

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>15 DECEMBER 2014</b>
<b>SUBJECT:</b>	<b>DRAFT REVENUE BUDGET 2015-16</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
<b>HEAD OF SERVICE:</b>	<b>RICHARD MICKLEWRIGHT</b>
<b>REPORT AUTHOR:</b>	<b>BETHAN HUGHES OWEN</b>
<b>TEL:</b>	<b>Ext. 2663</b>
<b>E-MAIL:</b>	<b>bhofi@anglesey.gov.uk</b>
<b>LOCAL MEMBERS:</b>	

### A - Recommendation/s and reason/s

#### 1. BACKGROUND

##### 1.1 Earlier Decisions

**1.1.1** The budget report to the Executive in July updated the Medium Term Revenue Strategy and assumptions for the 2015/16 budget. The report sets out the budget gap based on the likely Welsh Government settlement and the protection of services. The gross budgets were calculated for each service, which subsequently were asked to develop proposals based on a savings target of 10% where this was based upon the assumption that the Aggregate External Finance (AEF) would be as forecast.

**1.1.2** The Budget report on the 14 July 2014 laid the following underlying principles in establishing the standstill budget:-

- To adopt an intention to increase the Council Tax by 5%;
- Current Inflation for supplies and services of 0%;
- Actual inflationary increases where these are required by law or by contract, for non-domestic rates etc.;
- Increases to Fees and Charges of 5%;
- Other committed changes as a result of decisions already taken.

**1.1.3** Use of reserves. It has been assumed that there will be no use of reserves to fund the revenue budget in 2015/16.

##### 1.2 Provisional Local Government Settlement

**1.2.1** The Minister for Public Services announced the provisional local government settlement on the 8th October 2014.

**1.2.2** The all Wales reduction in the Revenue Settlement Grant (RSG) of -3.4% a provisional settlement was lower than the anticipated settlement of -4.5%. The Anglesey provisional settlement was a reduction of -3.9%. This compared to an RSG settlement of £96.432m in 2014/15 to a provisional settlement of £92.887m in 2015/16, is a revenue reduction of £3.545m.

**1.2.3** The Final Settlement is due to be announced on 11 December 2014, and, with the final figures not available until then, this report will have the potential for a considerable change in the funding position. This may mean that a call on revenue reserves or further efficiency savings will be needed. This position will be factored into the final budget proposed in February 2015.

There are a number of transfers in and out of the settlement. Full details of the effect on the Isle of Anglesey County Council is yet unknown. Full details are expected in the final settlement due December 2014, the indications are as follows:-

#### Transfers Out

- Student Finance;
- National Adoption Service (top slice);
- Education Psychologists (currently a top slice to be transferred out);
- Animal Feed Control.

#### Transfers In

- Integrated Family Support Service;
- Local Government Borrowing Initiative;
- Out of Schools Childcare Grant;
- Autistic Spectrum Disorders.

There is ongoing work by the Welsh Government on the Grants, however, the first indication is the following:-

- Education Grants amalgamated into one Education Improvement Grant for Schools;
- Supporting People reduction of 7.5%;
- Sustainable Waste Management Grant reduction of 3.0%;
- Pupil Deprivation Grant increase of 15.2%;
- Flying Start increase of 10.1%;
- Substance Misuse Action Fund an increase of 21.2%.

## **2. REVENUE BUDGET 2015/16**

### **2.1 Standstill Budget**

**2.1.1** Appendix A presents the initial draft high level standstill revenue budget for 2015/16. This takes the 2014/15 finalised budget as the starting point and reflects budget movements throughout the year, grant transfers, staffing movements, inflation and committed changes.

**2.1.2** The standstill budget has taken account of the factors described in 1.1.2 as per the Executive Report in July 2014.

**2.1.3** The main change from the Executive report in July is the projected Pay Increase from 1% to 2.2%. This has a significant effect on the strategy.

**2.1.4** The standstill budget has also allowed for:-

- Loss of Specific Grant Income
- Staff Increments
- Staff Turnover Savings
- Employers Superannuation Increases

**2.1.5** Limited demographic changes have been applied. There is little change in the overall pupil numbers for the year. In relation to the changes to Social Services, no change will be applied.

