

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	30 NOVEMBER 2015
SUBJECT:	REVENUE BUDGET MONITORING, QUARTER 2 2015/16
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. In February 2015, the Council set a net budget for 2015/16 with net service expenditure of £124.6m to be funded from Council Tax income, NNDR and general grants.
2. The budget for 2015/16 included required savings of £4.3m. 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 second quarter of the financial year which relates to the period 1 April 2015 to 30 September 2015. The projected position for the year as a whole is also summarised.
4. The overall projected financial position for 2015/16 is an overspend of £980k which is less than 1% (0.78%) of the Council's net budget for 2015/16. This is an improvement on the forecast overspend of £1.62m (1.3%) which was reported during quarter 1. The 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.

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 comment received
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	No comment received
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:		
<ul style="list-style-type: none"> Appendix A - Revenue Budget Monitoring Report – Quarter 2, 2015/16 (includes Annex A – table of forecast revenue outturn 2015/16 and Annex B - summary of use of contingencies budgets). 		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> 2015/16 Revenue Budget (as recommended by this Committee on 16 February 2015 and adopted by the the County Council on 26 February 2015). 		

REVENUE BUDGET MONITORING – QUARTER 2 2015/16

1. General Balance – Opening Position

1.1 The provisional outturn for 2014/15 resulted in general balances at the start of the current financial year of £7.5m, a healthier position than previously expected.

2. Period to end of Quarter 2 (herein referred to as ‘the period’) – Financial Performance by Service

2.1 The details of the financial performance by service for the period and the projected outturn position for each is set out in Annex A. A net overspend of £980k is predicted at 31 March 2016. This is an improvement on the estimated outturn reported at Quarter 1 which predicted an overspend on the services of £1.62m. The table below summarises the variances.

Summary of projected variances at 31 March 2016 based upon financial information as at 30 September 2015	
	(Under) /Overspend £000
Lifelong Learning	12
Adult Social Care	505
Children’s Social Care	104
Leisure	111
Highways and Transport	160
Planning and Public Protection	(395)
Waste Management	300
Corporate - Other Services	(193)
Resources – excluding benefits granted	197
Transformation	170
Other	9
Net	980

3. Explanation of Significant Variances

3.1 Lifelong Learning

3.1.1 Central Education

3.1.1.1 This service was overspent by £189k (16.3%) at the end of Quarter 2. The forecast for the year-end is an overspend of £7k (less than 1%). The forecast overspend is mainly as a result of a forecast overspend of £128k on integration placements and a predicted overspend on school transport of £173k. These are countered by a forecast underspend of £193k on Out of County placements and underspends in Youth Services, School Meals and Appetite for Life. The outturn has improved from an overspend of £51k to an estimated overspend of £7k due to more information on likely demand now the academic year has started. The forecast overspend includes remedial action taken to reduce the overspend from current levels through reduced out of county placements. However, this is a demand-led budget which may be subject to change.

3.1.2 Culture

3.1.2.1 This service was £26k (3.8%) underspent during the period, with the forecast outturn for the year being an overspend of £5k (less than 1%). This is the same as the predicted outturn reported in Quarter 1. The estimated outturn is the result of overspends in Museums due to unachievable income targets. This overspend is offset by an underspend predicted for Library Services of £50k and due to increased income at South Stack. This forecast includes remedial action taken through vacancy management to reduce the impact of the museums on the overall service outturn.

3.2 Communities

3.2.1 Adult Social Care

3.2.1.1 This service was £377k (3.8%) overspent for the period, with the forecast outturn for the year as a whole being a predicted overspend of £505k (2.3%).

3.2.1.2 The elements within the forecast outturn variance are as follows:-

- Services for the Elderly: forecast overspend of £335k;
- Physical Disabilities: forecast underspend of £151k;
- Learning Disabilities: forecast overspend of £231k;
- Mental Health: forecast overspend of £200k;
- Provider Unit: forecast underspend of £60k; and
- Management and Support: an underspend of £50k is predicted.

