

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE RESOURCES AND IMPROVEMENT OVERVIEW AND SCRUTINY COMMITTEE

8 FEBRUARY 2017

REPORT OF THE HEAD OF FINANCE

BUDGET MONITORING 2016-17 – QUARTER 3 FORECAST

1.0 Purpose of this report

1.1 The purpose of this report is to provide Corporate Resources and Improvement Overview and Scrutiny Committee with an update on the Council's financial position as at 31st December 2016.

2.0 Connections to Corporate Improvement Objectives and Other Corporate Priorities

2.1 The budget monitoring report provides an overview of the current financial position and projected outturn for the year against the budget approved by Council in March 2016. The allocation of budget determines the extent to which the Council's corporate improvement priorities can be delivered.

3.0 Background

3.1 On 10th March 2016, Council approved a net revenue budget of £254.891 million for 2016-17, along with a capital programme for the year of £43.553 million, which was updated in November to £47.121 million. As part of the Performance Management Framework, budget projections are reviewed regularly and reported to Cabinet on a quarterly basis. The delivery of agreed budget reductions is also kept under review and reported to Cabinet as part of this process.

4.0 Current Situation

4.1 Summary financial position at 31st December 2016.

4.1.1 The Council's net revenue budget and projected outturn for 2016-17 is shown in Table 1 below.

Table 1- Comparison of budget against projected outturn at 31st December 2016

Directorate/Divisions	Original Budget 2016-17 £'000	Revised Budget 2016-17 £'000	Projected Outturn 2016-17 £'000	Projected Over / (Under) Spend Qtr 3 2016-17 £'000	Projected Over / (Under) Spend Qtr 2 2016-17 £'000
Directorate Budgets					
Education and Family Support	108,034	108,209	108,061	(148)	64
Social Services and Wellbeing Communities	59,697	60,534	61,370	836	743
Operational and Partnership Services	24,644	24,786	24,812	26	805
Chief Executive and Finance	14,899	14,952	12,963	(1,989)	(1,565)
	4,333	4,237	3,987	(250)	(380)
Total Directorate Budgets	211,607	212,718	211,193	(1,525)	(333)
Council Wide Budgets					
Capital Financing	10,128	10,128	11,296	1,168	(1,294)
Precepts and Levies	6,959	6,959	6,960	1	0
Sleep Ins	800	765	495	(270)	0
Council Tax Reduction Scheme	14,304	14,304	13,418	(886)	(650)
Insurance Costs	1,559	1,559	1,559	0	0
Building Maintenance	900	881	800	(81)	0
Centrally held Budget Pressures	1,394	1,349	10	(1,339)	0
Other Corporate Budgets	7,240	6,228	2,272	(3,956)	(1,400)
Total Council Wide Budgets	43,284	42,173	36,810	(5,363)	(3,344)
Appropriations to / from Earmarked to Reserves			6,470	6,470	0
Total	254,891	254,891	254,473	(418)	(3,677)

NB: Difference between Original and Revised Budget is due to allocations of pay and price pressures, inter-departmental transfers and other allocations agreed in-year.

4.1.2 The overall projected position at 31st December 2016 is a net under spend of £418,000, comprising £1.525 million net under spend on directorates and £5.363 million net under spend on corporate budgets, offset by net transfers to earmarked reserves of £6.470 million. The projected under spend is significantly reduced from the quarter 2 position as a result of the decision to establish a number of new earmarked reserves in quarter 3, as outlined in section 4.5. A detailed analysis of the more significant projected under and over spends is set out in section 4.3.

4.1.3 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget which amount to £7.477 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with

identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals.

4.1.4 In November 2016 Cabinet approved for consultation a Draft Budget for 2017-18 and an outline Medium Term Financial Strategy (MTFS) for 2017-2021 which estimated that the Council will have to find £33.6 million of recurrent budget reductions between 2017 and 2021, under the most likely funding scenario. The Final MTFS is due to be presented to Council for approval on 1st March 2017 and, following the Welsh Government's announcement of the Final Local Government Settlement in December, it is unlikely that the scale of this reductions target will change significantly. Against that background it is essential that expenditure is kept within the overall approved budget and that longer term proposals continue to be developed so that the Council has as much flexibility as possible to meet the challenges which lie ahead.

