

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>14 JULY 2014</b>
<b>SUBJECT:</b>	<b>MEDIUM TERM FINANCIAL PLAN AND REVENUE BUDGET 2015/16</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>CLLR H E JONES</b>
<b>HEAD OF SERVICE:</b>	<b>RICHARD MICKLEWRIGHT</b>
<b>REPORT AUTHOR:</b>	<b>RICHARD MICKLEWRIGHT</b>
<b>TEL:</b>	<b>2601</b>
<b>E-MAIL:</b>	<a href="mailto:RichardMicklewright@anglesey.gov.uk">RichardMicklewright@anglesey.gov.uk</a>
<b>LOCAL MEMBERS:</b>	

<b>A - Recommendation/s and reason/s</b>	
The Executive is invited to note and adopt the report.	
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>	
Not applicable.	
<b>C - Why is this a decision for the Executive?</b>	
The matter is delegated to the Executive.	
<b>CH - Is this decision consistent with policy approved by the full Council?</b>	
The matter is delegated to the Executive.	
<b>D - Is this decision within the budget approved by the Council?</b>	
The decision relates to the setting of the annual budget.	
<b>DD - Who did you consult? What did they say?</b>	
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)
2	Finance / Section 151 (mandatory) S151 Officer report.
3	Legal / Monitoring Officer (mandatory)
4	Human Resources (HR)
5	Property
6	Information Communication Technology (ICT)
7	Scrutiny
8	Local Members
9	Any external bodies / other/s
<b>E - Risks and any mitigation (if relevant)</b>	
1	Economic
2	Anti-poverty
3	Crime and Disorder
4	Environmental
5	Equalities
6	Outcome Agreements
7	Other
<b>F - Appendices:</b>	
<b>FF - Background papers (please contact the author of the Report for any further information):</b>	

## INTRODUCTION

This report provides background to the delivery of the Council's Revenue budget for 2015/16 and sets out key features for the delivery process.

In 2014/15, the Council has a revenue budget of £155m gross; £126m net excluding the HRA. Savings targets reported to Members during 2013/14 were :-

	£m
2014/15	6.5
2015/16	5.1
2016/17	5.0
	<b>16.6</b>

As part of the budget setting for 2014/15, a savings efficiency schedule was adopted and successful compliance with the budget for this year is dependent to an extent on achievement of those savings. In summary, the savings schedule required the delivery of £6m of cost reduction.

## ASSUMPTIONS

In revising the Council's Medium Term Financial Plan and, hence, its savings target, a number of assumptions have to be made on key variables. These are set out below :-

<b>Inflation</b>	An inflation rate of 2.5% has been assumed for the purchase of goods and services apart from energy which is 10%. It needs to be borne in mind that inflation as experienced by an organisation such as the Council will differ from the RPI which is essentially a measure of domestic inflation.
<b>Pay Award</b>	A pay award of 1% for all employees has been built into the projections.
<b>Interest Rates</b>	Interest rates have been at an historical low for a very considerable period of time and while there is speculation that they may rise at some undefined point in time, no increase can be predicted with confidence and the assumption has been made, therefore, that there will be no increase in the near future.
<b>Fees and Charges</b>	The review and setting of fees and charges has been delegated to services. There is evidence that this has not been as effective as it might have been. Comprehensive analysis and discussions with departments about what is achievable will be carried out and a further report brought to Members.
<b>Council Tax</b>	Calculations have been based on a provisional assumption of a Council Tax rate of 5% for 2015/16 and 2% for following years.
<b>Government Grant</b>	A reduction of 4.5% has been assumed for the coming round. This equates to £1.5m. A further reduction of 1.5% for following years has been assumed.
<b>Growth</b>	<p>Given that the Council has to achieve significant savings, the MTFP has been calculated on the basis that budget growth for services will, in general, not be permitted. Clearly, in limited situations, budgets are demand-led and, in other limited situations, growth may be unavoidable for various reasons. The budget projections produced in due course will include a schedule of growth terms for Members' consideration and, in the absence of Member approval on a case by case basis, will not be incorporated in budgets.</p> <p>Externally driven growth items over which the Council has no control currently include the following.</p>

<b>Teachers Pensions</b>	Contributions are increasing from 14.1% to 16.2% from September 2015. This is a national scheme over which the Council has no control. The cost of this will be £255k in 2015/16 which represents $\frac{7}{12}$ <sup>th</sup> to reflect the school year. The full year effect is £437k.
<b>NI</b>	An adjustment to NI employers' contributions comes into effect from April 2015 with the effect increasing by £70 per employee. The cost of this will be £229k.

## PROCESS AND TIMETABLE

The key dates in the production of the 2015/16 budget are November/ December 2014 when a draft budget for consultation purposes will need to be presented to the Executive, and February/March 2015 when the finalised budget and the setting of Council Tax will be considered by the Executive and full Council.

