

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE**

**14 DECEMBER 2017**

### **REPORT OF THE HEAD OF FINANCE**

#### **BUDGET MONITORING 2017-18 – QUARTER 2 FORECAST**

##### **1.0 Purpose of this report**

1.1 The purpose of this report is to provide the Committee with an update on the Council's financial position as at 30th September 2017.

##### **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 2017. The allocation of budget determines the extent to which the Council's corporate improvement priorities can be delivered.

##### **3.0 Background**

3.1 On 1st March 2017, Council approved a net revenue budget of £258.093 million for 2017-18, along with a capital programme for the year of £63.854 million, which has since been updated to £57.574 million taking into account new approvals and slippage of schemes into 2018-19. 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 30th September 2017**

4.1.1 The Council's net revenue budget and projected outturn for 2017-18 is shown in Table 1 below.

**Table 1- Comparison of budget against projected outturn at 30th September 2017**

Directorate/Budget Area	Original Budget 2017-18 £'000	Revised Budget 2017-18 £'000	Projected Outturn 2017-18 £'000	Projected Over / (Under) Spend Qtr 2 2017-18 £'000	Projected Over / (Under) Spend Qtr 1 2017-18 £'000
<b>Directorate</b>					
Education and Family Support	108,448	108,363	108,089	(274)	(168)
Social Services and Wellbeing Communities	64,683	64,809	66,746	1,937	2,006
Operational and Partnership Services	23,858	23,789	23,670	(119)	75
Chief Executives and Finance	15,249	15,358	14,635	(723)	(1,314)
	3,886	3,921	3,810	(111)	(307)
<b>Total Directorate Budgets</b>	<b>216,124</b>	<b>216,240</b>	<b>216,950</b>	<b>710</b>	<b>292</b>
<b>Council Wide Budgets</b>					
Capital Financing	10,184	10,184	8,859	(1,325)	0
Levies	7,020	6,952	6,967	15	16
Apprenticeship Levy	700	700	609	(91)	(98)
Council Tax Reduction Scheme	14,254	14,254	13,805	(449)	(486)
Insurance Premiums	1,559	1,559	1,559	0	0
Building Maintenance	900	900	900	0	0
Pension Related Costs	1,258	1,203	430	(773)	(826)
Other Council Wide Budgets	6,094	6,101	5,516	(585)	(107)
<b>Total Council Wide Budgets</b>	<b>41,969</b>	<b>41,853</b>	<b>38,645</b>	<b>(3,208)</b>	<b>(1,501)</b>
<b>Appropriations to / from Earmarked to Reserves</b>			<b>3</b>	<b>3</b>	<b>0</b>
<b>Total</b>	<b>258,093</b>	<b>258,093</b>	<b>255,598</b>	<b>(2,495)</b>	<b>(1,209)</b>

4.1.2 The overall projected position at 30th September 2017 is a net under spend of £2.495 million, comprising £710,000 net over spend on directorates and £3.208 million net under spend on corporate budgets. This takes into account the draw down by directorates of £1.763 million from earmarked reserves during the year. A detailed analysis of the more significant projected under and over spends is set out in section 4.3.

4.1.3 There have been a number of virements between budgets since those reported to Cabinet at the end of quarter 1 in July 2017. The main virements are included in Table 2 below. The budgetary position is reported on the assumption that these virements have been approved:

**Table 2 – Virements processed during quarter 2**

Service vired from / to	Amount
Adjustment from central Education budgets, in particular special school recoupment and out of county places, to school delegated budgets to fund additional places in special schools.	£225,000
Permanent virement from Public realm fund to mitigate MTFS proposal in	£165,000

<b>Service vired from / to</b>	<b>Amount</b>
respect of blue badges	
Transfer of responsibility and budgets from Communities to Social Services and Wellbeing directorate in respect of community centres	£47,000
Additional funding for schools from the corporate budget for pay and prices following the implementation of the recommendations arising from the School Teachers' Review Body's latest report.	£47,000
Reinstatement of the Corporate Contingency budget from other corporate budgets to meet unknown pressures, following the permanent transfer of funding for asbestos management.	£76,000
One-off virement of previous budget pressure from Communities directorate in respect of administration cost of Concessionary Fares to reflect delay in implementation. This budget will be reinstated in 2018-19 at a lower rate, following receipt of further detail.	£70,000
Budget adjustment between Communities and Education and Family Support to reflect depot management responsibilities at Waterton depot following rationalisation.	£97,000