4.1.5 Whilst a number of earmarked reserves have already been established in-year, following reviews at quarters 2 and 3, consideration will be given at year end to requests from directors to establish any additional earmarked reserves for specific purposes in the following year, in line with the Council's Reserves and Balances Protocol, as long as these can be met from within the Council's cash limited budget for 2016-17. This is in line with the reports to Cabinet and Council on the MTFS, and the Council's Financial Procedure Rules. Similarly, consideration will be given to any over spends to determine whether these should be carried forward as a first call on the directorate budget for the following year. In addition, whilst an opportunity has arisen to repay some outstanding debt in-year, any further opportunities to repay outstanding prudential borrowing will be taken, where possible, to reduce future capital financing charges. However, a final decision on these will not be made until towards the end of the financial year when the overall outturn position is more definite.

4.2 Monitoring of Budget Reduction Proposals

Budget Reductions 2015-16

4.2.1 A report was presented to Cabinet on 5th July 2016 on Financial Performance 2015-16. In the report it was highlighted that, of the £11.225 million budget reduction proposals for 2015-16, £2.692 million were not met in full, with a shortfall in the financial year of £1.909 million. The report stated that these proposals would continue to be monitored alongside current year proposals, with mitigating action to achieve them identified. A summary of the latest position is attached as Appendix 1, which shows that while positive progress has been made, there remains an ongoing shortfall of £1.197 million in 2016-17 against these specific proposals.

4.2.2 As outlined in the MTFS reports to Cabinet and Council, MTFS Principle 12 states that *"Resources are allocated to deliver the Bridgend Change Programme based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS and a MTFS Budget Reduction Contingency will be maintained"*. Further to this, a MTFS Budget Reduction Contingency was established as an earmarked reserve and as reported at quarter 2, is being used to partly mitigate the shortfalls on the following budget reduction proposals in this financial year.

COM 1	MREC	£150,000
COM 11	Blue Badges	£83,000
CH 9	School Transport	£100,000

Directorates are seeking to identify mitigating actions to meet the balance of the budget reduction shortfalls in this financial year. In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position. These will continue to be closely monitored and drawdown from this contingency fund will be made as part of the overall review of earmarked reserves. Where 2015-16 reductions cannot be delivered in full by the end of 2016-17, any outstanding balances will be carried forward into 2017-18 directorate targets, with clear proposals identified.

Budget Reductions 2016-17

- 4.2.3 The budget approved for 2016-17 included budget reduction proposals totalling £7.477 million, which is broken down in Appendix 2 and summarised with a RAG status in Table 2 below. The current position is a projected shortfall on the savings target of £1.845 million.

Table 2 – Monitoring of Budget Reductions 2016-17

DIRECTORATE	GREEN		AMBER		RED		TOTAL	
	£'000	%	£'000	%	£'000	%	£'000	%
Education and Family Support	504	52%	22	2%	450	46%	976	13%
Social Services and Wellbeing	1,717	58%	610	20%	657	22%	2,984	40%
Communities	1,092	79%	90	7%	195	14%	1,377	18%
Operational and Partnership Services	969	98%	16	2%	0	0%	985	13%
Chief Executive and Finance	157	72%	60	28%	0	0%	217	3%
Corporate	915	98%	23	2%	0	0%	938	13%
TOTAL	5,354	72%	821	11%	1,302	17%	7,477	100%

In comparison, the budget reduction requirement for 2015-16 was £11.225 million and at quarter 3, 76% (£8.5 million) of the total value of proposals were green, 13% (£1.5 million) amber and 11% (£1.2 million) red. For 2016-17 Amber and Red proposals account for just under one third of overall proposals, with the total value of these (£2.123 million) lower than for 2015-16, which is in line with the lower overall savings requirement for 2016-17. This is a similar position to that reported at quarter 2. Given the scale of budget reductions, any non-achievement will have a significant impact on the outturn position.