Papers to be presented to Members in November/December will include :-

- i) Draft revenue budget projections;
- ii) Schedule of fees and charges;
- iii) Schedule of reserves and balances;
- iv) Schedule of growth possibilities;
- v) Schedule of savings to be delivered.

The Housing Revenue Account will also be reported in that report. The proposed capital programme for 2015/16 interacts with the revenue budget and will also be reported, albeit as a separate report.

A number of strands of activity are being implemented to identify possible savings for Members' consideration. All proposals will be centrally collated and brought to Executive in due course. These include:-

- (i) **Service Challenges**  
These are already under way and will allow Members to challenge Heads of Service in a cost-cutting and service delivery context. It will also potentially identify cross-cutting issues that can be beneficially addressed but which are not service specific.
- (ii) **Employees Suggestions**  
In any organisation the most detailed knowledge of what opportunities exist are in the heads of its employees and it is proposed to tap into that knowledge via a budget suggestion scheme process co-ordinated through the Resources Function.
- (iii) **Budget Reviews**  
All budgets and performance against them over recent years will be reviewed by accountants and any recurring indication that budgets can be adjusted without detriment to service delivery will be reported.
- (iv) **Subjective Reviews**  
Traditionally, budgets are looked at on a service by service basis. However, they will also be examined on a cross-cutting basis across the Council as a whole and any potential procurement or reorganisation advantages identified. Some issues have already been identified under service challenges.
- (v) **Zero Based Budgeting (ZBB)**  
ZBB has the potential to yield significant savings in many organisations and proposals will be brought forward to introduce a programme of these. It has to be accepted that ZBB, if done properly, is a labour intensive process and cannot readily be done for the Council as a whole. The proposals will, therefore, focus on identifying a number of service areas where it could be piloted.
- (vi) **Other Projects**  
There are a number of other pieces of work already under way aimed at, e.g. transformational change or better procurement that should deliver financial benefits. These will continue on their respective timetables but any financial benefits identified will be incorporated in budget figures.

## **RESERVES AND BALANCES**

The Council needs to review its reserves and balances as the number of reserves operated by the Council is large, more so than is normally the case, and some of them are for relatively small amounts. There is also a need to review the minimum level of balances and a report on this will be brought forward in September.

## **DEPUTY S151 OFFICER**

Under the provisions of S114 of the Local Government Finance Act 1988, the Council is required to have a Deputy S151 Officer. Nomination of the Deputy is, in law, a matter for the S151 Officer. Notwithstanding this, the Council has not had a Deputy S151 Officer for some time due to the Accountancy Service Manager post being unfilled.

With the appointment of Bethan Hughes Owen to the post on an interim basis, the Executive is invited to note that Mrs Owen has now been nominated as the Council's Deputy S151 Officer.

**Medium Term Financial Projections as per Settlement 14/15  
Council Tax Increase of 5%, Welsh Government Reduction 4.5%**

	2014/15 £'000's	2015/16 £'000's	2016/17 £'000's	2017/18 £'000's
<b>Current / Revised Spending Levels B/F</b>	<b>129,253</b>	<b>126,420</b>	<b>123,806</b>	<b>123,045</b>
<b>Inescapable Pressures:</b>				
Schools Inflation and Protection	172	172	0	0
Teachers' Pension Adj. Sept 2015 onwards	0	255	182	0
NI Rebates @£70 per employee	0	229	0	0
Capital Financing and Interest	598	173	173	173
Identified Pressures	567	0	0	0
Council Tax Reduction Scheme		400	400	0
<b>Income Increases:</b>				
Employees 1% Pay Award	74	75	72	73
Cost Increases	2,792	2,416	2,564	2,620
Contribution to reserves	-500	0	0	0
<b>Forecast Other Budget Changes:</b>				
Budget Re-alignment	-975	0	0	0
Job Evaluation	1,300	700	525	
Severance Contingency	-1,000			
General Contingency	-57	0	0	0
Other Growth	459			
Non achievement of previous year's targets 10%		625		
<b>Total Changes to Base spending levels</b>	<b>3,430</b>	<b>5,045</b>	<b>3,916</b>	<b>2,866</b>
<b>Revised Spending Levels C/F</b>	<b>132,683</b>	<b>131,465</b>	<b>127,722</b>	<b>125,911</b>
<b>Financed By:</b>				
Welsh Government	-96,432	-92,093	-90,711	-89,351
Council Tax	-29,262	-30,988	-31,607	-32,239
Outcome Agreement Grant	-726	-726	-726	-726
<b>Total Funding including the use of Reserves from Previous years</b>	<b>-126,420</b>	<b>-123,806</b>	<b>-123,045</b>	<b>-122,316</b>
<b>Additional savings needed to balance budget or additional use of reserves</b>	<b>6,263</b>	<b>7,659</b>	<b>4,678</b>	<b>3,595</b>