

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

27 JUNE 2017

REPORT OF THE HEAD OF FINANCE

FINANCIAL PERFORMANCE 2016-17

1.0 Purpose of this report

1.1 The purpose of this report is to provide Cabinet with an update on the Council's financial performance for the year ended 31st March 2017.

2.0 Connections to Corporate Improvement Objectives and Other Corporate Priorities

2.1 The financial performance of the Council budget determines the extent to which the 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 May 2017 to £18.356 million. As part of the Performance Management Framework, budget projections are reviewed regularly and reported to Cabinet on a quarterly basis. The draw down of earmarked reserves and 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 March 2017.

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

Table 1- Comparison of budget against outturn for the year ended 31st March 2017

Directorate/Budget Area	Original Budget	Revised Budget	Actual Outturn	Actual Over / (Under) Spend	Projected Over / (Under) Spend Qtr 3
	2016-17 £'000	2016-17 £'000	2016-17 £'000	2016-17 £'000	2016-17 £'000
Directorate Budgets					
Education and Family Support	108,034	108,238	107,653	(585)	(148)
Social Services and Wellbeing	59,697	61,383	62,560	1,177	836
Communities	24,644	24,871	24,517	(354)	26
Operational and Partnership Services	14,899	14,952	13,236	(1,716)	(1,989)
Chief Executives	4,333	4,268	3,467	(801)	(250)
Total Directorate Budgets	211,607	213,712	211,433	(2,279)	(1,525)
Council Wide Budgets					
Capital Financing	10,128	10,128	11,115	987	1,168
Precepts and Levies	6,959	6,879	6,881	2	1
Sleep Ins	800	264	0	(264)	(270)
Council Tax Reduction Scheme	14,304	14,304	13,358	(946)	(886)
Insurance Costs	1,559	1,559	1,316	(243)	0
Building Maintenance	900	729	413	(316)	(81)
Other Corporate Budgets	8,634	7,316	(1,516)	(8,832)	(5,295)
Total Council Wide Budgets	43,284	41,179	31,567	(9,612)	(5,363)
Accrued Council Tax Income			(974)	(974)	
Appropriations to / from Earmarked Reserves			12,509	12,509	6,470
Transfer to Council Fund			356	356	
Total	254,891	254,891	254,891	0	(418)

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 outturn at 31st March 2017 is an under spend of £356,000 which has been transferred to the Council Fund, in line with Principle 8 of the MTFs. After including in-year draw down of reserves, directorate budgets provided a net under spend of £2.279 million and council wide budgets a net under spend of £9.612 million. These are offset by the requirement to provide earmarked reserves for a range of new future risks and expenditure commitments.

4.1.3 The under spend on Directorate net budgets for the year is a result of a number of factors including the maximisation of grant and other income, strict vacancy management and general efficiencies. In addition, directorates drew down £7.751 million in-year from approved earmarked reserves to meet specific one-off pressures identified in previous years, including funding for transformation projects through the Change Fund, funding for capital projects, draw down of school balances, funding for demolition work and service specific one-off pressures.

4.1.4 The under spend masks underlying budget pressures in some service budgets which were reported during the year and still persist. The main financial pressures are in the service areas of Looked After Children and Adult Social Care. It should be noted that these budget areas can be volatile and small changes in demand can

result in relatively high costs being incurred. As patterns of provision change within Directorates, service budgets are reviewed and re-aligned accordingly.

4.2 Monitoring of Budget Reduction Proposals

4.2.1 The MTFS Budget Reduction Contingency was established in line with MTFS Principle 12 (*“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”*) and has been used to partly mitigate the shortfalls on the following budget reduction proposals in this financial year.

2015-16 Budget Reduction Shortfalls		
COM 1	MREC	£150,000
COM 11	Blue Badges	£83,000
CH 9	School Transport	£100,000
2016-17 Budget Reduction Shortfalls		
RES29	To rationalise the core office estate - leasing of Raven's Court	£195,000

Budget Reductions 2015-16

4.2.2 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 to be identified. Not all proposals have been fully delivered, however, and where this is the case, directorates have identified a recurrent solution. Appendix 1 shows those 2015-16 budget reduction proposals not met in full and the mitigating action to provide a more permanent solution in future.