- 4.2.4 Seven of the proposals are currently RED, totalling £1.302 million. Three are in the Education and Family Support Directorate (total £450,000) and relate to the over spends on home to school / college transport, particularly in respect of school transport route efficiencies and rationalisation of special educational needs transport. Three proposals are in the Social Services and Wellbeing Directorate, relating to the reduction in numbers of Looked After Children (£357,000), the Remodelling of Children's Respite Care (£200,000) and the introduction of charges for supplementary holiday support in Learning Disabilities (£100,000). With regard to the latter proposal, it is anticipated that alternative savings proposals will be developed to replace this as it is now considered unlikely that this will be achieved. The remaining proposal is in the Communities Directorate relating to the lease of

Raven's Court (£195,000).

4.2.5 Twelve of the savings proposals are AMBER, totalling £821,000. The most significant are:

- To develop a delivery model for Bridgend Resource Centre (£108,000) – unlikely to be achieved in 2016-17 but work is underway to develop an options appraisal.
- Transfer of Family Care Service to Community Hubs (£210,000) – formal consultation is almost complete and the full saving should be realised in 2017-18.
- Changes to Social Services workforce (£100,000) – staffing levels are under constant review and restructures implemented where the opportunity arises.
- Put some aspects of Council Tax and Housing Benefits on line (£60,000) – delay in implementing Channel Shift will prevent full savings being achieved in this financial year.

4.2.6 The Section 151 Officer has reviewed the shortfalls and has made an additional one-off allocation from the MTFs Budget Reduction Contingency for the following 2016-17 budget reduction proposal, following failure to lease the building during this financial year:

RES29	To rationalise the core office estate - leasing of Raven's Court	£195,000
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Directors continue to work with their staff to deliver their proposals or alternatives and this is reflected in the forecast outturn for the year.

4.3 Commentary on the financial position as at 31st December 2016.

A summary of the financial position for each main service area is attached as Appendix 3 to this report and comments on the most significant variances are provided below, along with drawdown on earmarked reserves to date.

4.3.1 Education and Family Support Directorate

The net budget for the Directorate for 2016-17 is £108.209 million. Current projections indicate an under spend of £148,000 at year end, after drawdown of £692,000 from earmarked reserves. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Inter Authority Recoupment	126	(433)	(559)	-443.7%
School Improvement	966	851	(115)	-11.9%
Capital Programme - Prudential Borrowing	815	705	(110)	-13.5%
Home to School / College Transport	3,860	4,813	953	24.7%
Catering Services	775	687	(88)	-11.4%
Integrated Working	1,022	938	(84)	-8.2%
<u>Inter Authority Recoupment</u>				

- There is currently an under spend of £559,000 projected on the education budget for out of county placements, due to a reduction in the number of placements, from 28 at the end of March 2016 to 21 currently, as pupils are brought back in-County to be educated. This is partly offset by under-recovery of income due to the reduction in pupils from other local authorities attending this Council's schools.

School Improvement

- This under spend relates to the delay in appointments to the Development team which supports the strategic review of schools and has been used to mitigate other over spends within the Directorate. Appointments have now been made.

Capital Programme – Prudential Borrowing

- The under spend has arisen as a result of delays in progressing the 21st Century Schools Programme, and the consequent need to borrow as part of the Local Government Borrowing Initiative (LGBI). The revenue funding will be used to repay the cost of borrowing once the schemes progress.