3.2.1.3 The most significant increases in forecast overspend are in Learning Disabilities and Mental Health services. An estimated underspend in Management and Support is reducing the impact of these.

3.2.1.4 Approximately 59% of the Service's budget is demand-led. Work is continuously on-going on predicting future costs of this demand-led budget. The year-end prediction at each month-end is based on the latest available information on each adult placement. Indeed, the circumstances can change from one week to the next. This makes predicting the year-end position extremely difficult and can result in large swings from one period to the next. The service areas where we are currently experiencing overspends due to (i) higher than expected demand and (ii) cost pressures, include external home care placements (£569k), Learning Disabilities Day Care (£85k) and external Mental Health residential care (£245k). Management of overall placement occurs through allocation panels which allow managers to consider in detail how placements are commissioned. This ensures not only a safe outcome for service users but, also, the most cost effective outcome for the Council. A specific review of LD Day Care is currently underway. An example of the cost pressures on the service is the 1.7% increase on fees for external residential placements for 2015/16 for which no additional budget has been provided. We estimate the impact of this alone to be £150k across the service for 2015/16.

3.2.2 Children's Services

3.2.2.1 The service was £2k (less than 1%) underspent during the period and is projected to be overspent by £104k (1.6%) for the year as a whole, this includes a projected overspend of £314k for Looked-after-Children; which includes a high cost placement under secure order provisions. This is a small increase on the forecast overspend of £97k reported for Quarter 1. All remaining areas within Children's Services are estimated to underspend due to remedial action such as vacancy management which is reducing the impact of the overspend on looked after children on the whole service outturn.

3.2.2.2 The projections are based on a worst case assumption on the demand/costs for Looked-after Children based on the service costs/demand/likely demand for the future. The financial projections are based on assumptions relating to case decisions/developments. These are far from predictable, and individual circumstances can, and do, change. During Quarter 2 more work on the detail of the demand/cost/projection has been undertaken by the Service in conjunction with Accountancy Service and the individual circumstances of some children have changed. Based on the information available at this point, and assumptions relating to case decisions/developments, a best possible projection has been made. This is related to an area of high cost provision – where weekly cost can vary between £3k – £10k. For example should the Service have to accommodate one child in a mid-cost placement for the duration of this financial year, this would cost £130k. This makes predicting the year-end position extremely difficult.

3.2.3 Housing (Council Fund)

3.2.3.1 This service was underspent by £74k (7.4%) during the period. An underspend of £50k (5%) is estimated. The underspend is due to welfare reform projects starting later than anticipated. A forecast was not provided during Quarter 1 due to difficulty in forecasting during a significant restructure of the service.

3.2.4 Housing (HRA)

3.2.4.1 This service was underspent by £10k (less than 1%) during the period, with a forecast underspend of £500k (76.6%) by the year end. The underspend is due to increased income and savings generated through the restructured Housing Maintenance Unit (HMU). The surplus will remain within the HRA and will be used to reduce the HRA debt.

3.3 Sustainable Development

3.3.1 Economic Development

3.3.1.1 This service was underspent by £54k (7%) at the end of the period, with the projected outturn for the year as a whole being on budget. There are pressures within the service in relation to under-achievement of income targets. However, these are being offset by underspends within staffing budgets. However, this a short-term measure and lack of specialist capacity is a risk.

3.3.2 Leisure

3.3.2.1 This service was £76k (10.2%) overspent during the period, with an overspend of £111k (4.8%) forecast for the year as a whole. This is an improvement from the estimated overspend of £146k reported for Quarter 1. This improvement is due to redundancy severance payments being funded from contingencies for redundancies which lead to efficiency savings. The reasons for the estimated overspend at 31 March 2016 are as follows:-

3.3.2.2 The Park and Outdoor Facility budgets formed part of the efficiency savings accepted for 2012/13 but not all sites have been outsourced, the projected overspend is £68k (£nil budget). The service is progressing proposals for outsourcing to reduce overspends longer-term.