**2.1.6** The standstill budget assumes that the current year savings are achieved.

## **2.2 Risk and Contingencies**

**2.2.1** There are a number of key risks which the Authority faces in 2015/16 which may have an impact on its finances as the year progresses. Some of these risks cannot be quantified at this stage, they include but are not limited to:-

**2.2.2** Specific Grants - As this report is presented, there is currently very little detailed information on grant allocations for 2015/16. The standstill position currently reflects some grants which are at 2014/15 levels. Any reductions in grant levels in 2015/16 will have to be managed by equivalent reductions in expenditure, either directly related to the grant or through other areas of the budget. The income budgets in respect of grants that have been transferred in as part of the provisional settlement have been stripped out of the budget, however, this has had a largely neutral effect as mentioned in section 1.2 above.

**2.2.3** The current activity in relation to the potential nuclear power station and Energy Island Programme has been covered in previous budgets. It may be necessary to amend them from time to time and the pressures on the budgets are being reviewed.

**2.2.4** Often the uncertainty surrounding proposed budgets is because of a number of major contracts out to tender. This is due to the final value not being known until the tendering exercise is completed. There are only a small number of contracts due for retendering in 2015/16 and this reduced the uncertainty.

**2.2.5** The annual contingency budget for Job Evaluation and Employment Costs now stands at £700k. This has been this rate for the last few financial years. This reflects a decision in 2010/11 to proceed with a review of lower paid workers, mainly on spot salary. More work has now been undertaken on Job Evaluation. This is a key financial risk and it will require continual review as the Job Evaluation draws to a close. Although Reserves have been built up over a number of years, the outcome of the exercise is currently unknown and, given the varying experiences of other Authorities within the UK, it is difficult to assess. However, reviewing other schemes and costs, it is likely that there may be insufficient funds in the reserves currently to implement fully.

**2.2.6** The 'general' contingency contains an additional £500k which is held to cover uncertainty as the budget process proceeds. It should be possible to remove the main part of this contingency in the next phases of the budget round. No significant contract contingency is required, but a general contingency will be required to deal with unforeseen events during the year.

**2.2.7** The budget also includes contingency of £190k for mainly one-off spend to support the performance and implementation activities.

## **2.3 Budget Gap**

**2.3.1** It is recommended that the draft standstill budget should be adopted by the Executive as a basis for the 2015/16 revenue budget.

**2.3.2** Taking the Provisional Settlement figures and assuming the Council increases the Council Tax by 5%.

	<b>£'000</b>
Aggregate External Finance	92,887
Council Tax	30,988
<b>Total</b>	<b>123,875</b>

**2.3.3** The standstill budget, i.e. budget before any additional growth is considered. The budget gap at the draft initial standstill position is £4.081m.

**2.3.4** The gap is based upon a council tax increase of 5%. Below is a table which identifies the various council tax levels and the level of savings it would require and the weekly effect on a band D property.

%	Council Tax £	Savings Required	Weekly Effect on Band D	Total Cost
5	30,988,000	4,080,801	1.2	25.2
4.75	30,914,000	4,154,801	1.14	25.14
4.5	30,840,000	4,228,801	1.08	25.08
4.25	30,766,000	4,302,801	1.02	25.02
4	30,766,000	4,302,801	0.96	24.96

**2.3.5** The Budget report in July 2014 included a top level forecast showing the potential funding gap of £6.663m for 2015/16. This did not include any growth items over and above the demographic growth and protection for the schools budgets. The main changes are:-

- Increase in the Employees Pay award;
- Removal of the non - achievement of previous years efficiency savings target protection;
- Removal of the effect of Demography.

### **3. BUDGET STRATEGY**

#### **3.1 Efficiency Strategy**

As a part of the budget and service planning framework, an efficiency strategy has now been prepared, based on Annual Service reviews and Efficiency Strategy Document. This medium term strategy highlights:-

- Reducing the cost of management, democracy and bureaucracy;
- To work collaboratively with others where this has the potential to save money or help to maintain service levels;
- To make sure we get the best out of our staff;
- To ensure that we are efficiently maximising income generation opportunities to the Council;
- To transform services which we are legally bound to deliver to ensure that they are modern, effective and efficient;
- To challenge whether we should continue to fund non-essential, non-statutory services where others also provide these;
- To understand the impact of the proposals on Ynys Môn the place and its residents, in particular those in most need of our services.