- 4.1.4 The quarter 1 report to Cabinet identified potential in-year budget pressures in respect of energy increases for both gas and electricity, and indicated that further analysis would be undertaken to establish the impact on directorate budgets. We are still not in a position to know the full impact of any price rises, following the transfer to our new energy supplier, so the position will be monitored during quarter 3 and any adjustments needed to directorate budgets will be processed as figures become more certain. Early indications were that the increase could be as high as 30%, with a financial impact of £750,000 to £1 million. This has been built into current projections for pay and prices in 2017-18. The only adjustment made to date is in respect of an inflationary increase for street lighting energy costs.
- 4.1.5 A large increase in energy prices would commit funding available within corporate budgets, which will impact on the amount of funding available for other inflationary pressures. Inflation rates are gradually increasing (CPI was 3.0% in September 2017 compared to 1.8% in January 2017), so the budget will need to be monitored closely during the remainder of the year.
- 4.1.6 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 £5.852 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.
- 4.1.7 In July 2017 an update report was presented to Cabinet on the Medium Term Financial Strategy (MTFS) for 2018-19 to 2021-22. It included a number of pressures facing Welsh Councils over the life of the MTFS. This reiterated the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to around £35.3 million over the next four years. Since then, the Welsh Government has published its Draft Local Government Settlement on 10th October, the key headline being that core funding for local government in 2018-19 will reduce by 0.5% on a like-for-like basis compared to the current year, with a further reduction of 1.5% indicated for the following year.

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.

- 4.1.8 At year end consideration will be given to requests from directors to carry forward any planned directorate under spends for specific purposes into 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 2017-18. 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. Finally, outstanding prudential borrowing will be repaid, where possible, to reduce future capital financing charges. However, a decision 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 2016-17**

- 4.2.1 A report was presented to Cabinet on 27th June 2017 on Financial Performance 2016-17. In the report it was highlighted that, of the £7.477 million budget reduction proposals for 2016-17, £2.385 million were not met in full, with a shortfall in the financial year of £1.845 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. At quarter 1 there was still £755,000 outstanding, and this position has not changed during quarter 2. A summary of the latest position is attached as Appendix 1. This comprises the following budget reduction proposals set out in Table 3 below:

**Table 3 – Monitoring of Budget Reductions 2016-17**

<b>Ref</b>	<b>Budget Reduction Proposal</b>	<b>Target Saving £000</b>	<b>Current Shortfall £000</b>
RES40	Change Out of Hours Service provided by Built Environment	22	22
ASC19	Develop a Delivery Model for the Bridgend Resource Centre	108	100
CH25	Reduction in Safeguarding LAC numbers and related reduction in costs	357	357
ASC6	Management, Admin and Training Implement measures to achieve 7% and 5% across the 2 years	76	26
ASC23	Changes in Workforce	100	100
CH22	Remodelling of Children's Respite and Residential Care	200	150
<b>Total</b>		<b>863</b>	<b>755</b>

- 4.2.2 Directorates are seeking to identify mitigating actions to meet the balance of the 2016-17 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. Some of these will be met through new models of working, such as the Corporate Landlord model or remodelling of social care.

### **Budget Reductions 2017-18**

4.2.3 The budget approved for 2017-18 included budget reduction proposals totalling £5.852 million, which is broken down in Appendix 2 and summarised in Table 4 below. The current position is a projected shortfall on the savings target of £1.726 million, or 29% of the overall reduction target.