Home to School / College Transport

- There is a projected over spend on the Home to School Transport budget of £953,000, of which £292,000 relates to over spends in 2015-16. This has increased since Quarter 2 due to a reduction in the estimates of savings to be achieved against the rationalisation of SEN transport. The 2015-16 MTFS savings were not fully achieved partly due to the limited rationalisation of contracts because of increases in the number of pupils eligible for transport, which is outside of the control of the local authority and difficult to predict with accuracy. In addition, budget reductions in respect of changes to the Learner Travel Policy were not fully realised as the agreed change to the policy by Cabinet was not implemented until September 2016 and this will not bring the same level of savings as were originally identified.
- Further efficiencies to Special Education Needs (SEN) and Looked After Children (LAC) transport have been pursued but have been impacted by some increased demand for individual transport due to the needs of individual children and our duty as a Local Authority to ensure that they are transported in line with our statutory responsibilities and our current Learner Travel policy. Additional MTFS proposals for 2016-17 of £450,000 have added to this pressure. The over spend has been partly mitigated by a contribution of £100,000 from the MTFS Budget Reduction Contingency reserve, as outlined in 4.2.2.
- The Council has set aside one-off funding in an earmarked reserve to undertake work on safe routes to schools.

Catering Services

The under spend of £88,000 has arisen as a result of strict vacancy management. Close monitoring will be required over the next few months as labour costs can be affected by disruptions to trading days during the Winter months.

Integrated Working

- The under spend of £84,000 has arisen as a result of staff vacancy management.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2016-17 is £60.534 million. Current projections indicate an over spend of £836,000 at year end after drawdown of £925,000 from earmarked reserves. The main variances are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,083	7,951	(132)	-1.6%
Older People Home Care	8,640	8,403	(237)	-2.7%
Assessment & Care Mgt Older People and Physical Disability	3,474	2,961	(513)	-14.8%
Physical Disabilities Home Care	739	985	246	33.3%
Learning Disabilities Residential Care	1,451	1,708	257	17.7%
Learning Disabilities Home Care	4,786	5,140	354	7.4%
Learning Disabilities Day Opportunities	3,078	2,834	(244)	-7.9%
Mental Health Home Care	412	664	252	61.2%
Looked After Children	10,545	11,275	730	6.9%

Older People Residential Care

- There is a projected under spend of £132,000 as a result of a reduction in the number of placements, as more people are being supported in their own homes through domiciliary care.

Older People Home Care

- There is a projected under spend of £237,000 as a result of staffing vacancies and increased client contributions.

Assessment and Care Management

- There is a projected under spend of £316,000 on assessment and care management for older people, and £197,000 on assessment and care management for people with physical disabilities, arising mainly from staff vacancies and recruitment issues.

Physical Disabilities Home Care

- There is a projected over spend of £246,000 as a result of increased demand for domiciliary care in this service area, consistent with the overall increase in domiciliary care as more people are supported at home. There is over 40% increase on spend compared to the same time last year due to a higher average package of care, resulting from greater complexity of needs and fewer continuing health care clients.

Learning Disabilities Residential Care

- A projected over spend of £257,000 is likely as a result of the transition of 'complex needs' children into adult services. There are currently 4 transition cases and 2 existing cases requiring increased packages of care. There is an assumption that 4 of these will be transferred to supported living prior to the end of the financial year, which is at a lower cost. This projection is after draw down of £150,000 from earmarked reserves.
- Going forward, whilst there are no known children with care needs that are coming of age, any new cases will be identified by the 'transition' team and a budget pressure request recognised as part of the MTFs process.

Learning Disabilities Home Care

- There is currently a projected over spend of £354,000 arising from an increase in the number of hours within existing care packages, together with an increase in the number of supported living schemes by one. Forecast income through charging other Local Authorities is also less than budgeted.

Learning Disabilities Day Opportunities

- There is currently a projected under spend of £244,000 arising from staff vacancies to date. Most have now been filled with the remaining targeted for MTFs budget reductions in 2017-18.

Adult Mental Health Home Care Services

- A projected over spend of £252,000 on home care is likely as a result of increased demand for domiciliary care in this service area, coupled with an increase of two additional service users within the supported living scheme.

