

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	3 NOVEMBER 2014
SUBJECT:	REVENUE BUDGET MONITORING, QUARTER 2 2014/15
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
HEAD OF SERVICE:	RICHARD MICKLEWRIGHT / BETHAN HUGHES OWEN
REPORT AUTHOR:	BEN DAVIES
TEL:	01248 752610
E-MAIL:	BenDavies@anglesey.gov.uk
LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. In February 2014, the Council set a net budget for 2014/15 with net service expenditure of £126.7m to be funded from council tax income and general grants.
2. The budget for 2014/15 included required savings of £6.3m. These have been incorporated into the individual service budgets and achievement or non-achievement of these is reflected in the net under/overspends shown.
3. This report sets out the financial performance of the Council's services for the first half 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.
4. The overall projected financial position for 2014/15 is an overspend of £456k and explanations for significant variances are included within the report.
5. It is recommended that the following are noted:-
 - (i) the position set out in respect of financial performance to date;
 - (ii) the projected year end deficit; and
 - (iii) actions being taken to address this.
6. The Senior Leadership Team is requested to develop proposals to bring the Council back within budget in 2014/15 and to report these to the next Executive.

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 matter is delegated to the Executive.

CH - Is this decision consistent with policy approved by the full Council?

Yes

D - Is this decision within the budget approved by the Council?

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 issues raised
2	Finance / Section 151 (mandatory)	n/a – this is Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	No issues raised
4	Human Resources (HR)	
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	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix A - Revenue Budget Monitoring Report – Quarter 2, 2014/15		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> • 2014/15 revenue budget (as recommended by this Committee on 10 February 2014 and adopted by the the County Council in February 2014); and • 2014/15 quarter 1 revenue budget monitoring report (as presented to, and accepted by, this Committee on 8 September 2014). 		

REVENUE BUDGET MONITORING – QUARTER 2 2014/15

1. General Balance – Opening Position and Planned Contribution in 2014/15

1.1 As reported to this Committee on 30th September 2014, the out-turn position for 2013/14 was significantly better than expected; so that the general balance at the start of the current financial year stood at £5.7m.

2. Quarter 2 – Financial Performance by Service

2.1 Details of the financial performance by service for the first half of the year, and the projected out-turn position for each is set out in Annex A. The overall forecast is for a net overspend on the services of £456k. The table below summarises the variances.

Summary of projected variances at 31 March 2015 based upon financial information as at October 2014	
	(Under)/ Overspend £000
Central Education	(318)
Social Care	(645)
Highways	152
Planning & Public Protection	163
Corporate – other services	168
Deputy Chief Executive's Office	144
Finance (excl. Benefits Granted)	757
ICT	(188)
Other	222
Net	456

3. Explanation of Significant Variances

3.1 Lifelong Learning

3.1.1 Central Education

3.1.1.1 This service was underspent by £167k (5%) during the first half of the year. The forecast for the year end is an underspend of £318k (4%). The most significant reasons for the forecast underspend are as follows:-

- Home tuition is projected to be underspent on staff costs, premises hire, consultancy and taxis, resulting in an underspend £100k (22%).
- Primary school meals are projected to be underspent by £65k (13%) due to the new cating contract which is proving to have enhanced cost effectiveness.
- Out of county costs are forecast to be underspent by £180k (16%) by the year end, although this is a demand led budget and there is, therefore, a degree of uncertainty when forecasting.
- The above underspends are forecast to be countered by the forecast £130k overspend relating to consultancy services provided by Cynnal (36%).

3.1.2 Culture

3.1.2.1 This service was £14k (2%) overspent in the period to 30 September 2014, with this forecast to increase to £55k (2%) by the year end. The main reason for this is that Oriel Ynys Môn is projected to be £100k overspent due to non-achievement of income targets, which were, for this year, reflecting expectations following on from the Venice exhibition in 2013/14. This will be mitigated to a degree by the projected underspend on the library service of £50k which is largely attributable to a vacant post.

3.2 Communities

3.2.1 Social Care

3.2.1.1 This service was £582k (4%) underspent for the first half of the year, with this forecast to increase to £644k (2%) for the year as a whole. The main areas of forecast underspend are Services for the Elderly (£465k, 8%) and the Provider Unit (£213k, 3%), due to savings on employee costs, over achievement of income and reduced repairs and maintenance costs. The Services for the Elderly is a volatile area and a substantial amount of work has been performed to improve the projections over all client groups as well as realigning budgets between Residential Care and Home Care to follow demand; this work has now been finalised and a more consistent picture should be seen going forward. The Children and Young People's service budget is expected to be on budget for the year and the service is working closely with the finance service to ensure that the projected costs for out of county placements are as accurate as possible.

3.2.2 Housing (Council Fund)

3.2.2.1 This service was underspent by £52k (6%) in the first half of the year and is forecast to be underspent by £52k (21%) by the year end. This is in part due to vacant posts, later than anticipated expenditure on the Welfare Reform Project and underspends on the Homeless section relating to B&B costs, countered by overspends on the Private Sector Leasing Scheme.