**Table 4 – Monitoring of Budget Reductions 2017-18**

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Likely to be Achieved</b>	<b>Shortfall</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education and Family Support	577	485	92
Schools	869	869	0
Social Services and Wellbeing	2,283	1049	1234
Communities	767	442	325
Operational and Partnership Services	535	535	0
Chief Executive & Finance	414	339	75
Council Wide Budgets	407	407	0
<b>TOTAL</b>	<b>5,852</b>	<b>4,126</b>	<b>1,726</b>

A comparison of the RAG position against quarter 1 in 2017-18 is provided below. To ensure consistent reporting across directorates a clearer definition of each RAG status is now provided as a key to Appendices 1 and 2:

	<b>2017-18 Q2</b>		<b>2017-18 Q1</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Green</b>	2,604	44%	2,388	41%
<b>Amber</b>	1,741	30%	1,973	34%
<b>Red</b>	1,507	26%	1,491	25%
<b>Total</b>	<b>5,852</b>	<b>100%</b>	<b>5,852</b>	<b>100%</b>

Whilst the overall value and percentage of budget reduction proposals classed as GREEN has increased between quarters 1 and 2, the total and percentage classed as RED has also increased. Any non-achievement will have a significant impact on the outturn position.

4.2.4 The most significant budget reduction proposals unlikely to be achieved include:

- ASC17 Managed Service Reductions Residential and Respite Care (£414,000);
- CH25 Reduction in Safeguarding Looked After Children (LAC) numbers (£260,000);

- SSW1 Impact of the Prevention and Wellbeing agenda (£668,000);
- COM18 Reductions to the budget for the Materials Recovery and Energy Centre (MREC) (£200,000);
- CEX3 To put Council Tax and some aspects of benefits online and to collaborate with others (£150,000)

Appendix 2 identifies the projected amount of saving against these proposals and action to be taken by the directorate to mitigate the shortfall. Directors continue to work with their staff to deliver their proposals or alternatives and this is reflected in the forecast outturn for the year.

- 4.2.5 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”*. A Budget Reduction Contingency was established in 2016-17 and used to partly mitigate shortfalls on a number of budget reduction proposals. This reserve was increased at the end of 2016-17 to provide capacity to support shortfalls on budget reduction proposals in 2017-18 and, following agreement with the S151 officer, is being used to mitigate the shortfall on the following budget reduction proposal in this financial year.

COM 18	MREC	£200,000
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During the financial year the S151 officer will consider further applications from directorates to the MTFS Budget Reduction Contingency Reserve to mitigate some of the shortfalls.

### 4.3 **Commentary on the financial position as at 30th September 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. A further review will be undertaken of the projected outturn at quarter 3 and any further draw down from earmarked reserves will be undertaken at that time.

#### 4.3.1 **Education and Family Support Directorate**

The net budget for the Directorate for 2017-18 is £108.363 million. Current projections indicate an under spend of £274,000 at year end. The main variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Built Environment	942	836	(106)	-11.3%
Inter Authority Recoupment	(499)	(336)	163	-32.7%
Catering Services	718	641	(77)	-10.7%
Integrated Working	898	760	(138)	-15.4%
Youth Justice	366	301	(65)	-17.8%

### **Schools' Delegated Budgets**

- The schools' delegated budget is reported as balanced as any under or over spend is automatically carried forward into the new financial year before being considered by the Director of Education and Family Support in line with the 'Guidance on Managing School Surplus Balances'.
- In quarter 1 it was reported that 21 primary schools, 3 secondary schools and 1 special school were projecting a deficit balance at year end, with a projected overall deficit balance for school delegated budgets of £1.186 million. At the end of quarter 2, 25 primary schools, 5 secondary schools and 1 special school (52.5% of all schools) are projecting a deficit balance at year end with a projected overall deficit balance for school delegated budgets of £1.234 million.

### **Central Education and Family Support Budgets**

#### Built Environment

- There are two MTFS budget reductions in respect of the Built Environment service which have been put on hold pending the Corporate Landlord review. These relate to the out of hours service (£22,000 from 2016-17 MTFS) and the service level agreement with schools (£31,000 from 2017-18 MTFS). These proposals will be offset by savings generated from vacancy management within the service until the outcome of the Corporate Landlord review is known. There is an overall net under spend on the service of £106,000 mostly arising from vacant posts held pending the outcome of the review.