3.2.2.3 The golf course has a projected overspend of £39k due to historic over-optimistic income targets. The responsibility for the course has now transferred to the Llangefni Partnership since July 2015.

3.2.2.4 Sports development is expected to overspend by £4k due to unbudgeted redundancy costs on a grant-funded post.

3.3.3 Maritime

3.3.3.1 This service was underspent by £27k (21%) at the end of the period. However an overspend is predicted for 2015/16 of £40k (8.7%). A balanced budget was reported at Quarter 1 due to uncertainty around income headings arising from a review of these by the Function. The overspend is predicted due to an estimated shortfall in marine oil sales due to the decline in the number of larger vessels visiting Holyhead and requiring fuel. Remedial action has and continues to be taken within the service through reducing expenditure on staffing and running expenses. It is hoped that the elements relating to the Oil/Stock will recover slightly and that there is potential for underspends in other areas such as repairs and maintenance, though these are weather dependent.

3.3.4 Highways

3.3.4.1 This service was £46k (1%) overspent during the period and is projected to be £160k (1.7%) overspent by the year-end. This excludes the effects of the winter works budgets (traffic, lighting and maintenance) as the forecast year-end position is unknown as the impact of winter on these budgets is unquantifiable at this stage. The estimated outturn is a slight improvement on the overspend of £166k predicted during Quarter 1.

3.3.4.2 The main reason for the projected overspend is the under-achievement of car park income amounting to £50k, an overspend of £50k is estimated on planned maintenance due to traffic works and an overspend of £40k is predicted on maintenance management due to contract costs and under-achieved income. In addition there are other minor variances amounting to a net overspend of £20k.

3.3.5 Planning and Public Protection

3.3.5.1 This service was £114k underspent (8.8%) underspent during the period and is projected to be £395k (13.8%) underspent by the year-end. This is a significant improvement on the overspend of £142k reported at Quarter 1.

3.3.5.2 Planning Administration is expected to have an underspend of £34k due to a vacant post, while Planning Control and Major Developments are expected to be underspent as income has exceeded target in the quarter. Costs for the Joint Planning Policy Unit (JPPU) are £41k lower than expected for the year and slippage on the local development plan has released £258k to be returned to the Centre.

3.3.5.3 Public Protection is predicting minor overspends on Dog/Pest Control, Hackney licenses, Licenses and Animal Movement Licensing, however, these overspends have reduced due to an improved income position and reduced costs. Similarly, there is an improved income position at Registrars, Environmental Health and Markets. Trading Standards is expected to be overspent as costs have increased and income is unachieved.

3.3.6 Property

3.3.6.1 This service was £109k (17%) underspent during the period and is projected to be underspent by £54k (8.8%) for the year as a whole.

3.3.7 Waste Management

3.3.7.1 This service was £143k (4%) overspent by the end of the period, with a projected overspend of £300k (4.2%) for the year as a whole. This is an increase on the forecast overspend of £256k reported at Quarter 1. The worsened position is due to increased estimated costs on Penhesgyn Transfer Station. The reasons for the forecast overspend are as follows:-

- Forecast overspend on waste collection contract of £200k;
- Forecast overspend on the Penhesgyn Transfer Station of £200k;
- Forecast underspend of £100k on waste disposal contract.

3.4 Deputy Chief Executive

3.4.1 Corporate - Other Services

3.4.1.1 This budget was £237k (35.9%) underspent during the period, with a projected underspend of £193k (7.2%) for the year as a whole. This is a significant improvement on the overspend of £176k reported at Quarter 1. The main reason for this improvement is due to an accounting transfer for an amount of £262k from the balance sheet to revenue relating to a prior year transaction.

3.4.2 Corporate & Democratic

3.4.2.1 This budget area was £4k (1%) overspent during the period, with an overspend of £2k (less than 1%) projected for the year as a whole.