Looked After Children (LAC)

- There is a projected over spend of £730,000 on LAC, after a drawdown of £230,000 from earmarked reserves. This is mainly as a result of the implementation of a new model for residential services (£400,000 across 2015-16 and 2016-17) which has taken some time to establish due to the need for significant research, consultation and options appraisals, and the slower than anticipated safe reduction of looked after children (£357,000 in 2016-17). Project plans for both of these areas are now in place and the required work has gathered momentum, with significant capital work due to take place in 2017-18. There is currently an over spend of approximately £250,000, despite the drawdown of £230,000 earmarked reserves, due to the need to place a small number of children into high cost out of county placements, and £120,000 over spend in relation Independent Fostering Agencies. The plan to place more children into in-house foster placements is now in place. However this will not significantly impact on the budget for 2016-17.
- The number of LAC at the end of December was 389 compared to 382 at the end of March 2016, and the number of out of county placements is currently 11 with some individual placements costing around £220,000 per annum.
- However, there are a number of "When I am Ready" clients (where a care leaver continues to live with their foster carer after they turn 18) that are still in a placement, which the Council funds, but do not count as LAC.
- A further review of LAC costs will be undertaken during the final quarter of the year and additional reserve drawn down as necessary.

The budget is closely monitored and a recovery plan is in place to ensure that the current over spend is reduced and that the budget for 2017-18 is effectively managed.

Other Child and Family Services

- Whilst the service is not projecting a significant variance, and therefore isn't reported in the table above, it must be noted that this is following the drawdown of £518,000 from earmarked reserves to offset the projected over spend on the joint adoption service. The over spend relates mainly to the contribution to the Western Bay pooled fund. Each authority's contribution is based on the number of placements by each authority as a % of total western bay placements, and currently Bridgend's proportion of placements is 42% of the total compared to 24% anticipated when the budget was set. This recognises the proactive approach to trying to reduce the number of looked after children, by providing more permanent solutions. This shortfall will be addressed through a budget pressure in the 2017-18 MTFS.

4.3.3 Communities Directorate

The net budget for the Directorate for 2016-17 is £24.786 million and the current projection is an anticipated over spend of £26,000 after drawdown of £1.905 million from earmarked reserves. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Development Control	(175)	(395)	(220)	125.7%
Waste Disposal	5,136	5,496	360	7.0%
Street Lighting	1,482	1,382	(100)	-6.7%
Highways Services	2,065	2,510	445	21.5%
Streetscene Support	326	251	(75)	-23.0%
Adult Education	177	117	(60)	-33.9%
Property	1,272	972	(300)	-23.6%

Development Control

- There is a projected under spend of £220,000 due to an increase in the number of larger planning applications which attract higher fee levels during the financial year. Fees are set by Welsh Government and vary according to the type of development. As a result of the number of applications, the service is projecting higher income than budgeted.

Waste Disposal

- The MREC saving of £300,000 for 2015-16 was not achieved and is unlikely to be achieved in 2016-17. This has been partly mitigated by a contribution of £150,000 from the MTFS Budget Reduction Contingency reserve, as outlined in 4.2.2. Furthermore there are additional tonnage costs of £430,000 offset by savings from the interim Anaerobic Digestion (AD) procurement project of £220,000. This is based on current projected tonnages prior to the commencement of the new waste collection contract. Under the new waste contract there should be a reduction in the amount of

tonnage going to the MREC due to an increase in kerbside recycling and at the Civic Amenity Sites.

Street Lighting

- The projected under spend of £100,000 has arisen following the LGBI programme of replacement of lanterns, and subsequent reduction in energy costs and required maintenance.

Highways Services

- There is a projected over spend of £300,000 as a result of a new Service Delivery Agreement (SDA) introduced by the South Wales Trunk Road Agency (SWTRA) in April 2016, which applied to work undertaken by the Council's Highways department. The SDA includes priced schedules for work undertaken, which has impacted on the amount of funding that can be reclaimed. There are also small over spends arising on depot running costs, following the move of fleet services to the joint vehicle maintenance facility, due to the fixed nature of some of the depot costs e.g. business rates, which are being picked up by the remaining services until the depot rationalisation is completed. There are also over spends arising due to delays in staffing restructures and non-achievement of overtime savings, partly offset by staff vacancies (net over spend £50,000), and an over spend as a result of recent flooding (£45,000).

Streetscene Support

- There is a projected under spend across the service of £75,000 due to staff vacancy management and reduced spend on supplies and services.

Adult Education

- There is a projected under spend across the service of £60,000 due to staff vacancy management.