#### Inter Authority Recoupment

- There is a projected over spend of £63,000 on the recoupment expenditure budget due to an increase in out of county placements from 24 at the end of 2016-17 to 25 currently, with 3 new placements pending. In addition, there is a projected shortfall in recoupment income of £100,000 due to a reduction in other local authority placements at Heronsbridge and YBC from 33 in the Summer Term to 26 in the Autumn Term.

#### Catering Services

- The under spend of £77,000 has arisen as a result of higher demand for meals than anticipated when the budget was set as well as strong performance on vacancy management. Close monitoring will be required to see if there is any impact on take-up from the increase in school meal prices by 10 pence in September 2017.

### Integrated Working

- There is a projected under spend of £138,000 which is due to staff savings of £85,000 within the Family Support Service and £56,000 within the Integrated Family Support Service (IFSS) due to maximisation of grant allocations. These savings are not recurring.

### Youth Justice

- There is an under spend of £65,000 in respect of the premises budget.

## 4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2017-18 is £64.809 million. Current projections indicate an over spend of £1.937 million at year end. The main variances are:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Adult Social Care - Residential	11,396	11,533	137	1.2%
Adult Social Care – Care at Home	17,766	18,353	587	3.3%
Adult Social Care – Assessment & Care Management	4,692	4,236	(456)	-9.7%
Adult Social Care – Other Services	(413)	330	743	179.9%
Learning Difficulties – Day Services	2,992	2,879	(113)	-3.8%
Physical Disability – Equipment and Adaptations	859	946	87	10.1%
Mental Health – Supported & Other Accommodation	69	163	94	136.2%
Looked after Children - LAC	10,690	11,462	772	7.2%

### Adult Social Care - Residential

- There is a projected over spend of £90,000 in respect of older people's private residential placements where placements that were self-funded previously have now been reassessed and will be funded by the council under the fairer charging process. There is also a projected over spend of £94,000 in respect of learning difficulties residential placements where the cost of 24 current placements exceeds the available budget.

### Adult Social Care – Care at Home

- These budgets include homecare and direct payments and the forecast over spend across adult social care is due to continued demand and cost of services provided across the county borough.

### Adult Social Care - Assessment and Care Management

- There is a projected under spend of £456,000 on all assessment and care management budgets, including £181,000 on assessment and care management for people with physical disabilities, arising mainly from staff vacancies, although the directorate is aiming to fill some of these posts during the year.

### Adult Social Care - Other Services

- There is a projected over spend of £743,000 across budgets for adult social care in general, mainly as a result of projected non-achievement of MTFs

budget reductions in respect of the implementation of the prevention and wellbeing agenda (£668,000 for 2017-18 across all services). The budget reduction proposal included development of the Community Resource and Reablement services, the increased use of Assistive Technology to enable people to stay independent and the development of a Local Community Co-ordination plan and the Ageing Well Strategy. It was anticipated that these proposals would lead to cost avoidance, lower demand and increased value for money but the savings have not been realised as quickly as anticipated.

#### Learning Disabilities – Day Services

- There is a projected under spend of £113,000 as a result of staffing vacancies across day services. These posts are currently being held vacant to help with the financial position within the directorate.

#### Physical Disabilities – Equipment & Adaptations

- There is a projected over spend due to increased spend on equipment and adaptations in order to allow people to live independently within their own homes. This is a more cost effective service delivery model than alternatives, which could include residential provision or even hospital stays, resulting in further social services intervention.

#### Mental Health - Supported and Other Accommodation

- A projected over spend of £94,000 is likely as a result of lower income than anticipated and non-achievement of the MTFS budget reduction in respect of the development of income streams for specialist Mental Health placements. The service is considering other areas to achieve the budget reductions.

