initiatives (savings)	-480	125			-230
Total	126,583	-2	-2,860	384	124,365
Outcome Agreement Grant	-545				-545
Improvement and Education Recovery Board	190				190
Process Contingency	500	-500			0
General Contingency	0				0
Job Evaluation Contingency	900	-450			450
Sub Total Standstill Budget	127,628	-952	-2,860	384	124,460
From Medium Term Plan:					
Additional Job Evaluation Contingency	400	-400			0
Additional Unsupported Borrowing Contingency	200	-200			0
Pressures:					
- Looked after Children	600	250			850
- Autoenrolment	200	-200			0
- Welfare Reform	200	-150			50
- Schools Protection	500				500
Severances Contingency	1,000				1,000
Cost of change Contingency	500				500
Other Specific Contingencies	0	600			350
Contribution from/ to Balances	0	500			500
Total before Savings	131,228	-552	-2,860	384	128,210
Funded by:					
Aggregate External Funding	99,961	266			100,227
Council Tax	27,867	156			27,867
Discretionary Rate Relief	-50				-50
Total Funding	127,778	422	0	0	128,210
Funding Gap	3,450	-974	-2,860	384	0

BUDGET 2013-14: FINAL SAVINGS PROPOSALS		
	Savings Prioritised To Meet Target £'000	Equality Implications
Lifelong Learning		
Education Service		
Dyslexia	-40	It should be noted that plans which have already been implemented have reduced the risk in respect of pupils with Special Educational Needs. The proposals are unlikely to affect any group disproportionately.
Inclusion (Secondary Behaviour)	-29	
Ysgol y Bont Support	-13	
10% cuts across all headings - Supplies & Services	-77	
Cynnal/GEGYR (minimum)	-50	
School Meals (7 months)	-70	
Total	-279	
Youth Service		
Community Wardens	-12	The proposals are unlikely to affect any group disproportionately.
Reduce Hours Area Leaders	-5	
Cut grant - Urdd and Young Farmers	-1	
Transfer Penmynydd and sell Llansadwrn	-10	
Total	-28	
Lifelong Learning Total (Original Target £3.743m)	-307	
Deputy Chief Executive		
Central Services		
Staffing/Supplies and Services.	-50	The proposals are unlikely to affect any group disproportionately.
Policy Service - Corporate savings on postages/use of pre paid envelopes	-20	
Total	-70	

BUDGET 2013-14: FINAL SAVINGS PROPOSALS		
	Savings Prioritised To Meet Target	Equality Implications
Corporate and Democratic Costs		
Reductions in transactional processing costs following implementation of Finance and HR systems and other initiatives	-50	The proposals are unlikely to affect any group disproportionately.
Reduction in total cost of Members' Allowances (end of intervention/reduction in number of Members)	-20	
Reduction in audit fees as result of reduction in numbers of specific grant audits.	-50	
Training budget (corporate)	-10	
Training budget (services)	-39	
Total	-169	
Deputy Chief Executive Total (Original Target £0.579m)	-239	
Sustainable Development		
Planning		Statutory planning services have an impact on job creation and affordable housing which may have a disproportionate impact on the Welsh language, young families and poorer members of society.
Staff secondment to Ynys Ynni	-40	
Supplies & Services	-10	
Pre-Application Fees	-10	
Professional consultancy services	-1	
Building Control Collaboration Project	-14	
Property and Environment Grant Fees	-25	
Total	-100	
Public Protection		Statutory public protection services have an impact on job creation and affordable housing which may have a disproportionate impact on the Welsh language, young families, older people and poorer members of society.
Proposed Staff Restructuring	-70	
Increase in selected fees and charges above the corporate ceiling of 2%	-10	
Income from Ynys Ynni	-5	
Efficiency changes in supplies and services budget (including CIVICA contract)	-15	
Total	-100	