Budget Reductions 2016-17

4.2.3 The budget approved for 2016-17 included savings proposals of £7.477 million. £2.385 million of these proposals were not realised in full in 2016-17, but the expenditure associated with them has been offset by vacancy management, and other savings elsewhere within the budget. Appendix 2 identifies those budget reductions not achieved in full, and shows that of the £2.385 million of proposals not fully achieved, £540,000 was realised in 2016-17, leaving a shortfall of £1.845 million. As such there is still a recurrent pressure on 2017-18 budgets which will need to be addressed by implementing the proposals in Appendix 2 or identifying and delivering alternatives. Future monitoring reports will review achievement against these targets in addition to current year budget reductions. A summary of achievement of the budget reduction proposals is provided in Table 2 below.

Table 2 – Achievement of Budget Reductions 2016-17

	Total Budget Reductions Required	Total Budget Reductions Achieved	Shortfall
DIRECTORATE	£'000	£'000	£'000
Education and Family Support	976	504	472
Social Services and Wellbeing	2,984	1,993	991
Communities	1,377	1,025	352
Operational and Partnership Services	985	985	0
Chief Executive	217	187	30
Council Wide Budgets	938	938	0
TOTAL	7,477	5,632	1,845

4.2.4 The most significant of those proposals not achieved in full in-year include:

- Home to School College Transport (£450,000) – in particular the achievement of school transport efficiencies and rationalisation of special educational needs transport. Funding has been transferred from the inter-authority recoupment budget in 2017-18 to address the shortfall.
- Transfer of Family Care Service to Community Hubs (£158,000) - This saving is expected to be achieved in full in 2017-18.
- Remodelling of Children’s Residential and Respite Care (£200,000) - There is an on-going review of remodelling options to identify savings. The directorate will need to identify alternative proposals in 2017-18 if this proposal is not achievable.
- Reduction in Safeguarding Looked After Children (LAC) numbers and costs (£357,000) – Progress has been made in reducing the existing number of Looked After Children, however the number of new children entering the system is making it very difficult to make savings at the required level. This is being progressed through the Early Intervention and Safeguarding Board.
- Review of Highways maintenance / DLO services (£112,000) – due to a delay in completing the restructure, however this is now complete and the saving will be achieved in full in 2017-18.
- Lease of Raven’s Court (£195,000) – this was met from the MTFs Budget Reduction Contingency Reserve in 2016-17. Active marketing of the building continues however if this is unsuccessful, the reduction may be undeliverable.
- Put some aspects of Council Tax and Housing Benefits on line (£30,000) – a delay in implementing Channel Shift prevented full savings being achieved during the financial year.

Directors continue to work with their staff to deliver their proposals or find alternatives to prevent future budget over spends.

4.3 Commentary on the financial position as at 31st March 2017

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 total draw down on earmarked reserves.

4.3.1 Education and Family Support Directorate

The net budget for the Directorate for 2016-17 was £108.238 million and the actual outturn was £107.653 million, following draw down of £2.54 million from earmarked reserves, resulting in an under spend of £585,000. The most significant variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Built Environment Service	997	1,010	13	1.3%
Inter Authority Recoupment	126	(519)	(645)	-511.9%
Early Years	606	541	(65)	-10.7%
Behaviour Support Service	1,442	1,359	(83)	-5.8%
School Improvement	966	800	(166)	-17.2%
Strategic Planning and Resources	4,126	4,013	(113)	-2.7%
Home to School/College Transport	3,860	4,986	1,126	29.2%
Catering Services	775	494	(281)	-36.3%
Integrated Working	1,022	856	(166)	-16.2%

Built Environment Service

- Whilst the overall position for the Built Environment service is a small overspend of £13,000, there are underlying variances across the areas of service.
- There was an over spend of £185,000 on the DLO. Charge-out rates were amended in year in line with CIPFA guidance. The result was a reduced charge out rate following the removal of ineligible costs. Close monitoring will be required in 2017-18 on productivity rates to ensure a break even position is achieved going forward. The over spend has been offset by over-recovery of income against the income target in Architects (£81,000), due to higher workload and productivity, and Quantity Surveyors (£34,000), along with staff vacancy management in Mechanical and Electrical Engineers (£26,000) and the Energy Department (£64,000).