Property

- There is a projected net under spend of £300,000 across the Property service as a whole as a consequence of reduced running costs on the Civic Offices (£50,000), staff vacancy management (£100,000) and an increase in general commercial and grant income (£350,000). This is partly offset by an estimated over spend of £210,000 due to under occupancy of the Innovation Centre, as a result of difficulties in attracting tenants. As outlined in paragraph 4.2.6, the Section 151 Officer has made an additional one-off allocation of £195,000 from the MTFs Budget Reduction Contingency to meet the non-achievement of the budget reduction in respect of the lease of Raven's Court.

4.3.4 Operational and Partnership Services Directorate

The net budget for the Directorate for 2016-17 is £14.952 million and current projections anticipate an under spend against this budget of £1.989 million after drawdown of £699,000 from earmarked reserves. The main variances are:

OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Housing Options and Homelessness	692	366	(326)	-47.1%
Legal Services	1,976	1,685	(291)	-14.7%
Human Resources & Organisational Development	1,682	1,529	(153)	-9.1%
ICT	3,716	3,224	(492)	-13.2%
Regulatory Services	1,488	1,328	(160)	-10.8%

Housing and Homelessness

- There is a projected under spend on this area of £326,000. This is mainly as a result of the use of core staff to undertake duties for which the Council receives Welsh Government grant funding (transitional funding and Supporting People grant), and small under spends on other budgets. These grants may be reduced in 2017-18 but confirmation is still awaited of the actual allocation.

Legal Services

- The under spend on legal services is partly due to an increase in recovery of legal costs (£74,000), partly due to an under spend on legal costs and disbursements (£92,000), and staffing vacancies, most of which are built into the MTFS as budget reductions for 2017-18.

Human Resources and Organisational Development

- The under spend relates to vacancy management in preparation for future MTFS savings.

ICT

- The under spend is as a result of vacancies within the team, and reduced telephone charges, along with an under spend of approximately £250,000 on software licences, due to a proactive approach to the rationalisation of software across the Council when the opportunity arises. Some of these savings are in preparation for future MTFS savings.

Regulatory Services

- The under spend relates to repayment of an under spend on the shared regulatory service following the closure of the 2015-16 accounts, which was primarily due to staff vacancies following the creation of the shared service. The amount of this under spend, and any potential repayment, was not known until the accounts had been audited.

4.3.5 Chief Executive and Finance

The net budget for the Directorate for 2016-17 is £4.237 million and current projections anticipate an under spend against this budget of £250,000 after drawdown of £50,000 from earmarked reserves. The main variances are:

CHIEF EXECUTIVE AND FINANCE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Chief Officers	645	509	(136)	-21.1%
Housing Benefit Administration	697	567	(130)	-18.7%

Chief Officers

- The under spend mainly relates to the vacant staffing budget following the departure of the Corporate Director Resources. This is being held in preparation for future MTFS savings.

Housing Benefits

- There is an under spend in respect of the administration of housing benefit arising mainly from staffing vacancies, but also additional grant income. The 2016-17 budget pressure in relation to the new Emmaus facility has been reviewed and, based on the revised need identified, the budget pressure has been reduced by £100,000 and returned to the corporate budget.

4.3.6 Council Wide budgets

This section of the accounts includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The budget is £42.173 million and the projected outturn is £36.810 million, resulting in a projected under spend of £5.363 million. The main variances are detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing	10,128	11,296	1,168	11.5%
Council Tax Reduction Scheme	14,304	13,418	(886)	-6.2%
Centrally Held Budget Pressures	1,349	10	(1,339)	-99.3%
Other Corporate Budgets	6,228	2,272	(3,956)	-63.5%

Capital Financing

- The projected over spend of £1.168 million is a combination of an under spend on interest paid due to lower borrowing than anticipated (£1.181 million), as Council uses its own internal resources to finance schemes, which is more than offset by a one-off payment of £2.35 million of prudential borrowing in respect of Raven's Court to reduce future capital financing costs. A review will be undertaken during the final quarter of the year to identify any further debt repayment opportunities.