#### **3.2 Savings Proposals**

- 3.2.1** The need to make revenue savings on an unprecedented scale, not just for 2015/16 but for the foreseeable future, is, of course, the dominant issue of the efficiency strategy. The proposals that have been put forward to date by Directorates are a mix of Savings, Efficiencies and Income Generation.
- 3.2.2** The savings targets will not necessarily be applied in an even pattern across all services, but will reflect choices and priorities as set out by the Executive.
- 3.2.3** All Member workshops to discuss the options is scheduled for the new year.
- 3.2.4** The savings proposals that have been submitted to date do include for any anticipated redundancies.
- 3.2.5** The majority of the savings proposals that have been submitted to date will inevitably have an impact on service delivery to different degrees, which will need to be considered when making decisions.
- 3.2.6** The proposals will depend also on the Executive's objectives. There is a potential that not all the proposals that have been submitted will be implemented, some need further verification, some are not new and some will take time to deliver. The Council is currently undertaking service reviews across the Council and, in parallel, is developing an efficiencies strategy to help in taking the Council forward in meeting budget targets over the next three years.

**3.2.7** Some of these savings proposals will, inevitably, involve reduction in staff numbers, some of which may be achieved by 'natural wastage'. The savings proposals currently assume a full year's worth of saving in relation to staffing reductions. There is a timing risk associated with these, in that if the staffing is not reduced on 1 April 2015, then the full saving will not be achieved. It is also likely that there will be staff severance costs involved in making savings. For this purpose, it will be necessary to set aside a further contingency for redundancy on a similar scale to that approved in the 2014/15 budget.

**3.2.8** It is proposed to reduce the Third Sector contributions by 5%.

**3.2.9** It is recommended that:-

- The Executive should seek to make sufficient savings in 2015/16 to balance the revenue budget without the use of reserves.
- The Executive should plan to cover unavoidable costs of severances or other one-off costs of delivering savings without the use of reserves.

### **3.3 Growth Bids and Pressures**

**3.3.1** There is no allowance for any Growth Bids.

## **4. SCHOOLS BUDGETS**

**4.1** In October 2014, the Welsh Government announced its intention to continue to protect school funding for 2015/16. The level of protection has been set at 0.6%, or an increase of £235k, based on a budget of £39.09m for 2014/15. For 2015/16, schools are facing increased pension costs and an increase in Broadband costs from the Learning in Digital Wales Programme.

**4.2** In terms of budget for 2015/16, currently budgets have been set for schools with funding for the pay award and increased pension costs. This gives an allocation of £39.42m. However, at the Schools Forum meeting on 3 November 2014, a paper was presented to Forum members with the proposal to implement efficiency savings between £2m to £3m over the next three years.

**4.3** For 2015/16, if the increase in funding is restricted to the 0.6% increase, this would reduce school budgets to £339.32m. This would reduce the schools budget by £100k.

**4.4** With regard to additional efficiency savings, a working group involving Local Authority Officer and a selection of Head Teachers has been set up. The remit of this group is to come up with an efficiency savings strategy for schools.

## **5. MATTERS FOR DECISION**

**5.1** The content of the Budget is not prescribed, but its timetable requires the co-operation of the Executive, Scrutiny and the Full Council, if it is to be adopted in February 2015.

**5.2** An all Member workshop has been established for early next year to go through the options for savings.

**5.3** This report has recommended:-

- (a) The draft standstill budget should be adopted by the Executive as a basis for the 2015/16 revenue budget;
- (b) That the Executive should seek to make sufficient savings in 2015/16 to balance the revenue budget without the use of reserves;
- (c) That the Executive should plan to cover unavoidable costs of severance or other one-off costs of delivering savings without the use of reserves.

