

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO	EXECUTIVE COMMITTEE
DATE	16 DECEMBER 2013
SUBJECT	INITIAL PROPOSALS 2014/15 BUDGET
PORTFOLIO HOLDER(S)	COUNCILLOR HYWEL EIFION JONES
LEAD OFFICER(S)	HEAD OF FUNCTION (RESOURCES)
CONTACT OFFICER	CLARE WILLIAMS (EXT. 2601)
Nature and reason for reporting	
To enable the Executive to prepare its initial 2014/15 budget proposals for consultation.	

A – Introduction / Background / Issues

1. BACKGROUND

1.1 The Final RSG Settlement

The final RSG settlement was released on 11 December 2013. For the Council the settlement for 2014/15 has been set at £96.432m. Within this total however there have been transfers into the settlement of part of the Housing Benefit Admin. Grant (£111k) and the grant for the Council Tax Reduction Scheme (£458k) The effect of these changes effectively reduces the overall grant received from the Welsh Government by £4.253m, over 2013/14 levels, a percentage reduction year-on-year of 4.22%

1.2 The Current Draft Budget Position

1.2.1 The Executive had approved a savings target of £7.75m for services at its meeting in July, which was set at a figure identified at that time as the likely budget gap for 2014/15. The overall budget gap for the period 2014/15 to 2018/19 is currently forecasted to be of the order of £15m.

1.2.2 The current draft budget proposals indicate that savings of £7.416m have been put forward by services, although included within that figure are unconfirmed savings of £1.4m from Social Services. Further work is being carried out to determine the level of savings that can be achieved in that service area.

1.2.3 The current proposals are based on information contained within the Welsh government's final settlement released on the 11 December

1.3 The Chancellor's Autumn Statement

1.3.1 The Chancellor presented his Autumn Statement on 6 December 2013. This gave an update on public finances and the economy.

1.3.2 Although this was not expected to impact significantly on the final funding announcements for 2014/15, it did give an indication of the direction of travel.

1.3.3 The Statement was generally similar to last year, focusing on changes in growth and in reductions to the budget deficit

- There was much in the Chancellor's Statement and the report of the Office for Budget Responsibility about the UK's economic prospects. GDP is expected to increase by 1.4% this year and then expand gradually over the next 5 years.
- The Welsh Government's Budget is anticipated to increase by £66.7m in 2014/15 and £74m in 2015/16. The view of the Welsh Government is, however, that the Autumn Statement has done little to change the challenging public finance outlook for Wales and that there has been only marginal change to budget allocations for 2014/15 and 2015/16.
- The outlook is for further austerity, although there are no further cuts to local government funding proposed. To eliminate the deficit, the Chancellor has said that there will be further real cuts in UK spending by central government extending into 2017/18.
- The majority of Welfare benefits will only rise by 1% p.a. going forward, exceptions being state pensions and benefits for disabled people and carers whose benefits will rise in line with CPI (2.7%).
- There was news about Non domestic rates in England and Wales where increases will be capped at 2% p.a. rather than being increased by RPI, as is the case at the moment, although an additional order will have to be put through the National Assembly for Wales to be effective here. Some retail premises in England with a rateable value of up to £50,000 will receive a discount of £1,000 in 2014/15 and 2015/16 and a 50% discount from business rates for new occupants of previously empty premises for 18 months. Any additional support for Wales will be subject to approval by the Welsh Government.

1.4 The Council Tax Support Scheme

1.4.1 The Welsh Government has made available for the Council Tax Reduction Scheme in 2014/15 £5.154m under the provisional announcement. Our calculations, based on detailed financial modelling i.e. actual projected Council Tax Reduction Scheme to be paid in 2013-14, increase in Council Tax of 5% for 2014-15 and in recent years, a more stable caseload variance in projected caseload growth/reduction, show a shortfall of between £350k and £460k. Our advice is that the Council should budget for at least £400k shortfall on Council Tax Reduction Scheme next year.

1.4.2 However, the final settlement has made a significant change to financing arrangements for this scheme as the previous specific grant of £458k has been rolled into the RSG settlement itself. Whilst this gives the Council some flexibility on the level of support it can offer under this scheme it does change adversely the total support the Council receives from the grant settlement.