BUDGET 2013-14: FINAL SAVINGS PROPOSALS		
	Savings Prioritised To Meet Target	Equality Implications
Waste		
Close All Public Conveniences	-19	Likely to have a disproportionate effect on the older people, families with young children, disabled people and some religious groups. Will require a detailed EIA.
Waste Haulage from Penhesgyn and Residual Waste Disposal	-106	Will not affect any relevant group disproportionately.
Street Cleansing Service	-125	Will not affect any relevant group disproportionately.
Total	-250	
Property		
Reduction in building specialist consultancy budget	-13	The effect of the proposed savings is unlikely to affect protected groups any more than other groups of people.
Efficiency savings by reducing costs and contingencies	-74	
Holyhead Fishdock Dockmaster Deletion of Post	-34	
Delete Vacant Posts Architectural Services Team	-6	
Maritime Income	-2	
Proposed Team Restructuring	-71	The effect of the proposed savings will initially affect all groups of people equally but, in the event of unplanned building closures, there may be disadvantages to certain groups, eg age-related, disability groups and pregnancy and maternity groups, as these groups will be less able to access alternative service provision.
Total	-200	
Highways and Transportation		
Withdrawal and major reductions in bus services	-90	The proposal will have a disproportionate impact on the young, elderly and disabled and will require an in-depth EIA.
Reduce road safety & footpath maintenance budgets and increase car parking charges	-66	Reductions in cycle training will adversely affect primary school children but there is an alternative source of funding from WG which will ensure continuation of the service in the short term.
Reduction in highway infrastructure maintenance	-300	A deteriorating road network will affect the disabled and elderly disproportionately. However, the deterioration will be gradual.
Restructuring resulting in staff savings, reduction in call out budgets, and supplies and services	-124	The effect of the proposed savings is unlikely to affect protected groups any more than other groups of people.
Increase use of Council vehicles and hired vehicles in place of travelling expenses	-20	No effect on any of the protected groups.
Total	-600	
Economic Development		
Administrative Savings	-41	The proposed financial savings will not unlawfully discriminate; impact adversely on 'protected groups'; compromise equality of opportunity or negatively affect relations between different groups.
Reductions in grant support	-33	
Cruise Marketing	-12	
Total	-86	

BUDGET 2013-14: FINAL SAVINGS PROPOSALS		
	Savings Prioritised To Meet Target	Equality Implications
Sustainable Development Total (Original Target £2.122m)	-1,336	
Community		
Housing		
Estate Management Officer with responsibility for Private Sector Leasing properties	-25	The proposals are unlikely to have an impact (positive or negative) on any of the protected groups or on the Council's ability to comply with its Welsh Language Scheme.
Replacing existing photocopiers and printers with more modern equipment, an 'all-in-one machines' which scans, photocopies and prints, which are networked into the IT system	-5	
Budget realignment with HRA	-20	
Clerical assistant	-16	
Total	-66	
Social Services		
Joint Funding SCS Integrated Manager	-18	None.
ACTIVITIES CO-ORD(SOC.EXCL)	-19	None.
Charing Capacity –Terminate use of Sessional Chairs of Case Conferences and Statutory Reviews	-5	None – providing the same level of service in-house with greater efficiency.
Bryn Hwfa - Manager Post	-33	None.
Queens Park has been closed during 2010/11–Most staff were either made redundant or redeployed during 2011/12	-150	1 - Will reduce the availability of residential care for children and young people in their local community. 2 - Ability to place Welsh-speaking children in a bilingual residential setting will be compromised.
Service Level Agreements with the Voluntary Sector	-74	1 - Will reduce the availability of support for children and young people in their local community. 2 - Impact on children with disabilities, young carers and children living with domestic abuse.
Family Support Budgets	-13	1 - Will reduce the availability of support for children and young people in their local community. 2 - Impact on most vulnerable families in the community.
RATIONALISATION/TRANSFORMATION OF ADULTS' SERVICES COMMISSIONING/General review of Provider Unit budgets and costs	-500	The net financial challenge for the Service during 2013/14 will be circ. £1.29m (this includes £500k transformation + £390k APP + £900K underlying service pressures during 2012/13 which are associated with individual support packages. This figure also allows for some provision for demographic growth). This proposed service transformation, if realised, will have a direct impact upon the following protected groups in particular: a. Age; b. Disability.

BUDGET 2013-14: FINAL SAVINGS PROPOSALS		
	Savings Prioritised To Meet Target	Equality Implications
		<p>The transformation programme is underpinned by 23 separate work streams which are to be implemented over a 3/5 year period. These work streams include:</p> <ol style="list-style-type: none"> 1 - Transforming residential services for older people – which is the subject of a separate, comprehensive equality impact assessment; 2 - Reviewing all care packages in line with eligibility criteria (at critical and substantial) and maintaining all new service responses at critical and substantial; 3 - Outsourcing of domiciliary care – to independent sector 4 - Review of Third Sector investments 5 - Decommissioning meals on wheels service 6 - Review of user transport services 7 - Improved commissioning of independent sector domiciliary care 8 - Review of in-house day services for learning disabilities. <p>Care and support packages are commissioned in order to meet need and protect vulnerable adults within the Local Authority's eligibility criteria. All current users receiving adult social care services commissioned by the Local Authority will need to be reviewed as statutorily required. It is the outcome of these individual reviews that will enable the process of agreeing new and revised care packages. The outcome of this process will inform the degree to which the Service is able to mitigate the 2012/13 underlying pressures associated with individual support packages.</p>
Total	-812	
Leisure and Culture		
Income Raising Opportunity: 'Drawn to the Light', Sir Kyffin Williams and Venice, 2013 Exhibition	-48	The proposals are unlikely to affect any group disproportionately.
Leisure Service - Additional increases in Fees & Charges	-15	
Leisure Service - Changes in staffing hours and increased charges to grant-funded projects	-15	
Leisure Centres - Changes in staff working patterns	-12	
Leisure Centres - General reduction in budgets	-10	
Total	-100	
Community Total (Original Target £2.986m)	-978	
Total	-2,860	