3.4.3 Deputy Chief Executive's Office

3.4.3.1 The budget was underspent by £31k (8.6%) during the period but is projected to be £34k (153%) overspent by the year-end. This is an improvement of £50k from the overspend of £84k reported at Quarter 1. The overspend is due to unachievable savings targets to be found. The improvement, however, is due to part-year savings arising from the management restructure.

3.4.4 Resources – Excluding Benefits Granted

3.4.4.1 The service was overspent by £213k (13.8%) at the end of the period, with a forecast overspend of £197k (24.7%) for the year as a whole. This is a worsened position from the overspend estimated at Quarter 1 of £97k. The increase is due to expected difficulty in achieving the savings to be found for the bank tender exercise which will, instead, contribute savings for one year, mainly in 2016/17. Agency costs also contribute to the overspend but these will reduce from October 2015.

3.4.5 Resources - Benefits Granted

3.4.5.1 The forecast overspend for the year stands at £50k (less than 1%). The bulk of the current overspend will be recoverable from the DWP in increased grant though it will not cover the costs in their entirety.

3.4.6 Human Resources

3.4.6.1 This section was overspent by £250k (51.8%) in the period but is forecast to be £30k (15.2%) underspent for the year as a whole. £163k of the period's overspend related to Job Evaluation, for which funding has been requested from reserves. The underspend is due to remedial action through vacancy management.

3.4.7 ICT

3.4.7.1 This section was underspent by £20k (2.4%) during the period and is forecast to achieve a balanced budget at year-end. The section had previously reported an estimated underspend of £26k at Quarter 1. This underspend is no longer predicted as the section is commissioning consultants to support specific projects funded by the underspend on staffing budgets due to vacant and late appointed posts.

3.4.8 Legal & Committees

3.4.8.1 This service was underspent by £1k (less than 1%) during the period and is forecast to be £37k (27.2%) overspent by the year-end. An overspend of £7k was reported for Quarter 1. The main reason for the overspend is due to £47k of land litigation costs relating to 2014/15.

3.4.9 Transformation

3.4.9.1 This section underspent by £88k (28.7%) during the period but is forecast to be £170k (45%) overspent for the year as a whole. This is a significant increase on the predicted underspend of £55k reported for Quarter 1. Work is underway on the smarter working projects where posts and efficiencies are being identified. Vacancies within the team have delayed some of these projects, however, these have now been addressed to support the delivery of the transformation agenda. This has created a time-lag in the delivery of some of the savings targets.

3.4.10 Audit

3.4.10.1 This section underspent by £19k (14.4%) during the period and is forecast to underspend by £20k at 31 March 2016 due to savings from restructuring. This is an improvement on Quarter 1 where a balanced budget was reported.

3.4.11 Corporate Resources

3.4.11.1 This budget header contains a number of areas such as investment income, financing costs and contingencies. It is too early to forecast the outturn positions on investment income and financing costs at this stage given the scope for uncertainty that can arise on these types of expenditure. The contingencies budgets, which amounted to £2.124m at the start of the year, are expected to be on budget for the year as a whole. £0.399m has been vired to services in line with the original purpose of the contingencies. An additional £1.5m has also been committed to date. The salary and grading contingency is over-committed by £54k. This will need to be offset by reduced spend in the general contingency. An estimated £0.554m is estimated to be spent on redundancy related severance payments from contingencies. Annex B below provides a summary of the contingencies budgets.

4. Conclusion

4.1 The net revenue expenditure incurred by the Authority to the end of September 2015 and the forecast financial position of each service has been outlined above and included in Annex A. An estimated overspend of £0.980m on services is predicted at this stage. This may change in the future due to events, service demands and information which may impact on the forecast. This predicted outturn position is an improvement on that reported at Quarter 1, where an overspend of £1.6m was estimated. The report highlights that the most significant estimated overspends are in Adults Social Care (£505k); Children's Social Care (£104k); Leisure (£111k); Highways and Transport (£160k); Resources (£197k) and Transformation (£170k). The reasons for these estimated overspends are explained above. SLT is monitoring the outturn position regularly and is proactively encouraging services to take remedial action to reduce overspends.

