

| ISLE OF ANGLESEY COUNTY COUNCIL | |
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| Report to: | Executive Committee |
| Date: | 1st December 2014 |
| Subject: | 2014/15 Budget – Quarter 2 – Identified Action |
| Portfolio Holder(s): | Cllr Hywel Eifion Jones |
| Head of Service: | SLT |
| Report Author: Tel: E-mail: | Bethan Jones Deputy Chief Executive |
| Local Members: | |

| A –Recommendation/s and reason/s |
|--|
| <p>This report sets out the remedial action SLT feels is necessary to bring the Council into a balanced position for 2014/15.</p> <p>In reviewing the Budget Monitoring paper and through discussion with Senior Finance Officers there were a number of overarching areas that SLT are recommending should be the subject of corporate wide reviews, in addition to action on Agency Staff which has already been initiated.</p> <ol style="list-style-type: none"> <p>1. Review of Income Processes</p> <p>Currently the systems that we employ for raising and taking payments are old fashioned and paper driven. This means that it is not easy for customers to pay but that also the system for recording income against a service can be very slow. We need to increase our ability to take more payments over the phone and via the internet. This would also help to reduce the levels of sundry debtors at year end which was identified as an issue during the closure of accounts 2013/14.</p> <p>2. Fees and Charges</p> <p>It is not clear whether all services have implemented the 5% requirement to increase fees and charges.</p> <p>3. Budgeted Income Levels</p> <p>A number of budgets are showing overspends as a consequence of failing to achieve their income targets. It is suspected that some services are not properly assessing their ability to increase income.</p> |

4. Budget Profiling

The profiling of budgets over the year to take account of seasonal variances needs to be reviewed to ensure that trends in budget demand from previous years are taken into account so that there can be a more accurate reflection of the financial standing of departments during the year.

5. Grant Employed Staff

There are a small number of instances where staff who have been funded by grant streams may be kept on at the end of these through council finances.

6. Underspends

Services currently underspending will be requested make every attempt to hold these positions as far as is possible. They will be asked to discuss any significant variation to the current position that arises during Quarter 3 with the service accountants.

In relation to specific overspends by departments the following responses are put forward in addition to what was identified in the Quarter 2 Monitoring Report;

- I. **Leisure** – work is being undertaken by the service to resolve the historical budget issues in relation to Park and Outdoor Facility budgets and the Golf Course.
- II. **Maritime**- Income related issues
- III. **Highways** – there is confidence that this budget will balance by year end but this will be dependant on the severity of the winter.
- IV. **Planning and Public Protection** – Income related issues
- V. **Corporate other services** – this budget has historically been a place for items to be placed which do not fit neatly into a service budget and they are very often items over which the council has little control. It is timely however for the Finance Department to review this budget to establish if there are more appropriate ways to deal with items in this budget.
- VI. **Deputy Chief Executives Office** – These overspends relate to a post for which funding should have been allocated to the budget for, (this will be resolved for 2015/16) but will be charged to the cost of change reserve this year. A £50k efficiency which cannot be resolved at this time as this budget only consists of the salaries of the Council's Senior Leadership Team. Sycle should be charged to a performance management reserve.
- VII. **Finance**- Action has been taken to release Agency staff and it is anticipated that a new Head of Function will be appointed in December. It will not however be possible to redeem this position by year end.

B – What other options did you consider and why did you reject them and/or opt for this option?

At this stage other options have not been considered but if overspends persist and the Council cannot achieve an overall balanced position then more stringent action to restrict spending will be considered and taken.

C – Why is this a decision for the Executive?

At its meeting on 3rd November the Executive resolved that the SLT should be requested to develop proposals to bring the Council back within budget in 2014/15 and to report these to the next Executive.

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

Yes to maintain a balanced budget

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

Yes to maintain a balanced budget

| DD – Who did you consult? | | What did they say? |
|----------------------------------|---|---|
| 1 | Chief Executive / Strategic Leadership Team (SLT) (mandatory) | This is SLTs response |
| 2 | Finance / Section 151 (mandatory) | Finance are content with the report. |
| 3 | Legal / Monitoring Officer (mandatory) | |
| 4 | Human Resources (HR) | If grant funded posts are coming to an end, there will be need to seek redeployment for eligible staff and possible redundancy costs. |
| 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: |
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| Revenue Budget Monitoring Report, Quarter 2 Executive Committee 3 rd November |

| FF - Background papers (please contact the author of the Report for any further information): |
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ISLE OF ANGLESEY COUNTY COUNCIL

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|-----------------------------|---|
| REPORT TO: | EXECUTIVE COMMITTEE |
| DATE: | 3 NOVEMBER AND 1 DECEMBER 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 |
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| 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?

Yes

| 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 the 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 Section 151 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 |