3.2.3 Housing (HRA)

3.2.3.1 The service was underspent by £25k (1%) in the first half of the year, this is projected to rise to £101k (200%) by the year end. This is largely driven by rent increases advised by the Welsh Government being higher than anticipated.

3.3 Sustainable Development

3.3.1 Economic Development

3.3.1.1 This service was underspent by £83k (18%) at the end of the second quarter, with the projected outturn for the year as a whole being on budget.

3.3.2 Leisure

3.3.2.1 This service was £2k (<1%) overspent to 30 September 2014, with an overspend of £78k (4%) projected by the year end. The main reasons for this are as follows:-

- The Park and Outdoor Facility budgets formed part of the efficiency savings accepted for 2012/13 but not all sites have been outsourced, projected overspend £108k;
- The golf course has a projected overspend of £60k due to not realising its income targets, an issue dating back to the 1990's;
- The overspends will be mitigated to some extent by projected surplus on leisure centres of £100k (14%), which is due to successful income generation.

3.3.3 Maritime

3.3.3.1 This service was overspent by £100k (200%) at the end of quarter two, with a projected overspend of £72k (18%) by the year end.

3.3.3.2 The main reasons for the projected overspend are as follows:-

- Foreshore income under achieving by £38k (64%), with the peak season having drawn to a close and no significant further income anticipated before the year end;
- Mooring fees falling short of the budget by £43k (47%);
- These are mitigated to an extent by projected savings on contractual works of £30k. This is a budget to cover reactive costs and forecasting is more challenging than for other areas.

3.3.4 Highways

3.3.4.1 This service was £96k (2%) underspent by the end of the second quarter and is projected to be £152k (2%) overspent by the year end (excluding the effects of the works budgets (traffic, lighting and maintenance) as the forecast year end position is unknown at this time).

3.3.4.2 The main reasons for the projected overspends on:-

- (i) car parks (£32k, 7%), mainly due to repairs and maintenance costs;
- (ii) maintenance management (£32k, 4%), largely due to underachieving income and overspending on transport costs; and
- (iii) streetworks income (£43k, 134%), combined with an overspend on staffing costs in relation to the Road Safety Grant (£45k).

3.3.4.3 One of the main reasons that the works budgets cannot be accurately forecast at this time is that they will be significantly affected by this winter's weather conditions.

3.3.5 Planning and Public Protection

3.3.5.1 This service was £124k (10%) overspent during the first half of the year and is projected to be £163k (5%) overspent by the year end. The main reasons for the projected overspend are:-

- (i) Planning Delivery Wales grant where employee costs have not reduced in line with the reduced grant (£34k);
- (ii) Environmental Health income forecast to underachieve (£40k, 41%);
- (iii) Pest Control income forecast to fall short (£25k, 49%), due to underachievement of income on both commercial and domestic work;
- (iv) Licencing income to underachieve (£39k, 29%).

3.3.5.2 The above forecast excludes the effects of Energy Island and the Animal Movement Licensing which cannot be projected with sufficient certainty at this time. The Animal Movement Licensing Section (annual expenditure budget £51k) was fully grant funded in the past but the grant funding has been reduced significantly in recent years and the funding for 2014/15 has not, at the time of producing this report, been confirmed.

3.3.6 Property

3.3.6.1 This service was £37k (6%) underspent by the end of quarter two, and is projected to come in on budget for the year as a whole, with any overspends being mitigated by underspends in other areas. The largest projected underspend is £100k (4%) on salaries, due to vacant posts and secondments.

3.3.7 Waste Management

3.3.7.1 This service was £43k overspent by the mid year point (1%), with a projected overspend of £35k for the year as a whole due to an overspend on storage costs at Brun Sunsur. The forecast positions with regards to public conveniences and gas management cannot be accurately forecast at this point; a number of public conveniences have been closed or transferred to Community Councils and third sector organisations as part of the 2014/15 efficiency savings and the full impact is still filtering through. The gas management income is difficult to reliably forecast at this stage of the year.

3.4 Deputy Chief Executive

3.4.1 Corporate – Other Services

3.4.1.1 This budget was £54k (9%) overspent during the first half of the year, with a projected overrrspend for the year as a whole of £168k (11%). The main reason for the projected outturn are that there was a budget for savings to be found and this is forecast to be overspent by £176k, countered to an extent by an underspend on North Wales Collaboration (£36k) (as this is no longer underway).

3.4.2 Corporate & Democratic

3.4.2.1 This budget area was £11k (3%) overspent at the mid-year point, with an overspend of £26k (1%) projected by the year end due to a higher than anticipated uptake in the Members' Superannuation Scheme.

3.4.3 Deputy Chief Executive's Office

3.4.3.1 The budget was overspent by £63k (13%) during the first half of the year and is projected to be £144k (14%) overspent by the year end. This is mainly due to:-

- (i) funding not yet applied to a new post;
- (ii) unachievable savings to be found (£51k); and
- (iii) forecast expenditure on the Sycle support of £33k, for which there is no budget in place.