Quarter 2 - Estimated Revenue Financial Performance 2015/16

Service/Function	Annual Budget	Q2 Budget	Q2 Actual & Committed spend	Q2 Variance	Q2 Estimated Expenditure to 31 March 2016	Q2 Estimated Outturn 31 March 2016	Q1 Estimated Outturn 31 March 2016
	£'000	£'000	£'000	£'000	£,000	£'000	£,000
Lifelong Learning							
Delegated Schools Budget	43,770	23,125	23,125	0	43,770	0	0
Central Education	8,099	1,157	1,852	189	8,106	7	51
Culture	1,728	689	662	-26	1,733	5	5
Communities							
Adult Services	21,914	10,048	10,425	377	22,419	505	452
Children's Services	6,673	3,352	3,349	-2	6,777	104	97
Housing	994	997	923	-74	944	-50	0
Sustainable Development							
Economic Development (inc. Maritime)	1,716	873	792	-81	1,756	40	0
Leisure	2,293	746	822	76	2,404	111	146
Highways & Transport	9,232	4,596	4,642	46	9,392	160	166
Planning & Public Protection	2,867	1,297	1,183	-114	2,472	-395	142
Property	612	642	534	-109	558	-54	0
Rechargeable Works	0	132	106	-25	0	0	0
Directorate Management	58	29	20	-10	58	0	0
Waste	7,063	3,587	3,731	143	7,363	300	256
Deputy Chief Executive							
Corporate - Other Services	2,687	661	424	-237	2,494	-193	176
Corporate and Democratic Costs	2,233	411	415	4	2,235	2	2
Deputy Chief Executive's Office	-64	361	330	-31	-30	34	84
Finance - Excluding Benefits Granted	798	1,545	1,758	213	995	197	97
Finance - Benefits Granted	5,918	3,851	4,706	855	5,968	50	50
Human Resources	198	482	733	250	168	-30	-30
ICT	-6	832	812	-20	-6	0	-26
Legal and Committees	136	686	686	-1	173	37	7
Transformation	377	307	219	-88	547	170	-55
Audit	0	132	113	-19	-20	-20	0
Corporate Finance	4,695	1,515	1515	0	4,695	0	0
Total Council Fund	123,994	62,559	63,877	1,318	124,974	980	1,620

Service/Function	Annual Budget	Q2 Budget	Q2 Actual & Committed spend	Q2 Variance	Q2 Estimated Expenditure to 31 March 2016	Q2 Estimated Outturn 31 March 2016	Q1 Estimated Outturn 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA	653	-5,005	-5,015	-10	153	-500	0
Total Council Fund and HRA	124,646	57,555	37,102	-17,690	125,126	480	1,620
FUNDED BY							
NNDR	21,986						
Council Tax	30,955						
Outcome Agreement Grant	725						
Revenue Support Grant	70,980						
	124,646						

ANNEX B

CONTINGENCY BUDGETS
2015/16

Contingencies Budget at 1 April 2015	Original Budget £	Virements £	Amended Budget £	Committed to date (as at 30/09/15) £	Current Remaining Un-Committed
Improvement	190,000.00	0.00	190,000.00	190,000.00	0.00
General Contingency	394,197.00	-27,350.00	366,847.00	118,000.00	248,847.00
Salary and Grading	500,000.00	-153,690.00	346,310.00	400,710.00	-54,400.00
Job Evaluation	600,000.00	0.00	600,000.00	600,000.00	0.00
Cost of Change	220,000.00	-48,000.00	172,000.00	159,850.00	12,150.00
NNDR Allow disc rate	50,000.00	0.00	50,000.00	50,000.00	0.00
Education School Breakfast	170,000.00	-170,000.00	0.00	0.00	0.00
Total contingency budgets	2,124,197.00	-399,040.00	1,725,157.00	1,518,560.00	206,597.00