2. STANDSTILL BUDGET AND BUDGET GAP

2.1 Current Position

2.1.1 The current budget gap following the release of the final grant settlement has been revised to £7.661m for 2014/15.

2.1.2 Based on the above changes and on work being done between the Finance Service and budget holders savings totalling £7.416m have been proposed, which meets substantially all of the budget gap of £7.774m reported to the Executive on 4 November 2013 and the revised forecast arising from the final grant settlement. The balance between the current budget gap and savings proposals will have to be covered by the use of balances should further savings not be identified.

2.1.3 The main areas of uncertainty are now:-

- Council Tax receipts expected;
- Future of some hypothecated revenue grants to be announced over the next months;
- The value of the inflationary increases that need to be applied to the budget going forward.
- Out-turn for the current year and its effect on the level of balances.

2.1.4 Included in the budget as a result of the decisions of others are precepts, levies and contributions to joint committees. Precepts and levies will not generally be available until late February, just before budget setting. Both the police precept and community council precept are shown separately on the council tax bill. The other items are:-

- North Wales Fire and Rescue Authority
- Internal Drainage Board
- Coroners
- Board of Conservators of Towyn Trewan

2.2 Budget Growth

2.2.1 There have been a number of growth bids and service pressures identified and these need consideration by Members so that they can be incorporated at an appropriate level. Some growth has been included within the Medium Term Financial Plan and this relates to:-

Pressure	£000	Comments
Schools Protection	318	See paragraph 3.2
Demographic Change	500	
Additional Financing costs	598	LGBI, Equal Pay & £2m p.a. unsupported borrowing
Welfare Reform	77	
Council Tax Reduction Scheme	400	Additional burden arising as costs exceed grant provision

2.2.2 Any service growth that is included in the 2014/15 budget will, of course, lead either to more savings to be found or an increase in the use of reserves and/or general balances. The budget growth proposals are set out in Appendix C and Members are asked to approve their inclusion in the 2014/15 budget.

3. BUDGET STRATEGY

3.1 Savings Proposals

3.1.1 Savings proposals have been proposed by all services totalling £7.416m. The achievability of these savings is mixed, and a number of services have found it difficult to offer up sustainable savings in 2014/15. Further work is needed to enable more realistic efficiency savings to be offered in 2014/15 and in future years.

- 3.1.2 Service officers have worked with the service accountants to assess how achievable the proposals are in the short term. Budget pressures have also been taken into account.
- 3.1.3 The savings proposals are shown at Appendix B as a long list of potential savings. The appendix also shows the target against each saving based on the Medium-Term Financial Strategy considered by the Executive in July.
- 3.1.4 There is a proposal to consult on the withdraw from providing the CCTV service on the Island and this will contribute £177,000 to the savings proposals of Social Care.

3.2 Schools Budgets

3.2.1 The draft and final settlements from the Welsh Assembly assume that the schools delegated budgets would increase by 0.9% or about £318k in cash terms

- **Demographics:** This is the effect of changing pupil numbers which for 2014-15 is minimal;
- **Projected budget position for 2013/14:** As reported to Members previously, spending for 2013/14 is expected to be within budget;
- The Executive previously approved a savings target of £1m on 4 November 2013. This has now been reduced to £500k;
- **Deprivation Grant** - An increase of £720k has been identified for 2014/15 but this includes the 0.9% uplift on the Delegated School Budget notified by the Welsh Government in the provisional grant settlement.
- **Post 16 Funding** – Following the review of Post 16 Planning and Funding Review in May 2013, the Welsh government has introduced policy changes which affect funding allocations for Post 16 pupils. This means that the funding allocations for 2014/15 will be based on uplifts for deprivation, sparsity and Welsh medium and on planned delivery based on Programme Values. For Anglesey, the estimated allocation for 2014/15 is £2.711m compared to £3.012m for this year, a cut of 10%. This is the highest reduction in Wales and has been capped at 10% with an average across Wales of 5.5%. Further work is being undertaken to allocate this funding reduction to the Secondary Sector.

The projected delegated budget for 2014/15 (excluding grants) is £38.61m, which is subject to final confirmation.

