

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO	THE EXECUTIVE COMMITTEE
DATE	2 DECEMBER 2013
SUBJECT	REVENUE BUDGET MONITORING, QUARTER 2 2013-14
PORTFOLIO HOLDER(S)	COUNCILLOR HYWEL EIFION JONES
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Nature and reason for reporting:

This report outlines the position on the Council's revenue spending for the second quarter of 2013-14, together with a projected position for the year as a whole, an overview of available reserves and a review of progress by services in achieving agreed savings.

A – Introduction / Background / Issues

1. In March 2013 the Council set a net budget with net service expenditure of £128.8m and a contribution to general balances of £500k, giving a total of £129.3m to be funded from Council Tax Income and general grants.
2. This report sets out the financial performance of the Council's services for the first six months of the financial year and the projected position for the year as a whole, identifying the overall position and the sources of the main variances.
3. The overall projected financial position is a small overspend of £265k, explanations for significant variances are included within the report.
4. The budget for 2013-14 included required savings of £2.860m. These have been incorporated into the individual service budgets and achievement or non-achievement of these is reflected in the net under/overspends shown.
5. Taken together these changes will affect the overall position of the Council Fund for the year.

B – Considerations

General Balance – Opening Position And Planned Contribution In 2013-14

1. It was reported to the Executive at its meeting on 9 June 2013, that the final outturn position for 2012-13 was significantly better than expected and that the general Council Fund balance at the start of the current financial year stood at just over £6m. Following completion of the audit of the accounts, the Council Fund balance at 1 April 2013 has been reduced slightly and now stands at £5.9m

Quarter 2 – Financial Performance By Service

2. Details of the financial performance by service for the first six months of the year, and their respective projected out-turn positions is set out in Appendix A. The overall forecast is for a net underspend on services of £235k. A summary identifying the main variances is shown below.

Summary projected Variance at 31.3.14 based on Quarter 2 Financial Information	
	Under/ (Over) Spend £'000
Central Education	129
Social Care	634
Leisure and Culture	(26)
Highways	(183)
Planning	(180)
Public Protection	(108)
Property	(272)
Benefits Granted	(310)
Other	51
	(265)

3. Explanation of significant variances

Central Education £129k projected underspend (Q1 £593k underspend)

The underspend is due to additional grant income expected for post-16 education. This income was not expected at the setting of the budget and is due to a review of the grant formula. The forecast underspend has fallen due to an adjustment to the grant received for Special Educational Needs, which was overstated in the quarter 1 report.

Social Care £634k underspend (Q1 - £1.295m overspend)

This service is now forecasting an underspend of £634k, a turnaround of £1.929m from the position reported at quarter 1. The improved position has arisen due to a more detailed review of spending forecasts in the second quarter.

The projected underspend is summarised in the following table

	Q2 £'000	Q1 £'000	Movement £'000
Management & Support Services	42	0	42
Children & Families	530	0	530
Services For The Elderly	62	(1,295)	1,357
Total	634	(1,295)	1,929

The main reasons for the significant turnaround in the forecasted budget position can be attributed to:

Children and Families

Reductions in spending on Children being Looked After (£267k), Children's and Families Services (£237k), Family Support (£38k), Children with Disabilities (£37k) and in the Youth Justice Service (£25k). There have been offsetting overspends in Commissioning and Social Work (£17k) and in the Potensial Project (£52k), although this latter overspend will be neutralised by the year-end by funding through the European Social Fund.

Adult Social Care

Reductions in forecast spending on Services for the Elderly (£1.007m), Adults with Physical Disabilities (£69k) and a reduction in the costs of Môn Care , the Council's provider unit (£402k) due to staff vacancies and sickness. There have been offsetting overspends in Adults with Learning Disabilities (£66k) and Adults with Mental Health Needs (£55k) due to an increase in the number of clients and their care needs.

The projected underspend assumes that:

- All efficiency savings will deliver to target and to timescale;
- Underlying budget pressures in mental health, nursing care and learning disability services can be met;
- Seasonal pressures that can arise in the winter months and be as a result of pressures affecting the local Health Board will not have a serious impact on demand for services

Social Care budgets are by their very nature quite volatile and this much improved position may not be sustained for the remainder of the year. These budgets will be therefore closely monitored by Finance staff and service staff on a monthly basis. Work is also ongoing to monitor the service's savings plan against actual spending to ensure delivery by the end of the financial year.