#### Looked After Children (LAC)

- There is currently a projected over spend of £772,000 on LAC prior to the draw down of any earmarked reserves. MTFS budget reductions have resulted in the budget being reduced by around £1 million over the last three years, including a reduction of £260,000 in 2017-18. However, compared to the outturn position in 2016-17, the current financial projection represents a significant improvement, which reflects the service's strategy to place more children into in-house foster placements. Compared to the same period last year, there has been a reduction of 12 Independent Foster Agency (IFA) placements, with a corresponding increase in the number placed in-house. If the current position is maintained, it is forecast that the service expenditure will reduce by more than £500,000 versus 2016-17.
- Whilst the number of LAC at the end of September has increased to 395 compared to 390 at the beginning of April 2017, there has been a substantial change in the type of placements, which is driving the reduction in expenditure.
- The budget is closely monitored to ensure that the current over spend is reduced and that the budget for 2017-18 is effectively managed. Consideration will be given during the second half of the year to draw down of funding from the LAC earmarked reserve.

### 4.3.3 Communities Directorate

The net budget for the Directorate for 2017-18 is £23.789 million and the current projection is an anticipated under spend of £119,000. The main variances are:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Development	310	400	90	29.0%
Waste Disposal	4,613	4,849	236	5.1%
Waste Collection	2,732	2,929	197	7.2%
Street Lighting	1,481	1,381	(100)	-6.8%
Highways Service (DSO)	2,602	2,452	(150)	-5.8%
Fleet Services	(95)	55	150	-157.9%
Car Parking	(369)	(280)	89	-24.1%
Engineering Services	129	(11)	(140)	-108.5%
Parks & Open Spaces	2,086	1,876	(210)	-10.1%
Streetscene Support	304	234	(70)	-23.0%
Property (Estates)	1,333	1,173	(160)	-12.0%

#### Development

- The projected over spend in Development is primarily due to a downturn in planning application income in Development Control (£100,000).

#### Waste Disposal

- There is a budget reduction target of £200,000 for 2017-18 in respect of the MREC. The procurement exercise with Neath Port Talbot Council to secure a new operator for the facility is still ongoing therefore, as outlined in paragraph 4.2.5, the MTFS Budget Reduction Contingency is being applied against this proposal. The majority of the remaining over spend (£203,000) has occurred due to ongoing issues with the classification of waste materials received at the MREC from the Council's Community Recycling Centre (CRC) sites which has resulted in increased disposal costs from those anticipated this year. Council officers continue to work on this issue with Kier, who operate the CRC sites, and NPT Recycling, who operate the MREC site.

#### Waste Collection

- There is a projected over spend of £197,000 on waste collection services. This is a combination of under recovery of Trade Waste Income (£202,000) due to falling demand, increased demand on Absorbent Hygiene Product (AHP) Collections (£133,000), under spends on Garden Waste Collection (£62,000) and the waste awareness budget (£63,000) and one-off income from WRAP.
- The Trade Waste pressure has arisen as a consequence of the requirement for the Council to send all of its municipal residual waste and all of the residual waste arising from its Trade Waste services to the MREC facility, and a reduction the volume of customers.
- In addition, the popularity of the AHP recycling service has been higher than expected. The AHP service was introduced to remove such products from the residual waste stream and to contribute to the Council's overall statutory

recycling target. Notwithstanding the budget pressure, the contract performance in this area is to be welcomed.

#### Street Lighting

- The projected under spend of £100,000 has arisen following the LGBI programme of replacements of lanterns and subsequent reduction in energy costs and requirement maintenance. It has been maintained to contribute to future MTFS targets.

#### Highways Services

- There is a projected under spend of £150,000 as a result of extra work with the South East Wales Trunk Road Agency (SWTRA). The projected higher level of income will need monitoring during the financial year to ensure it is achieved especially during the winter maintenance period.

#### Fleet Services

- There is a projected over spend across the service, in line with 2016-17, due to a downturn in income arising from reduced spend by directorates. The service will look to mitigate this during the financial year and is currently undertaking a review of the service.

#### Car Parking

- There is a projected over spend across the service of £89,000. Part of this is due to the projected non-achievement of the 2017-18 budget reduction target of £50,000 pending a review of car park charges, including staff and members, with the balance from historic shortfalls in car pass income. The over spend has reduced since that reported at quarter 1 due to the proposed virement from the Public Realm fund to offset unmet savings in respect of Blue Badges as reported in Table 2.