Inter Authority Recoupment

- There is an under spend of £645,000 for out of county education placements, due to a combination of a reduction in the number of placements (28 at March 2016 to 24 at March 2017) as pupils are brought back in-County to be educated (£588,000) and additional income from pupils from other local authorities (£57,000) being placed in Bridgend's schools. £445,000 of this budget has been transferred to the Home to School Transport budget in 2017-18 to mitigate pressures on that budget.

Early Years

- There is an under spend of £65,000 on Early Years due to a combination of vacant posts, an unforeseen increase in grant income and reduced spend on Nursery Development Grants in preparation for 2017-18 MTFS budget reductions.

Behaviour Support Service

- The net under spend of £83,000 is a combination of clawbacks from schools arising from an increase in the number of pupils educated other than at school, along with vacant posts at The Bridge Alternative Provision (£116,000). This is offset by increased costs on 1:1 ancillary support due to difficulties in recruitment of permanent staff (£32,000), and consequent use of agency staff at a higher cost to the Council.

School Improvement

- The under spend of £166,000 mainly relates to the delay in appointments to the Development Team (£124,000) which supports the strategic review of schools, and has been used to mitigate other over spends within the Directorate. These posts have now been filled. There is a budget reduction of £68,000 against the Development Team in the MTFS for 2017-18 as an alternative funding source has been identified to enable the budget to be reduced without impacting on service delivery. The balance of the under spend is due to additional grant income.

Strategic Planning and Resources

- The under spend of £113,000 has primarily arisen as a result of later than expected construction of 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.
- On 28th March 2017, Cabinet resolved to abandon the proposal to relocate Mynydd Cynffig Primary to the Cynffig Comprehensive School site. Consequently, the cost of design and other works associated with the scheme were recharged to the directorate revenue budget under this area of service. These amounted to £327,000. This was, however, offset by funding from the Corporate Contingency.

Home to School / College Transport

- There is an over spend on the Home to School/College Transport budget of £1.126 million, of which £337,000 relates to over spends carried forward from 2015-16. 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 able to be implemented until September 2016 and this did not bring the same level of savings as were originally identified. The over spend has been partly mitigated by a contribution of £100,000 from the MTFS Budget Reduction Contingency Reserve.
- 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 the duty of the 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 these pressures. Budget re-alignments have taken place as part of the 2017-18

budget setting process to mitigate the shortfalls in this area of service with the majority coming from the Inter Authority Recoupment under spend identified above.

- 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 £281,000 has arisen partly as a result of strict vacancy management (£116,000). This prudent approach was adopted as labour costs can be affected by disruption to trading days during the winter months, which did not materialise as adverse weather conditions were not experienced. In addition, the service also achieved £139,000 more than their targeted income. This is primarily due to higher demand for secondary school meals than was anticipated when the budgets were set at the start of the financial year.
- These under spends will contribute to the 2017-18 MTFS target for catering of £79,000.

Integrated Working

- Integrated Working has under spent by £166,000. This is primarily due to staff vacancy management of £125,000, with the balance due to an under spend on Volunteer Drivers Support – the service was temporarily ceased in February 2017 pending a review.

Schools' Delegated Budgets

- School balances reduced from £2.154 million at the end of 2015-16 to £866,000 at the end of 2016-17 (a reduction of £1.288 million), representing 0.93% of the funding available. Total deficit budgets equate to £1.225 million and total surplus budgets equate to £2.090 million.
- Out of a total of 59 schools there are 18 schools (13 primary, 4 secondary and 1 special) with deficit budgets and 6 schools (4 primary, 1 secondary, 1 special) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. These balances will be analysed by the Corporate Director - Education and Family Support, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2016-17 was £61.383 million and the actual outturn was £62.560 million, following draw down of £1.806 million from earmarked reserves, resulting in an over spend of £1.177 million. The most significant variances are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,084	8,320	236	2.9%
Older People Home Care	8,640	7,936	(704)	-8.1%
Assessment & Care Mgt Older People and Physical Disability	3,475	2,890	(585)	-16.8%
Learning Disabilities Residential Care	1,458	1,753	295	20.2%
Learning Disabilities Home Care	5,516	6,177	661	12.0%
Learning Disabilities Day Opportunities	3,099	2,896	(203)	-6.6%
Mental Health Home Care	412	626	214	51.9%
Looked After Children	10,546	11,521	975	9.2%

Older People Residential Care

- The over spend has arisen mainly as a result of a reduction in income in respect of nursing care of £230,000 compared to 2015-16. This is mainly due to lower income received on nursing provision in our establishments following a more prudent approach to the recovery of income secured against property, based on historical patterns, which has resulted in less income being accounted for in the 2016-17 financial year.