Leisure and Culture overspend £27k (Q1 £184k overspend)

The Leisure centres are now forecasting an underspend of £50k, an improvement of £91k from quarter 1 assuming income levels remain at current levels, parks and outdoor facilities a £62k overspend, down £14k from the forecast at quarter 1, Libraries an underspend of £30k and Leisure Services Admin an underspend of £30k, due mainly to staff vacancies. Quarter 1 forecasts at the Golf Course £55k overspend and Archives £32k overspend remain unaltered. The full review of Leisure and Culture activities referred to in the quarter 1 report continues but, as can be seen, the review has currently resulted in a much improved forecast of the likely position at the year-end.

Highways overspend £183k (Q1 £112k overspend)

The overspend is due to the budgeted income not being achieved. Based on quarter 2 figures, the reduction in income contributing to the overspend will occur in Development Control (£75k), Management and Design Fees for highways maintenance (£28k) and Street Works (£50k). A reduction in budgeted income from Road Safety grants (£30k) has also been identified in quarter 2.

Planning and Public Protection overspend £288k (Q1 £98k overspend)

The overspend has arisen across a number of areas:

Planning

Forecast shortfall in Building Control Fee Income £60k;

Reduction in grant from Planning Delivery Wales £34k which has been used to fund 2 posts;

Forecast overspend on staffing costs in Building Control, Implementation and Conservation and Biodiversity £32k;

Forecast shortfall in car parking income at Breakwater Park within the Countryside and Coast budget.

Public Protection

Forecast shortfall in income from Environmental health £32k, Pest Control £10k and Licences £32k.

A further overspend of £34k is forecast against the Llangefni Market budget following transfer of responsibility to the Llangefni Social Enterprise Company. The budget for this activity will need to be adjusted to reflect this change in 2013-14 and later years.

It is, however, anticipated that the budget in this service area will balance by the end of the financial year.

Property overspend £272k (Q1 overspend £159k)

In addition to the income shortfall reported at quarter 1, further overspends relating to the non-delivery of savings within Property Administration £45k and increased costs of Admin. Buildings £66k have been identified.

Benefits Granted overspend £310k (£230k Council Tax; £80k Discretionary Housing payments)

As from April 2013, Council Tax Benefit was replaced by the localised Council Tax Reduction Scheme. Up to April 2013 the recovery of council tax benefits from the Department for Work and Pensions (DWP) was more or less 100% of the benefits expenditure. From April 2013 the Council was allocated a fixed grant based on the average case load over three years, i.e. 2009/10 – 2011/12, from the Welsh Government.

The Welsh Government grant is insufficient to cover the increase in case load and associated Council Tax support liability for the year. The shortfall is projected to be £230k, a £20k reduction from the forecast in Quarter 1.

There is no provision within the 2013/14 budget for discretionary housing payments (DHP) in excess of the DWP grant. Due to welfare changes introduced in April 2013 i.e. spare room subsidy (“bedroom tax”), benefit cap, continued local housing allowance reforms and limiting of annual benefit increases to 1%, it is projected that current DHP payments will be £80k in excess of the DWP grant of £136k.

It is possible that the benefit claims could either increase or decrease by the financial year end and is difficult to predict, as this will depend upon the future social and economic environment, demography, migration and the prospects of employment within Anglesey.

Corporate Finance

The Corporate Finance budget has reduced by £343k following the virement, or transfer of budget, from the corporate contingency to service budgets to provide resources for:

- Adult Social Care - Inflation provision for residential care homes - £158k;
- Housing - Welfare Reform - £45k;
- Education – Recovery Board - £140k.

Other net underspends £51k (Q1 £346k underspend)

This relates to the range of services for which the projected variance for the year is not shown in highlight in Appendix A.

The principal ones are:

- Waste £84k underspend. This underspend has reduced from the reported £150k saving in quarter 1 and is due mainly to savings in landfill costs and income from gas management at the Penhesgyn site £116k, offset by rent of £34k for a storage facility at Bryn Sunsur for bins which is unbudgeted.
- ICT £130k underspend. This relates to staffing savings.
- Legal and Committee Services £105k underspend relating to staff vacancies within Legal Services, a staff secondment within Scrutiny and savings in costs for elections and committee services. This underspend reflects the mid-year position of the service. The underspend in Legal Services will, however, be used to buy in Corporate Information Support to help with the Information Governance Project and to buy in support to attend to title deeds admin. work highlighted by audit. The current underspend in the Elections budget is expected to be used by the year-end.
- Finance £123k overspend due mainly to increased staffing and consultancy costs.
- Corporate Management £50k overspend arising from a potential shortfall in delivery of corporate savings.
- Human Resources £23k overspend due to under-funding for the post of Head of Profession following the Senior Management Review.
- Policy £71k overspend due to increased salary costs £18k, consultancy/legal fees £21k and other increases in running costs £32k.