#### Engineering Services

- There is a projected under spend across the service of £140,000 as a result of a projected higher than budgeted level of income. This is due to the balance of work on EU/non EU funded projects compared with previous years and the differing chargeable rates allowed.

#### Parks & Open Spaces

- There is a projected under spend of £210,000 across the service. It is mainly due to under spends in staffing, in particular seasonal grounds maintenance staff where it has been difficult to recruit this year.

#### Streetscene Support

- There is a projected under spend across the service of £70,000 as a result of staffing vacancies and efficiencies on non-staffing budgets pending future MTFS budget reduction targets.

### Property (Estates)

- There is a projected under spend across the service of £160,000. This is as a result of a combination of staff vacancies in the service (£200,000), and an under spend on running costs for corporate buildings (£80,000), partly offset by a projected shortfall in income targets (£120,000) primarily due to under occupancy at the Innovation Centre and Bridgend Market. This service is within the scope of the Corporate Landlord review, so may be impacted by the outcome of that review.

### **4.3.4 Operational and Partnership Services Directorate**

The net budget for the Directorate for 2017-18 is £15.358 million and current projections anticipate an under spend against this budget of £723,000. The main variances are:

<b>OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Housing Options and Homelessness	1,556	1,406	(150)	-9.6%
Legal (including Admin)	2,510	2,320	(190)	-7.6%
Member and Mayoral Services	1,850	1,668	(182)	-9.8%
Customer Services	1,284	1,065	(219)	-17.1%
ICT	3,823	4,130	307	8.0%

### Housing Options and Homelessness

- The net under spend of £150,000 is a combination of reduced costs on temporary accommodation, following the receipt of non-recurrent grant funding, and also vacancy savings across the service, including community safety. A review of budget heads was undertaken during quarter 2 and, on 4th October 2017, Council approved the use of £120,000 of the service under spend towards structural repairs at Brynmenyn Homelessness Unit. Any recurrent savings will be put towards the MTFS for next year.

### Legal Services

- The under spend on legal services is due mainly to staffing vacancies, and some under spends on non-pay budgets. These will be considered as part of the MTFS for 2018-19.

### Member and Mayoral Services

- The majority of the projected under spend (£145,000) is in respect of the Members' Community Action Fund following the delay in implementation after the Council elections in May. Any under spend will be carried forward and ring-fenced for members to use prior to the end of October 2018, as agreed in recent training provided.

### Customer Services

- The under spend relates partly to posts held vacant in preparation for future MTFS savings, in addition to savings arising from a temporary secondment to

progress digital transformation, which is funded from an earmarked reserve (£62,000), and under spends on superannuation costs (£35,000).

#### ICT

- The net over spend has arisen as a result of under spends on vacancies within the team, along with an under spend of approximately £275,000 on software licences, which are offset by revenue contributions to capital for investment in PCs, digital meeting rooms, and data storage, totalling £790,000, as approved by Council on 4<sup>th</sup> October 2017. The majority of the savings on software are ring-fenced for 2018-19 MTFs savings.

#### **4.3.5 Chief Executives and Finance**

The net budget for the Directorate for 2017-18 is £3.921 million and current projections anticipate an under spend against this budget of £111,000. The main variances are:

<b>CHIEF EXECUTIVES AND FINANCE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Internal Audit	313	283	(30)	-9.6%
Housing Benefits Administration	689	539	(150)	-21.8%
Taxation and Sundry Debtors	41	142	101	246.3%

#### Internal Audit

- The under spend mainly relates to a rebate in respect of a reduced number of audit days received in the 2016-17 financial year as a result of staff vacancies within the service. There is currently a review of the staffing structure in progress.

#### Housing Benefits Administration

- There is an under spend in respect of the administration of housing benefit arising mainly from staffing vacancies, but also changes in staffing hours and additional annual leave purchases.

#### Taxation and Sundry Debtors

- There is a projected shortfall of £85,000 on income from court costs, as well as an over spend on staffing arising from the delay in implementing channel shift.