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

**C - Why is this a decision for the Executive?**

This 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?**

	<b>Who did you consult?</b>	<b>What did they say?</b>
1	<b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory)	Consultation with Budget Steering Group
2	<b>Finance / Section 151</b> (mandatory)	This is a S151 Officer Report
3	<b>Legal / Monitoring Officer</b> (mandatory)	
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	

**E - Risks and any mitigation (if relevant)**

	<b>Risks and any mitigation (if relevant)</b>	
1	<b>Economic</b>	
2	<b>Anti-poverty</b>	
3	<b>Crime and Disorder</b>	
4	<b>Environmental</b>	
5	<b>Equalities</b>	
6	<b>Outcome Agreements</b>	
7	<b>Other</b>	

**F - Appendices:**

Appendix A: Summary of Draft Standstill Budget and Budget Gap  
Appendix B: Efficiency Savings Identified

**FF - Background papers (please contact the author of the Report for any further information):**

**SUMMARY OF DRAFT STANDSTILL BUDGET AND BUDGET GAP****Based upon a 5% Council Tax Increase**

<b>Directorate</b>	<b>Draft Standstill position £</b>
Lifelong Learning (Including Schools)	48,113,280
Community Services	30,854,780
Sustainable Development	19,999,050
Deputy Chief Executive	12,344,780
Corporate and Democratic Costs	1,819,530
Legal & Administrative	2,667,970
Levies	3,219,600
Capital Financing and Interest	7,782,590
Recharges to HRA/DSO	-357,767
Affordable Priorities Programme	-23,012
<b>Total</b>	<b>126,420,801</b>
Improvement Contingency	190,000
General Contingency	500,000
Job Evaluation Contingency	800,000
<b>Sub Total Standstill Budget</b>	<b>127,910,801</b>
Salary & Grading	500,000
Cost of Change Contingency	221,000
Discretionary Rate Relief	50,000
<b>Total Before Savings</b>	<b>128,681,801</b>
<b>Funded By:</b>	
Aggregate External Funding	92,887,000
Council Tax	30,988,000
Outcome Agreement	726,000
<b>Total Funding</b>	<b>124,601,000</b>
<b>Funding Gap</b>	<b>4,080,801</b>



**EFFICIENCY SAVINGS****Good Value for Money**

<b>Proposed Saving</b>	<b>Total Proposed Savings £'000</b>	<b>Service</b>
Cease the use of an Independent Chair for the Fostering Panel and provide internally	4.0	Children's
Reduction in costs of the Independent Fostering Agencies	75.0	Children's
Reduction Out Of County Placements Costs	51.0	Children's
CAMHS Termination of current arrangement	38.0	Children's
Third Sector Efficiencies	8.0	Children's
Review of contribution by IOACC to the Youth Justice Partnership	8.0	Children's
General Supplies and Services Reduction	3.0	Planning
Joint Planning Policy Unit Reduction in Contribution	25.0	Planning
Open Spaces Country Side and Coast General Efficiencies	2.0	Planning
Reduction in delivery of Coed Cymru	7.0	Planning
Reduction in Warden Hours - Seasonal and Community	5.0	Planning
Bus Service Amendment Retendering	60.0	Highways
Reduction in Highway Lighting Budget	100.0	Highways
Reduction in Highway Works Budget	414.0	Highways
Reduction in Traffic Calming Works Budget	20.0	Highways
Reduction in the Structures Budget	20.0	Highways
Changes to the Clinical Waste Services Delivery	67.0	Waste
Removal of long term vacant post	38.0	Waste
Reduction in Landfill Costs Budget	75.0	Waste
Amendments to Current Working Practices at HWRC	80.0	Waste
Reduction in Bulky Waste Collection from 2 to 1 collections	60.0	Waste
Reduction Improve School Standards Budget	43.4	Education
A Change to the Delivery of the Outreach Service part of Youth Service provision	16.3	Education
Family Information Service - office relocation	1.9	Culture
Culture - reduction in general supplies and services budget lines	2.0	Culture
Archives - Budget rationalisation	1.7	Culture
Archives - cleaning contract	2.3	Culture
Heritage - Museums general budget reductions	4.6	Culture
Heritage - Community Arts Reduction in Budget	1.1	Culture
Reduction in Grants to the Arts Allocation	10.7	Culture
<b>TOTAL</b>	<b>1,244</b>	

