

## ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO	MEETING OF THE EXECUTIVE
DATE	10 FEBRUARY 2014
SUBJECT	REVENUE BUDGET MONITORING, QUARTER 3 2013/14
PORTFOLIO HOLDER(S)	COUNCILLOR HYWEL EIFION JONES
LEAD OFFICER(S)	CLARE WILLIAMS
CONTACT OFFICER	BARRY WILLIAMS

### Nature and reason for reporting:

This report outlines the position on the Council's revenue spending for the third 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 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
4. The overall projected financial position for 2013/14 is a small overspend of £451k and explanations for significant variances are included within the report.
5. Funding for the year from Council Tax and the Outcome Agreement Grant from the Welsh Government is expected to increase in the year by £293k and £181k respectively, a total of £474k.
6. Taken together these changes will add £23k to the overall balance in 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 overspend on services of £451k. A summary identifying the main variances is shown below.

<b>Summary projected Variance at 31/03/14 based on Quarter 3 Financial Information</b>	
	<b>Under/ (Over) Spend £'000</b>
Central Education	125
Social Care	553
Leisure and Culture	(90)
Highways	(341)
Planning	(265)
Public Protection	(138)
Property	(58)
Economic Development (Maritime)	(160)
Benefits Granted	(286)
Other	209
	<b>(451)</b>

### 3. Explanation of significant variances

#### **Central Education £125k projected underspend (Q2 £129k underspend)**

The underspend is due to:-

	<b>Under/ (Over) Spend £'000</b>
Post 16 grant funding	100
Transport Costs (Buses & Taxis)	(145)
Repair & maintenance to premises (Primary & Secondary)	150
Home Tuition	50
Early Years Provision	50
Primary School Meals – income target not met	(200)
Secondary School Meals – additional contract cost	(30)
Admin Costs - staffing, consultancy and savings not achieved	(315)
Cymorth	120
Youth Service	100
Other LA schools	200
Other miscellaneous items	45
	<b>125</b>

#### **Social Care £553k underspend (Q2 - £634k underspend)**

This service is now forecasting an underspend of £553k, a reduction of £81k from the position reported at quarter 2. The projected underspend is summarised in the following table:-

	<b>Q3 £'000</b>	<b>Q2 £'000</b>	<b>Movement £'000</b>
Management & Support Services	20	42	(22)
Children & Families	295	530	(235)
Services For The Elderly	238	62	176
<b>Total</b>	<b>553</b>	<b>634</b>	<b>(81)</b>

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

#### **Children and Families**

The forecast saving in the costs of Children being Looked after reported in quarter 2 of £267k has now been revised £28k – a reduction of £239k. A similar position has occurred within Children and Families where a forecast saving of £237k at quarter 2 has now been revised downwards to £130k. The main reason for this change is due to work being carried out to establish an accurate position on children in care to cover adoption. Foster care, special guardianship out-of-county and non-standard placements. This worsening position has been offset to a degree by increases to underspends in Family Support (£12k), Children with Disabilities (£46k) and in a reduction in the forecast overspend for the Potential Project (£52k), following the application of grant funding from the European Social Fund. Overall therefore the underspend at quarter 3 is £235k less than that reported in the previous quarter.

## **Adult Social Care**

Reductions in forecast spending on Services for the Elderly, Adults with Physical Disabilities and a reduction in the costs of Môn Care, the Council's provider unit have been maintained. A further improvement is expected by the year-end due to continuing reduced spending within Môn Care (£238k). This is largely due to a reduction in home care staffing and travel as a result of a move towards re-ablement, coupled with staff turnover and reduced hours and an underspend on Council owned residential homes due to lower occupancy arising from a move away from residential care. There have been offsetting increases overspends in Adults with Learning Disabilities (£16k) and Adults with Mental Health Needs (£50k) 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 £90k (Q2 £27k overspend)**

The Leisure centres are now forecasting a break-even position by the year-end, meaning that the forecast underspend at quarter 2 will not now materialise. The position on the remaining variances reported at quarter 2 remains largely unaltered with parks and outdoor facilities a £60k overspend, Libraries an underspend of £40k, Leisure Services Admin an underspend of £40k, Golf Course an overspend of £55k and Archives an overspend £20k. An expected overspend of £50k has been confirmed at Oriel Môn where an income shortfall is expected due to a reduction in funding from the Charitable Trust to the Museum. Income targets to mitigate this loss of funding are proving difficult to achieve as, despite an increase in visitor numbers, individuals are spending less due to the economic downturn.

## **Highways overspend £341k (Q2 £183k overspend)**

The overspend is due to the budgeted income not being achieved and a significant overspend on emergency highway works (£230k). Based on quarter 3 figures the reduction in income contributing to the overspend will occur in Development Control (£82k), Management and Design Fees for highways maintenance (£29k).