Older People Home Care

- There is an under spend of £704,000 as a result of reduced costs from the transfer of homecare packages to the independent sector, as part of the Council's strategy to focus local authority homecare on specialist and complex care only.

Assessment and Care Management

- There is an under spend of £301,000 on assessment and care management for older people, and £284,000 on assessment and care management for people with physical disabilities. The under spend has been generated through good vacancy management but also through identification of additional external funding to offset the costs of core service activities.

Learning Disabilities Residential Care

- There has been an over spend of £295,000 as a result of the transition of 'complex needs' children into adult services. This over spend is after draw down of £245,000 from earmarked reserves.
- Going forward, whilst there are no known children with care needs that are coming of age within the next financial year, analysis will be carried out to understand the future demands on the service. Those that have transferred have been assessed to determine the most appropriate form of placement to meet their needs, which are generally at a lower cost.

Learning Disabilities Home Care

- There is an over spend of £661,000 arising from an increase in the number of hours within existing care packages, to meet more complex needs, together with an increase in the number of supported living schemes by one. Income received from charges to other Local Authorities is also less than budgeted.

Learning Disabilities Day Opportunities

- There is an under spend of £203,000 arising from staff vacancies. Most have now been filled with those remaining used to meet budget reductions in 2017-18.

Adult Mental Health Home Care Services

- There is an over spend of £214,000 on home care as a result of increased need 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 an over spend of £975,000 on LAC, after a draw down of £748,000 from earmarked reserves. This is mainly as a result of the delay in implementing a new model for residential services (£400,000 MTFs saving from 2015-16 and 2016-17 to be realised) 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 a plan to place more children into in-house foster placements from high cost independent placements.
- Whilst the number of looked after children across Wales and within Bridgend has continued to rise over recent years, the number as a proportion of the child population has actually decreased. The Early Intervention and Safeguarding Board has been reviewing the type of placements in which our more vulnerable children are placed, and through placement in more appropriate settings, has achieved an overall financial saving. The focus has been, and will continue to be, on reducing the number of out of county placements, and bringing children back into the county borough, with links to family, where it is appropriate and safe to do so. The number of LAC at the end of March 2017 was 390 compared to 382 at the end of March 2016, and the number of out of county placements is currently 10 with some individual placements costing around £220,000 per annum. Although the net LAC population has increased, it should be noted that:
 - The service has reduced high cost Independent Fostering Agency (IFA) placements by 7 which can reduce the annual cost by approximately £330,000.
 - 88 children ceased to be LAC but during this time 97 became LAC.
 - The service has implemented its permanence strategy identifying high cost placements and transferring to lower cost placements.
 - When reviewing the LAC population of 390 as at the end of March 2017, the net annual equivalent LAC cost is approximately £290,000 less than the cost of the LAC population of 382 as at April 2016.
- In addition, 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. For 2017-18 this has been recognised as a new budget pressure following the implementation of the Social Services and Well-being (Wales) Act 2014 and funded accordingly.

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

Other Child and Family Services

- The service is not projecting a significant variance, and therefore this service is not reported in the table above. However, it must be noted that this is following the draw down of £308,000 from earmarked reserves to offset the 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 percentage of total Western Bay placements, and currently Bridgend's proportion of placements is 34% 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 has been addressed for 2017-18 through a budget pressure in the MTFs.

4.3.3 Communities Directorate

The net budget for the Directorate for 2016-17 was £24.871 million and the actual outturn was £24.517 million, following draw down of £2.287 million from earmarked reserves, resulting in an under spend of £354,000. The most significant variances are:

COMMUNITIES DIRECTORATE	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Development	301	162	(139)	-46.2%
Regeneration	1,788	1,692	(96)	-5.4%
Streetworks	8,018	8,260	242	3.0%
Highways and Fleet	6,127	6,475	348	5.7%
Parks and Open Spaces	2,010	1,942	(68)	-3.4%
Transport & Engineering	842	746	(96)	-11.4%
Streetscene Support	326	253	(73)	-22.4%
Adult Learning	177	83	(94)	-53.1%
Property (Estates)	1,264	867	(397)	-31.4%

Development Control

- There is an under spend of £139,000 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 has received more income than budgeted. However, it cannot be guaranteed that a similar number of large applications will be received next year and so at this point the increased income generated should be regarded as 'one-off'.