4. CONTINGENCIES, RESERVES AND BALANCES

4.1 Contingencies

4.1.1 The main assumptions for contingencies in the July report have now been updated as follows:-

Contingency	£000	Comments
Job Evaluation	1,300	Funds ongoing work and contribution to the Reserve.
Performance	190	Funded from Outcome Agreement Grant. Same level as 2013/14 proposed.
Cost of Change	500	Suggested level remains unchanged from 2013/14
Severance	900	A reduction of £100k from 2013/14

4.2 Reserves and Balances

4.2.1 The annual report on reserves and balances is being considered by the Executive elsewhere on the agenda for this meeting. Any changes recommended by Members will need to be incorporated into the budget proposals for 2014/15.

4.2.2 The principles that need to be considered over the value of balances held by the Council, given recent criticism over the level of balances held made by the UK government are as follows:

- Reserves are an important component of councils' financial planning but they will not solve financial problems in the long-term. At best they buy time to enable service changes to be planned and implemented in an orderly way. In these circumstances it is important that councils explain clearly to the public the actions and implications for services which are expected to follow in the medium and longer term."
- Judgements about reserves - to what extent they should be used or set aside to meet either specific or unforeseen future liabilities - can only be made locally within individual organisations;
- Local decisions should be taken by councillors having regard to clear and full information and advice provided by Chief Finance Officers.

5. MEDIUM TERM FINANCIAL STRATEGY AND EFFICIENCY STRATEGY

5.1 Medium Term Financial Strategy

5.1.1 Having updated the strategy for the assumptions relating to inflation, and identified a gap of c.£7.6m in 2014/15 and £15m overall by 2018/19, it should be possible to develop plans to achieve real efficiencies over the five year period to, as far as possible, protect front line. In order to buy time to modernise the services, a strategy is in place to; apply for capitalisation directions to spread the cost of equal pay compensation as appropriate; deferring contributions to earmarked reserves on a one off basis and using contingency sums to fund the change programme.

5.1.2 Ynys Môn is planning significant transformation for some of its services, particularly in response to demographic pressures and regulators reports and to improve the delivery of services for the future. Planning for transformation takes time, and the base budget level and capacity of the Council has made this difficult to implement changes as quickly as we would have hoped.

5.1.3 The decisions made in preparing the standstill budget and, subsequently, reducing the 'gap', will need to be re-visited and reviewed through 2014/15, and in preparing the budget for 2015/16, having allowed some further time in 2014/15 to implement transformational change.

5.2 Efficiency Strategy

5.2.1 This report sets out the on-going preparation of the 2014/15 budget. Alongside this is a programme of work, looking at the development of an efficiency strategy to cover a further four years to correspond with the long-term pressures facing the Council.

5.2.2 Service reviews have been undertaken on all services and have included Heads of Service, senior officers and politicians and finance and policy officers. The service reviews have considered opportunities for efficiencies, effectiveness and external collaboration and opportunities to work smarter and collaborate internally to improve delivery.

5.2.3 The efficiencies and other savings, which could be delivered from items like improved procurement and operational changes to service delivery, arising from this exercise have been drawn together to produce a draft efficiency strategy that will be brought back to Members in the New Year. Further work is needed to quantify some of the efficiencies to be gained from transformation and to deliver the level of savings needed for the next 4 years. This work will take place as the role of the Programme Management Boards develops.

5.3 Programme Management Arrangements

5.3.1 Programme Boards are up and running to deliver the 3-year plan Transformation Plan. The Boards will report regularly to the Senior Leadership Team on progress against the Transformation Plan.

5.3.2 The work of the Programme Boards is key to the delivery of the ongoing savings necessary over the next 4 to 5 years to meet the forecast budget gap. This work will require a review of how the Council is structured and operates in the future and will be supported by senior finance staff to ensure that savings proposals are robust and achievable.

6. VOLUNTARY SEVERANCE

6.1 The Executive approved the roll-out of a voluntary severance scheme at its 4 November meeting. Applications have now been received and are being assessed to ensure that they will achieve ongoing savings that contribute to the Council's overall savings target.