## Challenge continuation of services

Proposed Saving	Total Proposed Savings £'000	Service
Leisure General Operational Budget Reductions	3.0	EC&R
Reduction in Sports Development Island Games Contribution	3.0	EC&R
Removal of Sports Development Post	8.0	EC&R
NERS Co-ordinator Grant Funding Contribution	6.0	EC&R
Amlwch café Staff Rationalisation	9.3	EC&R
Reduction in Holyhead Leisure Centre Casual Staff Budget	10.0	EC&R
Reduction in Operational Budget - Tourism	53.0	EC&R
Reduction in Operational Budget - Marketing	2.0	EC&R
Reduction in Operational Budget - European Projects	13.0	EC&R
Reduction in Operational Budget - European Unit	2.0	EC&R
Reduction in Street Cleaning Budget	206.0	Waste
Reduction in Arts Grants	2.6	Education
Reduction Childcare Sufficiency Budget	6.0	Education
Counselling Service - Reduction in Contribution	9.0	Education
10% Reduction in Contribution to SEN Joint Committee	93.0	Education
Reduction Out of County Placements	80.0	Education
Reduction in Primary Dyslexia Budget	27.2	Education
Reduction in URDD Grant Contribution	21.0	Education
Reduction in Young Farmers Grant Contribution	21.0	Education
Reduce contribution to William Mathias Music Service	23.6	Education
Llynonn - Reduction in budget lines	3.0	Culture
Family Information Service - Reduction in Admin Hours	9.0	Culture
<b>TOTAL</b>	<b>610.7</b>	

## Reducing cost of Management, Democracy and Bureaucracy

Proposed Saving	Total Proposed Savings £'000	Service
Committees section savings on paper, printing and posting hard copy minutes and agendas	25.0	Council Business
Reduction Operational Budget - Administration	11.0	EC&R
Reduction in Operational Budget - Business Support	1.0	EC&R
Staff Rationalisation	150.0	Highways
Archives - Staff Rationalisation	8.0	Culture
Archives - Early retirement contribution ceasing	4.5	Culture
Library Service - Reduction in staffing	15.0	Culture
Museums - Staffing rationalisation: Oriel	25.0	Culture
Museums - Staffing rationalisation: Oriel	15.3	Culture
Staffing Reductions	22.6	Audit
Staffing Reductions	50.0	Transformation
Staffing Rationalisations	74.4	Leisure
Staffing Rationalisations	92.7	EC&R
Removal of General Unused Budget Lines	200.0	Adult
Removal of Vacant Post	54.0	ICT
Smarter Working Project	300.0	
Rationalisation of SLT	300.0	
<b>TOTAL</b>	<b>1,348</b>	

**Work collaboratively with Others to save money or maintain service levels**

Proposed Saving	Total Proposed Savings £'000	Service
Vibrant and Viable Places Fee Income	10.0	Planning
Reduction to the Safecote Budget	25.0	Highways
Collaborative Working	50.0	Waste
<b>TOTAL</b>	<b>85.0</b>	

**Maximise Income Gen**

Proposed Saving	Total Proposed Savings £'000	Service
Môn Enhanced Care Income Generation	10.0	Adults
Creation of Income Budget for Deferred Payments for Care	127.0	Adults
General Reduction to the Supplies and Services Budget Lines	2.0	Housing
Tendering exercises	65.0	Resources
Credit Card Charges	16.0	Resources
Amlwch Leisure Centre general income	32.0	EC&R
Holyhead Leisure Centre general income	25.0	EC&R
Plas Arthur Leisure Centre general income	34.0	EC&R
David Hughes Leisure Centre general income	4.4	EC&R
Leisure centre corporate direct debit	4.0	EC&R
Leisure centre vending machine sales (2 new)	6.5	EC&R
Small Holding review of Ring Fenced Income	36.0	Property
Increase in net parking income	40.0	Highways
Sale of Green Waste	75.0	Waste
Charge Replacement Black Bin	50.0	Waste
Free School Breakfast - to introduce a fee to non Free School Meal pupils	171.0	Education
Increase rental for Caretakers houses	4.0	Education
Increasing fees for Post 16 travel and charging Post 16 pupils in Schools	50.0	Education
Museums - income generation - Paranormal events Beaumaris Gaol	4.8	Culture
<b>TOTAL</b>	<b>756.7</b>	

**Best out of our Staff**

Proposed Saving	Total Proposed Savings £'000	Service
Removal of the Car Allowances Budget	20.3	Housing
Secondment of Staff Member	13.0	Planning
Reduction in Car Allowances	3.0	ICT
Reduction in Car Allowances	3.0	HR
<b>TOTAL</b>	<b>39.3</b>	