Regeneration

- There is an under spend of £96,000 on the Regeneration budget. This is primarily due to staff vacancy management (£50,000) with the balance from under spends on non-staffing budgets. The under spend on non-staffing budgets is partly linked to the early implementation of future MTFS budget reductions, and partly due to an under spend in the Economic Development Unit marketing and promotion budget as a result of staff capacity constraints and higher than anticipated contributions from sponsors.

Streetworks

- The net over spend of £242,000 on Streetworks includes an over spend on the Waste Disposal Budget of £365,000. The MREC saving of £300,000 for 2015-16 was not achieved, but it was partly mitigated by a contribution of £150,000 from the MTFS Budget Reduction Contingency reserve. Budget re-alignments have taken place as part of the 2017-18 budget setting process to mitigate this shortfall. There were also additional tonnage costs of £454,000 which have been partly offset by savings from the interim Anaerobic Digestion (AD) procurement project of £239,000.
- Under the new waste contract commencing in 2017-18, there is a forecast reduction in the amount of tonnage going to the MREC due to an increase in kerbside recycling and at the Civic Amenity Sites. £196,000 was drawn down from earmarked reserves to support procurement project costs for the new Waste Contract commencing 1st April 2017.
- There is a further budget reduction target of £200,000 in respect of the MREC in 2017-18 which is anticipated to be achieved when the procurement process to appoint a contractor to operate and manage the MREC is concluded. This remains an area of considerable management focus in partnership with Neath Port Talbot. A £100,000 saving is also included in the MTFS for 2017-18 against a longer term AD Procurement exercise which is nearing conclusion.

Highways and Fleet

- The net over spend on Highways and Fleet is £348,000. Included within this is an over spend on Highways Maintenance and Fleet Services of £441,000 which mainly constitutes expenditure on highways maintenance borne by the directorate (£293,000) along with a downturn in commercial income in Fleet Services (£148,000). The reduction in income is due to a number of factors, including the general reduction in the Council's budgets and the closure of County Supplies. This has been offset by an under spend of £131,000 in street lighting, which has arisen following the LGBI programme of replacement of lanterns, and subsequent reduction in energy costs and required maintenance. This saving will be used in 2017-18 to meet short term shortfalls in MTFS savings, whilst existing proposals are being progressed e.g. car parking charges review.
- The outturn position of the DLO has been positively affected by South East Wales Trunk Road Agency (SWTRA) requesting additional works on the A470 subsequent to the withdrawal of Merthyr Council from the maintenance activities on the trunk road. Additional requests were also received to assist on trunk road maintenance in the Neath Port Talbot area. It is unclear at this time if any additional works will be requested over and above the service level commitment in 2017-18 and the financial implications of any such requests.

Parks and Open Spaces

- There is an under spend on Parks and Open Spaces of £68,000 primarily due to an under spend on staffing. The under spend has arisen as part of a restructure of the parks service and will not reoccur in 2017-18.

Transport and Engineering

- There is a net under spend across the service of £96,000. Within this there is a pressure on the car park budget of £111,000, primarily due to the delay in the implementation of MTFS budget reductions, including charging for blue badges (£165,000) and increases in car parking charges (£60,000), combined with car park income shortfalls (£140,000). This has been mitigated by a contribution of £83,000 from the MTFS Budget Reduction Contingency Reserve and draw down of funding from earmarked reserves. The directorate has identified mitigating under spends to address this pressure in the short-term. There is a further budget reduction of £50,000 in the 2017-18 MTFS relating to a broad review of car parking including staff and elected member parking passes.
- There is an over spend on Traffic Management and Road Safety of £64,000. £20,000 of this is due to the shortfall on the MTFS saving relating to School Crossing Patrols. The balance of the over spend is due to a shortfall in internal fee income.
- Policy and Development has an over spend of £79,000. This mostly consists of an over spend on staffing costs due to the late implementation of staffing restructures.
- The over spends identified have been offset by Engineering services exceeding their income target (£275,000) primarily due to the balance of working on EU/non EU funded projects compared with previous years. There has also been an under spend under Public Transport Co-ordination due to staff vacancy management (£75,000).