Council Tax Reduction Scheme

- The projected under spend of £886,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This a demand led budget which is based on full take up, but actual take up is not known until year end. The projection is based on take up at the end of December 2016. Budget reductions are planned for future years.

Centrally Held Budget Pressures

- Funding was held corporately in the budget to meet the budget pressures associated with the Extra Care scheme (£1 million revenue contribution to capital) and implementation of the Welsh Language Standards. Due to the delay in the Extra Care scheme, the funding has been transferred to an earmarked reserve, pending construction works. In addition, a number of Welsh Language Standards are currently under appeal, and as a consequence there is a delay in implementation of the full suite of standards, and therefore spend on this budget, until the outcome of the appeal is received from the Welsh Language Commissioner.

Other Corporate Budgets

- The under spend of £3.956 million is a combination of:
 - o Reduced requirement from Directorates in relation to pay and prices, including superannuation and National Insurance increases.
 - o Lower than expected in-year cost of implementing auto enrolment for new entrants. This cost is due to increase incrementally as the Council works towards September 2017.
 - o Projected under spends on other corporate budgets e.g. corporate contingency, provision for increased national insurance contributions.

It should be noted that this projection could change significantly during the final quarter of the financial year, depending on the extent of inclement weather during the winter period, the outcome of the Welsh Language Standards appeals and further demands on the Council Tax Reduction Scheme. At this point in the financial year it is prudent to assume that all other budgets will be fully spent by year end.

These budgets have been reviewed as part of the MTFS 2017-18 to 2020-21 and will be subject to significant reductions over the life of the MTFS.

4.4 Capital programme monitoring

4.4.1 This section of the report provides Members with an update on the Council's capital programme for 2016-17. The original budget approved by Council on 10th March 2016 was further revised and approved by Council during the year to incorporate budgets brought forward from 2015-16, budgets carried forward into 2017-18, and any new schemes and grant approvals. The revised programme for 2016-17 now totals £28.133 million, following slippage of £18.47 million into 2017-18, of which £18.393 million is met from BCBC resources with the remaining £9.74 million coming from external resources. The main areas of slippage are:

- New Mynydd Cynffig Primary School and associated highways works - due to commence in 2017-18 (£800,000 slippage).
- Provision of 2 Extra Care facilities - work expected to commence in 2017-18 (£3 million slippage).
- Porthcawl Infrastructure - the Porthcawl masterplan and owners agreement are currently under review. This includes a fresh assessment of the infrastructure phasing plan and marketing strategy (£5.507 million slippage).
- Llynfi Development Site – feasibility work currently being undertaken, no works expected in 2016-17 (£2.4 million slippage).

- Rationalisation of Depots - the project board is currently reviewing the proposals for this scheme and will provide a revised costing once complete (£4.376 million slippage).

4.4.2 Appendix 4 provides details of the individual schemes within the capital programme, showing the budget available in 2016-17 compared to the projected spend. Commentary is provided detailing any issues associated with these projects.

4.4.3 At this point in the financial year, and following discussions with directorates, it is assumed that all other projects will be in line with the budget as set out in Appendix 4. However, this will depend upon scheme progress during the financial year and any inclement weather experienced, which may place additional pressure on project timescales.

4.5 Review of Earmarked reserves

4.5.1 The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The MTFS includes the Council's Reserves and Balances Protocol which sets out how the Council will determine and review the level of its Council Fund balance and Earmarked Reserves. A quarter 3 review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding. Table 3 below shows the drawdown from earmarked reserves during Quarter 3 together with the cumulative drawdown.

Table 3 – Drawdown of Earmarked Reserves to the end of Quarter 3

Quarter 1 & 2 Drawdown £'000	Directorate	Quarter 3 Only Drawdown £'000	Total Quarter 1-3 Drawdown £'000
90	Education & Family Support	603	693
72	Social Services & Wellbeing	853	925
859	Communities	1,046	1,905
311	Operational and Partnership Services	388	699
18	Chief Executives & Finance	32	50
1,350	Total	2,922	4,272

4.5.2 The cumulative drawdown is £2,461,000 from Corporate Reserves and £1,811,000 from their specific earmarked reserves as shown in Table 4 below.