Summary Of Pressures	£'000	
Lifelong Learning		
Education Service		
Schools Protection	500	The protection level advised by the Welsh Government is a 2.08% uplift from the previous years delegated budget, with the finance department having come to a standstill position, it has been identified that on the delegated budget there is a shortfall of approximately £500k to achieve the protection level.
Community		
Social Services		
Looked After Children	850	Funding is required to meet the accommodation costs of looked after children in special provision, and to meet the full year costs of additional placements during 2012-13.
Welfare Reform	50	This funding is needed to provide for the expected rise in demand for services as a result of the impact of welfare reform on individuals.
Total	1,400	

Summary Of Proposed Growth	£'000	
Sustainable Development		
Economic Development Service		
Investment and contribution to the Energy Island Programme (EIP)	300	<p>The Isle of Anglesey County Council (IACC) created the Energy Island Programme (EIP) in 2010, and its core funding comes to an end in March 2013. The role of the EIP is to facilitate private and public sector collaboration making sure low carbon energy developments happen in Anglesey, bringing with them maximum benefit to the area.</p> <p>The key outcomes that will be pursued are:</p> <ul style="list-style-type: none"> • Contribute £2.34bn to Anglesey & NW Wales economy (2010–2025); • Significant job opportunities (direct, indirect and induced) up to 6,000; • Increased prosperity; • Considerable improvement in education, skills and retention of young people (and skills) strengthening the Welsh Language; • Potentially significant legacy benefits.
Community		
Social Services		
Adoption and Fostering Panel representation	28	Funding is needed to strengthen the service's ability to fully respond in accordance with statutory responsibilities and to enable the Council to respond fully to the Children Service Improvement Plan, and associated targets and regulatory requirements
Court Ordered Remands	28	Bid is to provide funds to meet the implications of a new requirement for the Council to meet the full cost of court ordered remands.
Transition Working	28	Funding will allow the appointment of a worker to provide key transition working for children with disabilities. Ynys Môn was chosen as a pilot for a scheme for every child with two professional workers above universal services involved in the the family to have a key worker. This was funded by WG/WEFO, but this funding comes to an end in March 2013. This growth bid will allow the scheme to continue.
Total	384	

Proposed Budget 2013-14 - Change From 2012-13				
	Approved Budget 2012-13	Proposed Budget 2013-14	Change	Change
	£000	£000	£000	%
Directorate				
Lifelong Learning (including schools)	46,035	47,678	1,643	3.6%
Community Services	29,942	31,804	1,862	6.2%
Sustainable Development	22,124	21,366	-758	-3.4%
Deputy Chief Executive	7,283	8,106	823	11.3%
Corporate and Democratic Costs	2,274	2,034	-240	-10.6%
Council Tax Support - additional responsibilities		4,825	4,825	
Levies	3,223	3,220	-3	-0.1%
Capital Financing and Interest	7,077	7,185	108	1.5%
Recharges to HRA/ DSO	-357	-358	-1	0.3%
Affordable Priorities Programme Initiatives (savings)	-380	-355	25	-6.6%
Total	117,221	125,505	8,284	7.1%
Outcome Agreement Grant	-412	-545	-133	32.3%
Improvement and Education Recovery Board	91	190	99	108.8%
General Contingency	961		-961	-100.0%
Job Evaluation Contingency	900	450	-450	-50.0%
Sub Total Standstill Budget	118,761	125,600	6,839	5.8%
Severances Contingency	1,200	1,000	-200	-16.7%
Cost of change Contingency	39	500	461	1182.1%
Other Specific Contingencies	200	600	400	200.0%
Contribution from/ to Balances	-1,200	500	1,700	-141.7%
Total	119,000	128,200	9,200	7.7%
Funded by:				
Aggregate External Funding	92,331	100,227	7,896	8.6%
Council Tax	26,704	28,023	1,319	4.9%
Discretionary Rate Relief	-35	-50	-15	42.9%
Total Funding	119,000	128,200	9,200	7.7%
Funding Gap	0	0	0	