Streetscene Support

- There is an under spend across the service of £73,000 due to staff vacancy management and reduced spend on supplies and services.

Adult Community Learning (ACL)

- There is an under spend across the service of £94,000 due to staff vacancy management. This, in part, was as a result of a reduced programme of courses due to uncertainty about the future provision of ACL following significant changes to the area strategic partnership and Bridgend College's delivery of an ACL programme. This will contribute towards the 2017-18 MTFS saving target of £70,000 for a reduction in Adult Community Learning provision.

Property

- There is an under spend across Property Estates of £397,000. This is mainly due to the draw down of WG funding in respect of Hartshorn House of £250,000, which has been transferred into an earmarked reserve to cover operational costs and refurbishment within the commercial property portfolio. There is also an under spend of £117,000 arising from staff vacancies, which is partly offset by an over spend arising from under occupancy of the Innovation Centre, as a result of difficulties in attracting tenants.

- The Section 151 Officer made a one-off allocation from the MTFS Budget Reduction Contingency Reserve against the £195,000 saving in respect of Raven's Court following the failure to lease the building during the financial year.

4.3.4 **Operational and Partnership Services Directorate**

The net budget for the Directorate for 2016-17 was £14.952 million and the actual outturn was £13.236 million, following draw down of £1.056 million from earmarked reserves, resulting in an under spend of £1.716 million. The most significant variances are:

OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Housing Options and Homelessness	693	375	(318)	-45.9%
Legal Services	1,976	1,783	(193)	-9.8%
Human Resources & Organisational Development	3,536	3,175	(361)	-10.2%
ICT	3,726	3,466	(260)	-7.0%
Regulatory Services	1,470	1,350	(120)	-8.2%

Housing and Homelessness

- There is an under spend on this area of £318,000. This is mainly as a result of the maximisation of Transitional Funding and Supporting People grant, and small under spends on other budgets. This budget is currently being reviewed by the Head of Finance and Director of Operational and Partnership Services to ascertain whether or not there is a recurrent budget saving that could be realised going forward.

Legal Services

- The under spend of £193,000 on legal services is partly due to an increase in recovery of legal costs (£69,000), partly due to an under spend on legal costs and disbursements, and the balance due to staffing vacancies (£72,000), most of which are built into the MTFS as budget reductions for 2017-18.

Human Resources and Organisational Development

- Part of the under spend relates to vacancy management in preparation for future MTFS savings (£200,000) and the balance has arisen as a result of vacancies pending recruitment.

ICT

- The under spend of £260,000 is as a result of vacancies within the team, and reduced telephone charges (£40,000), along with an under spend of £168,000 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 Executives

The net budget for the Directorate for 2016-17 was £4.268 million and the actual outturn was £3.467 million, following draw down of £58,000 from earmarked reserves, resulting in an under spend of £801,000. The most significant variances are:

CHIEF EXECUTIVES	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Chief Officers	645	508	(137)	-21.2%
Housing Benefit Administration	696	485	(211)	-30.3%
Housing Benefit Payments	52	(368)	(420)	-807.7%

Chief Officers

- The under spend mainly relates to the vacant staffing budget following the departure of the Corporate Director Resources. This was included in MTFS budget reductions for 2017-18.

Housing Benefit Administration

- 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 was reviewed in quarter 3 and reduced by £100,000 and returned to the corporate budget.

Housing Benefit Payments

- The gross budget is £48.478 million, which is offset by £48.427 million of income, the majority of which is housing benefit subsidy. There is an under spend in respect of the payment of housing benefit of £420,000. This comprises additional recovery of over-payments, totalling £245,000, and £180,000 under spend arising from the need for a lower provision for bad debt following successful debt recovery.

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 net budget is £41.179 million and the actual outturn was £31.567 million, resulting in an under spend of £9.612 million. The most significant variances are detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing	10,128	11,115	987	9.7%
Council Tax Reduction Scheme	14,304	13,358	(946)	-6.6%
Repairs and Maintenance	729	413	(316)	-43.3%
Insurance Premiums	1,559	1,316	(243)	-15.6%
Other Corporate Budgets	7,316	(1,516)	(8,832)	-120.7%

Capital Financing

- The net over spend of £987,000 is a combination of an under spend on interest paid due to lower borrowing than anticipated (£1.3 million), as the 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. There is also slightly lower interest realised than projected on internal borrowings following the repayment of previous prudential borrowing amounts.