7. OPTIONS FOR A PROPOSED BUDGET PACKAGE

7.1 Base proposal

7.1.1 Based on an assessment of the savings proposals and on initial consultation with officers and Members, I am able to suggest an initial budget package as follows:-

Base	Comments
5% increase in council tax	
Provides funding for Job Evaluation and reduces contributions to earmarked reserves	
Allows for £1.4m Cost of Change	
Provides service growth of £276k	
Protects schools	see above
Increases funding for Looked after Children and provides demographic increases for social care	In line with pressures seen in other authorities
Includes some limited efficiencies to corporate services , whilst recognising the need for the transformation of back office functions	Enables future year savings
Cultural services given time to rationalise the service	Enables future year savings
Adult Social Care given time to transform service	Enables future year savings

7.1.2 The effect of this base proposal is shown at Appendix A with the details of savings and growth at Appendices B and C respectively. A number of options are available around this proposal and can be included in the consultation paper.

7.1.3 The calculation of the Council Tax is that each 1% increase produces £291k. This means that each 1% below the planned 5% council tax increase widens the budget gap by £291k for next year and for the future. My advice is that the tax increase should remain at 5%, as planned.

Council Tax Increase	Produces £ 000	pence per week Band D dwelling
5%	1,455	94p
4.5%	1,310	84p
4%	1,164	76p
3.5%	1,019	66p

8. MATTERS FOR DECISION

8.1 To update the standstill budget for items at paragraphs 2 and 4.1 so that the budget gap becomes £7.661m.

8.2 Based on the draft proposal at paragraph 6, the Executive is invited to approve the service growth bids at Appendix C as part of an initial budget package for consultation.

B – Considerations		
see above		
C – Implications and Impacts		
1	Finance / Section 151	Author
2	Legal / Monitoring Officer	
3	Human Resources	
4	Property Services (see notes – separate document)	
5	Information and Communications Technology (ICT)	
	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 standstill budget and other budget information are updated for the final settlement and for other items.

Having considered the savings and growth proposals, an initial budget package has been prepared with a number of potential options for consultation.

D – Recommendation

That the Executive approves an initial budget proposal for formal consultation and delegates to the Head of Function (Resources) in consultation with the Portfolio Holder for Resources the authority to finalise the budget consultation document.

NAME OF AUTHOR OF REPORT: CLARE WILLIAMS

JOB TITLE: HEAD OF FUNCTION (RESOURCES)

DATE: 6 DECEMBER 2013

Appendices:

A - Summary of Draft Standstill Budget and Budget Gap 2014/15

B - Proposed Savings 2014/15

C - Summary of Proposed Growth 2014/15

Background papers

Welsh Government provisional settlement October 2013

Welsh Government final settlement December 2013

Summary of draft proposed budget 2014-15							
	2013/14 Current Base Budget	MTFP Identified Movements	Final Settlemen t changes	Draft Standstill Position after final settlement	Savings proposals (see Appendix B)	Growth Proposals (see Appendix C)	Proposed Budget
	£000	£000	£000	£000	£000	£000	£000
Directorate							
Lifelong Learning (including schools)	47,672	140		47,812	-1,501		46,311
Community Services	31,933	203		32,136	-1,894		30,242
Sustainable Development	21,347			21,347	-2,969		18,378
Deputy Chief Executive	13,583			13,583	-1,052		12,531
Corporate & Democratic Core	1,579			1,579			1,579
Total	116,114	343	0	116,457	-7,416	0	109,041
Corporate Finance							
Discretionary Rate Relief	50			50			50
Affordable Priorities Programme	-355			-355			-355
Levies	3,219			3,219			3,219
Capital Financing & Interest	7,185	598		7,783			7,783
Contribution to reserves	500	-500		0			0
	10,599	98	0	10,697	0	0	10,697
Contingencies b/f from 2013/14							
Welfare Reform	50	-45		5			5
Improvement Contingency	190			190			190
Cost of Change Contingency	500			500			500
Severance Contingency	1,000	-100		900			900
Salary & Grading Contingency	450			450			450
General Contingency	350	-298		52			52
	2,540	-443	0	2,097	0	0	2,097
Sub Total Standstill Budget	129,253	-2	0	129,251	-7,416	0	121,835
Pressures:							
- Demographic Change		500		500			500
- Council Tax Reduction Scheme		400		400			400
- Welfare Reform		77		77			77
- Schools Protection		318		318			318
Job Evaluation Contingency		1,300		1,300			1,300
Corporate Contingency for Inflation		2,685		2,685			2,685
Contribution from Reserves		-240		-240			-240
	0	5,040	0	5,040	0	0	5,040
Total before Savings	129,253	5,038	0	134,291	-7,416	0	126,875
Funded by:							
Aggregate External Funding	100,227	-3,795		96,432			96,432
Council Tax	28,023	1,630		29,653			29,653
Council Tax Reduction Scheme Grant	458	-458		0			0
Outcome Agreement Grant	545			545			545
Total Funding	129,253	-2,623	0	126,630	0	0	126,630
Funding Gap	0	7,661	0	7,661	0	0	245

