

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	SCRUTINY COMMITTEE AND THE EXECUTIVE COMMITTEE
DATE:	15 OCTOBER 2014 AND 20 OCTOBER 2014
SUBJECT:	BUDGET 2015/16
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
HEAD OF SERVICE:	RICHARD MICKLEWRIGHT
REPORT AUTHOR:	BETHAN HUGHES OWEN
TEL:	01248 752663
E-MAIL:	Bethanhughesowen@anglesey.gov.uk
LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

The Executive is invited to note and adopt the report.

BACKGROUND

- 1.1 In the Report to the Executive dated 14 July 2014 the estimated budget shortfall was £7.659m.
- 1.2 The Minister for Local Government and Government Business recently wrote to Authorities suggesting they consider how they would respond to reductions of up to -4.5%, this was the basis then used for the calculations. This assumption has not changed.

The Welsh Government provisional settlement is expected to be announced in October. It is at this point where the Council will have a more specific indication of the level of its funding for 2015/16.

BUDGET 2015/16

- 2.1 The Welsh Government provisional settlement is due to be announced in October 2014 and upon this announcement the Council will have a more accurate indication of its funding for 2015/16, however it is important to note that the Final Settlement will not be announced until December 2014.
- 2.2 The Council is currently working to a budget shortfall in 2015/16 of £7.659m and over three years a budget shortfall of £16.6m.
- 2.3 On the 1 September each of the Service Departments were provided with a savings target of 10% based upon the gross budgets calculation, the deadline for the submission of the efficiencies was the 30 September 2014. A present the Service Accountants are evaluating the proposals and a list will be presented to the Executive for consultation in November.
- 2.4 A number of strands of activity have taken place over the summer months, to identify possible savings for Members' consideration. All proposals are being collated centrally and will be presented to the Executive in November having had full analytical scrutiny by the accountants. Below is a summary of the events/activities that have taken place.
 - (i) **Service Challenges**

These have taken place for all services; they allowed the members to challenge the Heads of Service in a cost cutting and service delivery context. The sum of the efficiencies identified during this exercise amounted to £4.002m. These will be put forward for consideration to the members in due course.
 - (ii) **Employees Suggestions**

A Questionnaire was circulated amongst the staff of the Authority through an email exercise and a number of suggestions were obtained. Along side this exercise staff suggestion boxes were placed in various areas within the Authority asking staff to provide/identify potential areas of efficiency savings. The sum identified from the staff suggestions amounted to £335k, again these will be put forward for consideration to members in due course.

(iii) Budget Reviews

All budgets and performance against them are currently being reviewed by accountants, and any adjustments will be reported in due course, those already identified to date amount to approximately £400k.

(iv) Subjective Reviews

Traditionally, budgets are looked on at a service by service basis. However they are also being examined on a cross – cutting basis across the council as a whole and procurement savings identified are currently being investigated and in some cases going out to tender one example of this is the Banking tender, which is currently being scoped. An exercise in reviewing the Supplies and Services is also underway and has highlighted potential areas for efficiency savings. This will be presented in the paper on the Budget in November 2014.

(v) Zero Based Budgeting (ZBB)

ZBB has the potential to yield significant savings in many organisations. ZBB is a labour intensive process and cannot be readily done for the council as a whole. It is important to note that conducting a ZBB may identify that a service may require additional funding and not yield any savings. The two identified services areas to under go ZBB are Maritime and Culture.

(vi) Other Projects

There are a number of these other pieces of work already under way with the aim of identifying efficiencies, e.g the Transformational Board and procurement project, the procurement project is expecting efficiency in the region of £264k over three years.

3. Medium Term Financial Plan - Updated

3.1 The Council's updated Medium Term Financial highlights the need to make savings of £7.791m for the period 2015/16. This is based upon the Welsh Government reducing the Revenue Support Grant by -4.5% and a total savings of £15.266m over the next three years. The assumptions are based on the following:-

- Council tax increase of 5%
- Assumed decrease in grant funding of -4.5% (All Wales average decrease)
- Inflation assumption as follows:-
 - Teaching and non teaching pay award of 1%
 - General price increases of 0%
- Contract inflation only
- Outcome Agreement grant will be received but at 2014/15 level.
- Schools Protection 0.6%

3.2 In the July 2014 paper to the Executive the MTFP assumption was that Council Tax would increase by 5% each year. In 2014/15 the Council set an increase of 4.5% which is above the average increase across Wales of 4.2%. The autumn consultation will again offer an option to increase Council Tax by 5% an increase of 5% for a Band D property equates to around £49 per year or 94p per week. The current Council Tax level is amongst one of the lowest in England and Wales and these increases are proposed given the massive reduction in anticipated Wales Government funding, and also the short notice provided of such a major change.

3.3 Welsh Government has made a commitment to increase Schools budgets by 0.6% for 2015/16. This is the amount that it is proposed to include in the budget for 2015/16 by the Council.

3.4 A copy of the latest MTFP is attached in Appendix A.

B - What other options did you consider and why did you reject them and/or opt for this option?		
n/a		
C - Why is this a decision for the Executive?		
This is a matter delegated to the executive.		
CH - Is this decision consistent with policy approved by the full Council?		
Yes – The The matter is delegated to the Executive		
D - Is this decision within the budget approved by the Council?		
Yes – The decision relates to the setting of the annual budget.		
DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No comment
2	Finance / Section 151 (mandatory)	This is a S151 Report
3	Legal / Monitoring Officer (mandatory)	No comment
4	Human Resources (HR)	No comment
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	n/a
3	Crime and Disorder	n/a
4	Environmental	n/a
5	Equalities	n/a
6	Outcome Agreements	n/a
7	Other	n/a
F - Appendices:		
Appendix A: Updated MTFP		
FF - Background papers (please contact the author of the Report for any further information):		

Medium Term Financial Projection - Updated
Council Tax Increase of 5%
Welsh Government Grant (RSG) Reduction of 4.5%

	2015/16 £'000's	2016/17 £'000's	2017/18 £'000's
Current / Revised Spending Levels B/F	126,670	123,806	123,045
Pressures:			
Schools Inflation and Protection	172	0	0
Teachers Pension Adj Sept 2015 onwards	255	182	0
NI Rebates @ £70 per employee	229	0	0
Capital Financing and Interest	173	173	173
Council Tax Reduction Scheme	400	400	0
Employees 1% Pay Award	708	715	722
Cost Increases	500	500	500
Demographic Changes	500	500	500
Job Evaluation	700	525	
Non achievement of previous years targets 21%/10%/10%	1,290	715	380
Total Changes to Base spending levels	4,927	3,710	2,275
Revised Spending Levels C/F	131,597	127,516	125,320
Financed By:			
Welsh Government	-92,093	-90,711	-89,351
Council Tax	-30,988	-31,607	-32,239
Outcome Agreement Grant	-726	-726	-726
Total Funding including the use of Reserves from Previous years	-123,806	-123,045	-122,316
Additional savings needed to balance budget or additional use of reserves	7,791	4,472	3,004
Potential Savings Identified through Service Reviews			
Service Level Adjustments	693		
Service Reductions	2,277		
Procurement / Contract Amendments	125		250
Income Generation	92		
Staffing Adjustments	815		
	4,002		250
Potential Savings Identified from the Staff Surveys	355		
Procurement Proposals	64	100	100
Corporate Budget Reviews	400		
Potential additional savings needed to balance the budget	2,970	4,372	2,654