Council Tax Reduction Scheme

- The under spend of £946,000 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. There is a reduction in this budget in the MTFs of £300,000 for 2017-18 with further budget reductions planned for future years, depending on take up at that time.

Repairs and Maintenance

- The under spend of £316,000 is a result of slippage on some minor works schemes and feasibility studies, which will now be completed in 2017-18. An earmarked reserve has been established to meet these costs. There is also an under spend on prudential borrowing in respect of the Civic Offices Enveloping Scheme, which will be completed in 2017-18.

Insurance Premiums

- The under spend of £243,000 has mainly arisen as a result of a fortuitous and unexpected rebate in respect of the Maesteg PFI scheme under the contract's premium sharing agreement (£170,000). There is also a small amount of additional income generated from recharges to direct labour organisations for insurance arranged on their behalf.

Other Corporate Budgets

- There is a significant movement on the Council's balance sheet in respect of historic and current council tax and housing benefits debtors. This has created a favourable movement of £3.678 million on other corporate budgets. With regard to housing benefits, these have previously only been established as debtors in the housing benefits system and not in the Council's main accounts. This is a change of accounting treatment which, going forward, will recognise the debts in the year in which they are raised, rather than the year in which they are paid. The balance relates to a reduced bad debt provision in the balance sheet for council tax following higher recovery rates. Consequently these are one-off adjustments and will not reoccur.

- There is also a release of £961,000, in respect of insurance monies relating to a previous fire at Betws Primary School, into the revenue account to provide a contribution towards the new Garw Valley South scheme as part of the 21st Century Schools programme. This funding has been transferred to earmarked reserves to offset the cost in 2017-18.
- There are a number of other under spends on council wide budgets, totalling £5.09 million including:
 - o Reduced requirement from Directorates in relation to pay and prices (£1.58 million). While this has not been required in 2016-17, this is currently a particular risk area for council budgets as inflation indices have risen over recent months.
 - o Lower than expected in-year cost of implementing auto enrolment for new entrants (£400,000). This cost should be fully known by the end of 2017-18 as the Council works towards the end of the auto enrolment transitional period (30th September 2017). At that point in time, any unrequired budget can be released in mitigation of other service budget reductions.
 - o Projected under spends on other corporate budgets e.g. corporate contingency, reduced requirements for funding of budget pressures, provision for increased superannuation and national insurance contributions (£1.7 million).
 - o In addition, 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 (£319,000), until the outcome of the appeal is received from the Welsh Language Commissioner.
- These have been partly offset by a one-off payment of £896,000 of prudential borrowing in respect of Glamorgan Records Office to reduce future capital financing costs.

This under spend has enabled a number of new corporate earmarked reserves to be established to meet pressures in 2017-18, some of which were reported in quarter 2 and quarter 3, including in particular contributions to the capital reserve in support of possible future additions to the capital programme (subject to full council approval) and funding of demolition works, to avoid costs associated with vacant premises.

The under spend on Directorate budgets has also enabled a number of new Directorate earmarked reserves to be established, to meet service specific pressures that are anticipated to arise in 2017-18, many of which were originally planned to be undertaken in 2016-17.

The under spend on accrued council tax income of £974,000 has been transferred into the service reconfiguration reserve to support the cost of transformation programmes, including potential redundancy costs. Further information on Earmarked Reserves is provided in section 4.5.

The council wide 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 outturn

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 presented to Council on 31st May 2017 totals £18.356 million for 2016-17. The main changes from the capital programme presented to Council on 1st March 2017 are:

- Total slippage of £7.670 million into 2017-18, including:
 - £565,000 in relation to school modernisation schemes;
 - £1 million fund set aside for parks and pavilion improvements to support successful Community Asset Transfers;
 - £922,000 for Housing related / Disabled Facilities grants, as a result of timing differences between grant awards and householder claims. There was slippage against the Disabled Facilities Grants budget in previous years, due to delays with occupational health referrals, leading to a backlog, and this has had a knock-on effect to the ability to catch up in the following year. The commitment has carried forward into 2017-18. In addition, there was a delay in receipt of applications for Empty Homes Grants & Homes in Town Grants which has led to a further under spend. These grants should be fully spent in 2017-18;
 - £480,000 in respect of the purchase of income-generating non-operational assets;
 - £820,000 minor works schemes, due to completion of schemes rolled forward from the previous year, subsequent delays in commencing current year schemes, and limited capacity within the Built Environment service.