4. In the 'Funded By' section of Appendix A, Council Tax Income is shown as flat against budget. There are some indications that there may be some over-achievement of income, but again these are not yet firm enough to incorporate them within the projected outturn.

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

The report sets out the financial performance of the Council's services in the second quarter of 2013-14 and, based on this, sets out a projected year-end position of an overspend of £265k.

An analysis of the main areas where significant budget variances have occurred is shown in paragraph B2 and the reasons for the variances are outlined in paragraph B3.

D – Recommendation

It is recommended that:

- The position set out in respect of financial performance to date, the projected year-end deficit and actions being taken to address this, be noted and monitored.

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Appendices:

Appendix A – Financial Performance and Projected Out-turn by Service 2013/14

Background papers

2013/14 Budget
2013/14 Budget Monitoring Report Quarter 1

FINANCIAL PERFORMANCE APRIL TO SEPTEMBER 2013 AND PROJECTED OUTTURN 2013-14						
Directorate	Actual + Commitments Q2	Profiled Q2	Variance Q2	Projected Outturn	Budget For Year	Projected Variance For Year
	£'000	£'000	£'000	£'000	£'000	£'000
Lifelong Learning						
Delegated Schools Budget	20,141	21,122	981	43,354	43,354	0
Central Education	417	2,921	2,504	7,975	8,104	129
	20,558	24,043	3,485	51,329	51,458	129
Communities						
Social Care	13,330	13,509	179	29,597	30,231	634
Leisure and Culture	1,210	1,717	507	4,740	4,713	-27
Housing	577	771	194	1,290	1,291	1
	15,117	15,997	880	35,627	36,235	608
Sustainable Development						
Economic Development	1,095	671	-424	1,602	1,602	0
Fleet	0	0	0	0	0	0
Highways	6,108	5,481	-627	10,811	10,628	-183
Planning	539	540	1	1,792	1,612	-180
Public Protection	732	690	-42	1,584	1,476	-108
Property	796	482	-314	1,092	820	-272
Rechargeable Works	101	129	28	0	0	0
Directorate Management	29	28	-1	57	57	0
Waste	3,864	4,048	184	8,503	8,587	84
	13,264	12,069	-1,195	25,441	24,782	-659
Deputy Chief Executive						
Corporate- Other Services	668	686	18	2,016	2,016	0
Corporate And Democratic Costs	415	453	38	2,154	2,154	0
Corporate Management	545	523	-22	1,035	985	-50
Audit	128	113	-15	0	0	0
Finance - Excl Benefits Granted	1,400	1,392	-8	1,089	966	-123
Finance - Benefits Granted	4,948	3,769	-1,179	5,623	5,313	-310
Human Resources	358	322	-36	24	0	-24
ICT	876	885	9	-130	0	130
Legal and Administration	744	784	40	332	437	105
Policy	384	301	-83	71	0	-71
Corporate Finance	2,985	2,985	0	4,907	4,907	0
	13,451	12,213	-1,238	17,121	16,778	-343
TOTAL	62,390	64,322	1,932	129,518	129,253	-265

FUNDED BY						
Council Tax Income				28,023	28,023	0
Special Grant				458	458	0
Outcome Agreement Grant				545	545	0
Revenue Support Grant				22,024	22,024	0
National Non-Domestic Rate Pool				78,203	78,203	0
				129,253	129,253	0

RECONCILE TO COUNCIL 05-03-13, ENCLOSURE F, TABLE B

			Original		Additional Council Tax Income	Move Outcome Agreement Grant to TNSGI	Revised
			£'000		£'000	£'000	£'000
Budget Requirement			128,492		166	545	129,203
Discretionary Rate Relief			50				50
Total Budget Requirement			128,542		166	545	129,253
Funding:							
Council Tax Income			27,857		166		28,023
Special Grant			458				458
Outcome Agreement Grant			0			545	545
Revenue Support Grant			22,024				22,024
National Non-Domestic Rate Pool			78,203				78,203
Total Funding			128,542		166	545	129,253