APPENDIX B

Summary Of Proposed Savings	£'000
Lifelong Learning	
Education Service	
Central Education - Reduce Grant to Village Halls and Community Centres	-20
Central Education - Rationalise Youth Clubs	-24
Central Education - Reducing Support to Mudiad Meithrin and WPPA	-3
Central Education - Implementation of the SEN Task and Finish Group Recommendations for Support to Primary Integration	-80
Central Education - Increase Rent to Community Users in Jesse Hughes Youth Centre	-1
Central Education - Use of External Grant Funding for the Jesse Hughes Youth Centre	-20
Central Education - Cut Early Years Training Budget	-7
Central Education - Early Years Support for Centres	-13
Central Education - Reduction of Early Years Building Support - Reduce Repairs & Maintenance	-17
Central Education - Reduce Schools Admission Age from September 2014	-210
Central Education - Reduce Community Wardens Posts	-13
Central Education - Closure of Ysgol Llandonna	-82
Central Education - Utilisation of SEG Grant Administration	-35
Central Education - Stop Providing Youth Packs	-7
Central Education - Additional Resource Allocation for Education from RSG for Increase in the Number of FSM Eligibility	-469
Reduction in Delegated School's Budget	-500
Total	-1,501
Lifelong Learning Total	-1,501
Deputy Chief Executive	
Central Services	
Revenues & Benefits Changes to Court Costs Admin.	-23
Revenues & Benefits - Delete vacant income accountant post from the budget	-24
Finance: Staffing changes	-50
Finance: Accountancy restructuring support	-11
Finance: Renegotiate cash in transit contract	-12
Finance: Stop printing Council Tax leaflet	-5
Finance: Budget reduction printing & stationery	-25
Finance: Budget reduction NW Procurement Partnership	-18
Finance: Budget reduction computer equipment	-20
Finance: Budget reduction computer licences (Old finance system)	-7
Finance: Budget reduction travel expenses	-10
Finance: Other efficiency savings	-7
ICT - reduce staffing and running costs	-114
Chief Executive - HR Reduce Central Training Budget	-39
Chief Executive - HR Delete Admin. Post Workforce Development	-20
Chief Executive - Reduce Corporate Health & Safety Initiatives	-5
Chief Executive - Income from Annual Leave Purchase	-5
Legal - Merge Committee and Scrutiny Services management	-35
CDC - Members Allowance Savings	-88
CDC - Reduce budget for civic & ceremonial activities	-24
Legal - Removal of Vacant Post, Scrutiny Officer	-36
Policy - Reduce budget for the Anglesey Show	-11
Policy - Review staff structures in Policy, Member Services and Business Support Units	-75
Total	-664
Corporate	
Heads of Service	-138
Increase in RSG Re Social Services	-250
Total	-388