## **Planning and Public Protection overspend £403k (Q2 £288k overspend)**

The overspend has increased since quarter 2 across a number of areas:-

### **Planning**

Forecast shortfall in Building Control Fee Income is now £43k, an improvement of £17k;  
Forecast overspend on staffing costs in Planning Control, Building Control, Implementation and Conservation and Biodiversity £54k, an increased overspend of £22k  
Forecast overspend for Policy Unit Collaboration £23k  
Pilot Cottages Renovation £38k

### **Public Protection**

The Forecast shortfall in income from Environmental Health, Pest Control and Licences has increased overall by £30k since quarter 2. The forecast overspend of £34k against the Llangefni Market budget following transfer of responsibility to the Llangefni Social Enterprise Company is unaltered. The budget for this activity will need to be adjusted to reflect this change in 2013/14 and later years.

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

**Property overspend £58k (Q2 overspend £117k)**

The forecast deficit on Property has reduced by £59k since quarter 2 due to increased rental income from investment properties (£25k) and a reduction in costs for the Council's cleaning contract £65k. This has been offset by an increased deficit on the canteen £17k and a £14k increase in energy costs. The remaining forecasts for an the income shortfall on industrial estates, the non-delivery of savings within Property Admin and other increases in costs in Admin. Buildings reported at quarter 2, remain unchanged.

**Economic Development (Maritime) overspend £160k (Q2 £155k)**

The Maritime budget has been moved from Property Services into Economic Development. The deficit on the service has increased slightly by £5k due to the continuing under-achievement of income for goods for sale

**Benefits Granted £286k (£246k Council Tax; £40k 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 £246k, a £24k reduction from the forecast in Quarter 2. The yield from Council Tax receipts in 2013/14 is however expected to be £293k more than forecast at Quarter 2 and this surplus is available to fund this shortfall (see also paragraph 4).

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 £40k in excess of the DWP grant of £136k, a reduction of £40k over the quarter 2 forecast.

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 quarter 2 report reported that the Corporate Finance budget reduced by £343k following the virement, or transfer of budget, from the corporate contingency to service budgets to provide resources to meet overspends within Adult Social Care, Housing and Education. There are no further movements from this contingency in quarter 3.

Following the budget setting process for 2014/15 however, a series of commitments have been identified that will be met from reserves and contingencies in 2013/14 as follows:-

	Amount to be used £'000	Available Balance £'000
<b><u>Cost of Change Contingency</u></b>		
<u>Strategic Service Changes (part year)</u>		
Project Manager (Education - Reducing Surplus Places)		
Strategic Asset Programme Manager		
Transformation and Governance Business Manager	53	
Strategic Manager ASC		
<u>DPA Action Plan for Improvement</u>		
HR - 0.5 post to August 2014	5	
ICT - 1 post @ SO1 to August 2014	9	
Project Support to the Information Governance Project Board	12	
<b>Total</b>	<b>79</b>	<b>500</b>
<b><u>Performance Improvement Contingency</u></b>		
Corporate Programme Manager	60	
<b>Total</b>	<b>60</b>	<b>190</b>
<b><u>Cost of Change Reserve</u></b>		
Children's Services (Fostering)	40	
Education Welfare Officer	40	
<b>Total</b>	<b>80</b>	<b>710</b>
<b><u>New Ledger Reserve</u></b>		
New Ledger Team	49	
<b>Total</b>	<b>49</b>	<b>317</b>
<b><u>Job Evaluation Reserve</u></b>		
Costs incurred to date	170	
<b>Total</b>	<b>170</b>	<b>2,667</b>

Members are asked to approve the use of reserves and contingencies at quarter 3 as outlined. There may well be the requirement for further use of reserves and contingencies before the end of the financial year which will be submitted to the Executive for approval at the year-end.

**Other net underspends £209k (Q2 £51k 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 £161k underspend. This underspend has increased from the reported £84k underspend in quarter 2 and is due mainly to increased savings in landfill costs and income from gas management at the Penhesgyn site £82k.
- Housing £52k underspend. The quarter 3 position for this service is showing an overspend of £181k but this is due to spending on Supporting People, which will be funded from a specific reserve at the year-end. The out-turn position is largely due to projected savings on Housing Strategy and Homelessness. Although Homelessness demand has not reached expected levels this position could change by the end of the financial year and if this should happen the forecast underspend will reduce.
- IICT £118k underspend. This relates to staffing savings of £130k, offset by a small reduction in income £12k.
- Legal and Committee Services £98k underspend, which is £5k less than the quarter 2 forecast. The underspend relates 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 £70k overspend due mainly to increased staffing and consultancy costs. The figure is £50k less than the quarter 2 position due to a saving in fees from the North West Procurement Partnership.
  - Corporate Management £50k overspend arising from a potential shortfall in delivery of corporate savings. This figure is unchanged from Quarter 2
  - Human Resources £40k overspend, an increase of £17k since quarter 2 due to under-funding for the post of Head of Profession following the Senior Management Review.
  - Policy £64k overspend due to increased salary costs £20k, consultancy/legal fees £12k and other increases in running costs £32k. This represents ££7k reduction in the overspend reported at quarter 2
4. In the 'Funded By' section of Appendix A, Council Tax Income is now expected to yield an additional £293k in the year. The position confirms the over-achievement of income highlighted, but not quantified, in the quarter 2 report.