- Reduced budgets for a number of schemes in 2016-17, totalling £871,000, particularly in respect of the proposed replacement Mynydd Cynffig Primary School which has been removed from the capital programme.

4.4.2 Appendix 4 provides details of the individual schemes within the capital programme, showing the final budget available in 2016-17 compared to the actual spend. Commentary is provided explaining reasons for any major variations in expenditure against budget or changes to budget.

4.4.3 Total expenditure as at 31st March 2017 is £18.266 million, resulting in an under spend of £89,000 on BCBC resources. This under spend will be returned to the capital receipts fund.

4.5 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. During 2016-17, Directorates drew down funding from specific earmarked reserves and these were reported to Cabinet through the Monitoring Reports. The final Directorate draw down from reserves is detailed below:-

	Draw down from Earmarked Reserves 2016-17 £'000
Education & Family Support	2,543
Social Services & Wellbeing	1,806
Communities	2,288
Operational & Partnership Services	1,056
Chief Executives	58
Total	7,751

The draw down was £4.095 million from Corporate Reserves, £2.368 million from Directorate Reserves and £1.288 million in respect of a net movement on school balances.

- 4.5.2 At year end, the Protocol requires that the Chief Finance Officer reviews existing earmarked reserves, and consider requests from Directorates for new reserves or additional corporate reserves based on new risks or one-off pressures. This review has now been undertaken together with an assessment of the risks and pressures that are sufficiently 'known' or 'probable' over the MTFs period and for which an earmarked reserve is therefore required. This review has identified the need for £10.416 million to create new or enhance existing corporate reserves including reserves to help support the Capital Programme, to meet the cost of future service reconfigurations (including severance payments), to provide funding for the Extra Care Provision as agreed within the MTFs, to continue with the Council's Digital Transformation programme and to replenish the MTFs Contingency Reserve.
- 4.5.3 In determining what Directorate earmarked reserves are required, priority has been given to those demonstrating significant risk, those which are sufficiently 'known' or 'probable' and those for which funding needs to be set aside as a priority, with consideration given to any existing reserve balances. The total of new and replenishments to existing Directorate earmarked reserves is £2.093 million. The largest addition is £1 million to the Looked After Children's reserve to replenish the reserve and further enhance it following the draw down of almost £800,000 during the 2016-17 financial year. The total of additions/reclassifications as a result of the Chief Finance Officer's review is £12.509 million.
- 4.5.4 As per last year, under proper accounting practice as detailed in CIPFA's Code of Practice on Local Authority Accounting, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been

incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2016-17, there was £841,000 of new International Financial Reporting Standards (IFRS) Grants that have been transferred to earmarked reserves to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution.

4.5.5 There are also a number of 'equalisation of spend' reserves. These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of Elections, Maesteg PFI funding, Building Control costs, Special Regeneration Fund projects and the preparation of the Local Development Plan. These have been enhanced by £647,000 at year end.

4.5.6 A full breakdown of the total movement on earmarked reserves as at 31st March 2017 is provided in Appendix 5. Total Reserves excluding the Equalisation of Grants and Spend is £44.418 million, an increase of £4.758 million from the start of the financial year. The remaining under spend on the revenue account of £356,000 will be transferred to the Council Fund.

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 Cabinet is requested to note the revenue and capital outturn position for 2016-17.

Randal Hemingway
Head of Finance and Section 151 Officer
June 2017

Contact Officer

Deborah Exton – Group Manager – Financial Planning and Budget Management ext 3604
e-mail: deborah.exton@bridgend.gov.uk

Background Papers

Individual Directorate Monitoring Reports

Report to Cabinet 31 January 2017 – Budget Monitoring 2016-17 – Quarter 3
Forecast

Report to Council 31 May 2017 – Capital Programme 2016-17 to 2026-27