Table 4 – Movement on Earmarked Reserves to the end of Quarter 3

Opening Balance 1 April 2016 £'000	Reserve	Additions/ Reclass- ification £'000	Draw-down £'000	Closing Balance 31 Dec 2016 £'000
	Corporate Reserves:-			
	Education & Family Support	200	(582)	
	Social Services & Wellbeing	-	(89)	
	Communities	34	(1,237)	
	Operational and Partnership Services	-	(503)	
	Chief Executives & Finance	-	(50)	
	Non-Directorate	4,519	-	
32,939	Total Corporate Reserve	4,753	(2,461)	35,231
	Directorate Earmarked Reserves:-			
1,278	Education & Family Support	183	(111)	1,350
1,486	Social Services & Wellbeing	1,000	(836)	1,650
1,884	Communities	701	(668)	1,917
708	Operational and Partnership Services	(125)	(196)	387
92	Chief Executives & Finance	(42)	-	50
5,448	Total Directorate Reserves	1,717	(1,811)	5,354
38,387	Total Usable Reserves	6,470	(4,272)	40,585

4.5.3 The review also examined:-

- commitments against existing reserves and whether these were still valid;
- earmarked reserve requests from Directorates as a result of emerging issues and;
- emerging risks for the Council as a whole.

Table 5 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves just during Quarter 3. Therefore the £4,460,000 of total Additional/Unwound differs from the £6,470,000 in the above table as £2,010,000 was created in the first half of the year and reported to Cabinet in the Quarter 2 Monitoring Report.

Table 5 – Net Appropriations to and from Earmarked Reserves during Quarter 3

Quarter 3 Only		New/ Addition to Reserves £'000	Unwound Reserves £'000	Additions/ Unwound £'000
Corporate Reserves:-				
Major Claims Reserve		1,000	(3,080)	(2,080)
Capital Programme Contribution		2,733		2,733
Service Reconfiguration		1,000		1,000
Insurance Reserve		170		170
Asset Management Plan			(32)	(32)
DDA Emergency Works		200		200
Property Disposal Strategy		24		24
Public Realm Reserve	New	200		200
MTFS Budget Contingency		528		528
Total Corporate Reserves		5,855	(3,112)	2,743
				-
Directorate Reserves:-				-
Directorate Issues - various			(167)	(167)
Looked After Children - Social Services & Wellbeing		1,000		1,000
Waste Awareness Reserve - Communities	New	250		250
Safe Routes to Schools - Communities	New	200		200
School Projects Reserve - Education & Family Services		183		183
Property Reserve - Communities		250		250
Donations Reserve Account - Communities		1		1
Total Directorate Reserves		1,884	(167)	1,717
Total Usable Reserves		7,739	(3,279)	4,460

4.5.4 Following a review of public realm assets, the Communities directorate has identified a range of urgent works required across the County Borough. A public realm reserve of £200,000 has been created from existing resources which will be drawn against as quickly as works can be completed.

4.5.5 A full breakdown of total movement on earmarked reserves at 31st December is provided in Appendix 5.

5.0 Effect upon policy framework & procedural rules

5.1 As required by section 3 (budgetary control) of the Financial Procedure Rules; Chief Officers in consultation with the appropriate Cabinet Member are expected to manage their services within the approved cash limited budget and to provide the Chief Finance Officer with such information as is required to facilitate and monitor budgetary control.

6.0 Equality Impact Assessment

6.1 There are no implications in this report.

7.0 Financial implications

7.1 These are reflected in the body of the report.

8.0 Recommendations

8.1 The Committee is requested to note the projected revenue and capital outturn position for 2016-17 and provide any comments.

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January 2017

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Background Papers

Individual Directorate Monitoring Reports

Report to Council 10th March 2016

Report to Council 6 May 2016

Report to Council 6 July 2016

Report to Council 5 October 2016

MTFS Report to Cabinet – 29th November 2016