3.4.4 Finance – Excluding Benefits Granted

3.4.4.1 The service was overspent by £746k (60%) at the mid year point, with outturn forecast to be £757k (86%) overspent by the year end. The main reason for this is agency staff costs within the Accountancy Section. However, the number of agency staff is being reduced with the majority finishing their contracts on 31 October 2014. Additionally, the Section 151 Officer post has recently been advertised.

3.4.4.2 The year end overspend forecast in the quarter one report was £482k. The reasons for the increase in the forecast overspend by £275k are as follows:-

- Since the quarter one forecasts were produced, the required tenure for an interim Section151 Officer increased, with the quarter one forecasts not anticipating costs far beyond quarter one. This increased the forecast overspend by £85k;
- During quarter two, although most agency staff within Accountancy have contracts ending on 31st October 2014, the intention now is to retain three of them beyond the end of October to cover vacancies and to carry out specific project work that is separately funded. This increases the forecast overspend by £18k;
- At the time of producing the quarter one report, the level of benefit to be received from the Housing Benefit Administration Grant was not certain. As it is not separately allocated this year (now forms part of the Revenue Support Grant), and as funding was not allocated during last year's budget setting, this will be an additional pressure of £111k;
- Since quarter one, Revenues and Benefits have purchased new software, to be funded from other savings during the year. The software costs £52k;
- Since quarter one, it has become clear that the impact of the fraud investigation team moving to work for the DWP is a saving of £30k;
- There are a handful of other minor increases to forecast under and overspends, which amount to a net increase to forecast overspend of £39k.

3.4.5 Human Resources

3.4.5.1 This section overspent by £163k (41%) in the first six months and is forecast to be £20k (50%) at the year end. The mid year overspend is mainly due to spend on the Job Evaluation process, for which funding is requested to be applied from the Job Evaluation Reserve. The forecast year end overspend is due to restructuring within the section not delivering the expected savings and assumes that the Job Evaluation reserve is applied as proposed.

3.4.6 ICT

3.4.6.1 This section was underspent by £87k (10%) during the first half of the year and is forecast to be £188k underspent for the year as a whole. The most significant reason for the underspending is vacant posts, including the ICT Manager post.

3.4.7 Legal & Committees

3.4.7.1 This section overspent by £133k (18%) during the first half of the year but is forecast to be £28k (19%) underspent by the year end.

3.4.8 Transformation

3.4.8.1 This section was underspent by £37k (13%) during the first half of the year, and is forecast to be £63k (9%) underspent by the year end. The main reason for the overspend is the vacant Head of Service post.

3.4.9 Finance – Benefits Granted

3.4.9.1 The forecast overspend for the year now stands at £80k (1%), this is down from the forecast in quarter 1 of £130k and is down to a 3.5% reduction in case load.

FINANCIAL PERFORMANCE (COUNCIL FUND) Q2 2014/15

Directorate	Profiled Budget Q2 £'000	Actual & Commitments Q2 £'000	Variance Q2 £'000	Annual Budget £'000	Projected Outturn £'000	Projected Outturn Variance £'000
Lifelong Learning						
Delegated Schools Budget	22,102	22,102	0	43,609	43,609	0
Central Education	3,389	3,222	-167	7,407	7,089	-318
Culture	757	771	14	2,320	2,375	55
	26,248	26,095	-153	53,336	53,073	-263
Communities						
Social Care	14,229	13,648	-581	29,515	28,870	-645
Housing	925	873	-52	1,571	1,519	-52
	15,154	14,521	-633	31,086	30,389	-697
Sustainable Development						
Economic Development	474	391	-83	1,488	1,488	0
Leisure	794	796	2	1,945	2,023	78
Maritime	50	150	100	395	467	72
Fleet	-23	44	67	-55	-55	0
Highways	4,332	4,236	-96	9,920	10,072	152
Planning & Public Protection	1,297	1,421	124	2,738	2,901	163
Property	576	539	-37	452	452	0
Rechargeable Works	132	93	-39	0	0	0
Directorate Management	29	30	1	57	57	0
Waste	3,819	3,862	43	7,876	7,911	35
	11,480	11,562	82	24,816	25,316	500
Deputy Chief Executive						
Corporate - Other Services	598	652	54	1,490	1,658	168
Corporate and Democratic Costs	419	430	11	1,896	1,922	26
Deputy Chief Executive's Office	500	563	63	1,000	1,144	144
Finance - Excluding Benefits Granted	1,456	2,002	546	876	1,633	757
Finance - Benefits Granted	3,851	4,793	942	5,918	5,998	80
Human Resources	399	562	163	242	262	20
ICT	895	808	-87	0	-188	-188
Legal and Committees	753	886	133	149	121	-28
Transformation	291	254	-37	741	678	-63
Audit	112	114	2	0	0	0
Corporate Finance	4,844	4,844	0	5,120	5,120	0
	14,118	15,908	1,790	17,432	18,348	916
Total	67,000	68,086	1,086	126,670	127,126	456
FUNDED BY						
NNDR				22,042		
Council Tax				29,512		
Outcome Agreement Grant				726		
Revenue Support Grant				74,390		
				126,670	0	0