Deputy Chief Executive Total	-1,052
Sustainable Development	
Planning	
Reduce Supplies & Services	-5
Restructuring of Building Control - Reduce staffing by one post	-25
Restructuring of Building Control - Integration with Gwynedd	-15
Introduction of e-Planning	-20
Income from work associated with Ynys Ynni Programme	-75
Open Spaces - reduced spending on Countryside and Coast	-3
Total	-143
Public Protection	
Restructuring of Public Protection	-105
Income from work associated with Ynys Ynni Programme	-5
Reduce Supplies & Services	-10
Increased Fee's & Charges	-45
Total	-165
Waste	
Reduce costs of premises and transport at Penhesgyn Transfer Station	-50
Reduce Aftercare Budget at Penhesgyn Area 2	-20
Revised Waste Section works budget	-95
Amended waste collection methods from April 2014	-215
Financing of Biffa's purchase of new vehicles	-50
Staff Reductions	-58
Reduction in Residual Waste Tonnage	-140
Amendments to Public Conveniences Provision	-104
Penhesgyn Overtime Reduction	-20
Total	-752
Property	
Restructure Property Teams	-180
Rationalisation of Office Accommodation	-34
Reduction in Car and Travel Allowances	-35
Reduction in Industrial Estates and Sundry Properties Repairs & Maintenance	-31
Reduction in Cleaning Contract Costs	-40
Reduction in Admin Buildings Repairs and Maintenance	-39
Reduction in miscellaneous expenditure, Admin Buildings	-5
Reduction in Maritime Seasonal Staffing	-15
Reduction in Maritime Repairs and Maintenance	-30
Maitime Income	-5
Increase Industrial Estates Rent Income	-57
Total	-471
Highways and Transportation	
Fleet Management: Replace diesel fuelled vehicles with LPG fuelled vehicles	-15
Increase Parking Fees	-100
Reduced Bus Services	-89
Reduction in the Street Lighting Budget	-200
Reductions in Staffing	-129
Reduced numbers of School Crossing Patrols	-25
Reductions in Highway Maintenance	-475
Reduction in Traffic & Public Rights of Way	-25
Total	-1,058
Economic Development	
Operating Budget	-85
Staffing Budget	-54
Total	-139
Leisure	
Operational Budget	-41
Staffing Budget	-106
Inserting Income Budgets to meet current receipts	-74
Additional 2% Income increase for fees and charges	-20
Total	-241
Sustainable Development Total	-2,969

Community	
Housing	
Budget Realignment with HRA	-52
Reduction in the use of an affordable housing advisor	-15
Registered Social Landlords contribution towards the running costs of administering Common Housing Register	-15
Housing - Freeze Housing Visitor Officer post	-15
Housing - Freeze Housing Options (Homelessness) post	-10
Housing - Reduce bed and breakfast costs by refurbishing 2 council dwellings for temporary accommodation	-10
Total	-117
Social Services	
Adult Social Care - Savings still to be confirmed	-1,048
Adult social Care – CCTV	-177
Children's Services - savings still to be confirmed	-352
Total	-1,577
Culture	
Remodelling Library Service	-95
Staff Retirements at Oriel Ynys Môn	-22
Reduction in grade and hours of an existing post after departure of a member of staff	-5
Reduce opening of South Stack Lighthouse from 7 days to 6 in line with other seasonal sites	-4
Reduction in Head of Service costs	-36
Income generation - overnight paranormal sessions at Beaumaris Gaol	-5
Cut in general promotions budget	-4
Reduce opening of Beaumaris Gaol from 7 days to 6 in line with other seasonal sites	-3
Leisure & Heritage central administration general budget reduction	-12
Reduction in Art grant distribution to outside bodies	-5
Reduce costs of Family Information Service	-2
Miscellaneous reduction from Head of Service budget and central travel	-3
General reduction in supporting budgets	-4
Total	-200
Community Total	-1,894
Total Savings Proposals	-7,416
Total Savings Target	-7,750

APPENDIX C

	Summary of Growth Bids	£'000	Comments
	Lifelong Learning		
1	Delegated School Budget for Canolfan Y Bont 2014/2015.	158	Increase to base budget - will increase the budget gap.
		158	
	Deputy Chief Executive		
2	Human Resources - Budget shortfall Head of Profession	20	Permanent change funded from Performance Improvement Contingency
3	Revenues & Benefits - Reduction HB Admin Grant	48	Increase to base budget - will increase the budget gap.
		68	
	Sustainable Development		
4	Planning & Public Protection - Building Regulations Fees	50	Increase to base budget - will increase the budget gap.
		50	
	Total	276	

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