Also within this section, the Welsh Government has confirmed that the Council will receive substantially all of its Outcome Agreement Grant for financial year 2012/13. This grant, totalling £726k, is paid annually in arrears and means that for 2013-14 the grant received will be £181k more than the budgeted amount of £545k. As this is the second year that the Council has received its full entitlement to this grant, the budget for 2014/15 now includes funding from this grant at the higher level of £726k.

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

<b>CH - Summary</b>
<p>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.</p> <p>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.</p>

**D - Recommendation**

It is recommended that:

- The position set out in respect of financial performance to date, the projected year-end deficit, actions being taken to address this, be noted and monitored.
- That the Executive approve the use of reserves and contingencies to quarter 3 in 2013/14 as stated in the report in paragraph B3.

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**Date: 24 January 2014**

**Appendices:**

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

**Background papers**

2013/14 Budget  
2013/14 Budget Monitoring Reports - Quarters 1 and 2.

APPENDIX A

FINANCIAL PERFORMANCE APRIL TO DECEMBER 2013 AND PROJECTED OUTTURN 2013/14							
Directorate	Actual & Commitments Q3 £'000	Profiled Q3 £'000	Variance Q3 £'000		Projected Outturn £'000	Budget For Year £'000	Projected Variance For Year £'000
<b>Lifelong Learning</b>							
Delegated Schools Budget					43,354	43,354	0
Central Education	2,385	5,245	2,860		7,979	8,104	125
	<b>2,385</b>	<b>5,245</b>	<b>2,860</b>		<b>51,333</b>	<b>51,458</b>	<b>125</b>
<b>Communities</b>							
Social Care	20,462	20,100	-362		29,678	30,231	553
Housing	1,285	1,104	-181		1,239	1,291	52
	<b>21,747</b>	<b>21,204</b>	<b>-543</b>		<b>30,917</b>	<b>31,522</b>	<b>605</b>
<b>Sustainable Development</b>							
Economic Development	614	711	97		1,602	1,602	0
Maritime	145	264	119		419	259	-160
Highways	9,037	8,962	-75		10,969	10,628	-341
Planning & Public Protection	2,429	2,104	-325		3,491	3,088	-403
Property	885	985	100		619	561	-58
Rechargeable Works	0	0	0		0	0	0
Directorate Management	43	43	0		57	57	0
Leisure and Culture	2,316	2,287	-29		4,803	4,713	-90
Waste	5,591	5,719	128		8,426	8,587	161
	<b>21,060</b>	<b>21,075</b>	<b>15</b>		<b>30,386</b>	<b>29,495</b>	<b>-891</b>
<b>Deputy Chief Executive</b>							
Corporate- Other Services	1,155	1,253	98		2,030	2,016	-14
Corporate And Democratic Costs	667	739	72		2,064	2,154	90
Corporate Management	834	723	-111		1,035	985	-50
Audit	170	166	-4		4	0	-4
Finance - Excl Benefits Granted	2,054	2,050	-4		1,036	966	-70
Finance - Benefits Granted	8,040	5,984	-2,056		5,599	5,313	-286
Human Resources	596	671	75		40	0	-40
ICT	1,168	1,321	153		-118	0	118
Legal and Administration	1,057	1,105	48		407	437	30
Policy	487	460	-27		64	0	-64
Corporate Finance	2,985	2,985	0		4,907	4,907	0
	<b>19,213</b>	<b>17,457</b>	<b>-1,756</b>		<b>17,068</b>	<b>16,778</b>	<b>-290</b>
<b>TOTAL</b>	<b>64,405</b>	<b>64,981</b>	<b>576</b>		<b>129,704</b>	<b>129,253</b>	<b>-451</b>

FUNDED BY	Projected Out-turn	Budget for Year	Variance for year
Council Tax Income	28,316	28,023	293
Special Grant	458	458	0
Outcome Agreement Grant	726	545	181
Revenue Support Grant	22,024	22,024	0
National Non-Domestic Rate Pool	78,203	78,203	0
	<b>129,727</b>	<b>129,253</b>	<b>474</b>