#### **4.3.6 Council Wide budgets**

This section includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The budget is £41.853 million and the projected outturn is £38.645 million, resulting in a projected under spend of £3.208 million. The main variances are detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing Costs	10,184	8,859	(1,325)	-13.0%
Council Tax Reduction Scheme	14,254	13,805	(449)	-3.1%
Pension Related Costs	1,203	430	(773)	-64.3%
Other Council Wide Budgets	6,101	5,516	(585)	-9.6%

#### Capital Financing

- The projected under spend of £1.325 million is a combination of an under spend on interest paid due to lower borrowing than anticipated (£1.2 million), as Council uses its own internal resources to finance schemes, and additional interest received from current investments. 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 £449,000 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 was a £300,000 budget reduction in the MTFs for 2017-18 and further reductions are likely for future years.

#### Pension Related Costs

- The projected under spend of £773,000 is a consequence of low demand on the budget for auto enrolment, with the September 2017 deadline for take-up having now passed, and low demand for funding in respect of other in-year pension or national insurance pressures.

#### Other Council Wide Budgets

- The under spend of £585,000 is a combination of reduced requirements for funding of pay pressures as well as under spends on the Glamorgan Records Office, following the repayment of prudential borrowing at the end of 2016-17, and the PFI equalisation reserve as sufficient reserve has now been built up. It should be noted that this projection could change significantly during the financial year, depending on inflationary increases referred to in section 4.1, the extent of inclement weather during the winter period 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 are being reviewed as part of the MTFs 2018-19 to 2021-22 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 2017-18. The original budget approved by Council on 1st March 2017 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2016-17 and any new schemes and grant approvals. The revised programme for 2017-18, which was approved by Council on

4th October 2017, totalled £57.574 million. This has been supplemented by £31,000 of S106 funding for pedestrian crossing works. In addition, there is a proposal to slip £11.317 million of funding into 2018-19, following discussions with directorates on scheme progress, bringing the revised programme to £46.288 million, of which £34.812 million is met from BCBC resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £11.476 million coming from external resources. The main areas of slippage are:

- Extra Care Scheme (£1.497 million) – scheme on site and due to complete in 2018-19;
- Porthcawl Sea Defences (£1.269 million) – contract has been awarded and the scheme is due to start in October / November 2017;
- Relocation of Recycling Centre (£1.320 million) – scheme currently at planning stage;
- Maesteg Town Hall Cultural Hub (£1.084 million) – a project board has been established and is actively pursuing external funding opportunities.
- Rationalisation of Depot Facilities (£4.216 million) – the project board is currently reviewing the full range of proposals for this scheme. Work at Bryncethin depot unlikely to complete until 2018-19.

4.4.2 Appendix 4 provides details of the individual schemes within the capital programme, showing the budget available in 2017-18 compared to the projected spend. Commentary is provided detailing any issues associated with these projects, and the reason for any slippage.

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 2 review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding.

4.5.2 The cumulative drawdown by Directorates is £1.763 million from specific earmarked reserves and there have been net additions of £602,000 as shown in Table 5 below.

**Table 5 – Movement on Earmarked Reserves to the end of Quarter 2**

Opening Balance 1 April 2017 £'000	Reserve	Net Additions / Reclass- ification £'000	Draw- down £'000	Closing Balance 30 Sept 2017 £'000
	<b>Corporate Reserves:-</b>			
-	Education & Family Support	30	(233)	-
-	Social Services & Wellbeing	-	(63)	-
-	Communities	-	(554)	-
-	Operational and Partnership Services	-	(207)	-
-	Chief Executives & Finance	-	(19)	-
-	Non-Directorate	38	-	-
<b>39,260</b>	<b>Total Corporate Reserve</b>	<b>68</b>	<b>(1,076)</b>	<b>38,252</b>
	<b>Directorate Earmarked Reserves:-</b>			
663	Education & Family Support	-	(16)	647
1,916	Social Services & Wellbeing	-	(175)	1,741
1,167	Communities	425	(106)	1,486
246	Operational and Partnership Services	100	-	346
300	Chief Executives & Finance	-	-	300
<b>4,292</b>	<b>Total Directorate Reserves</b>	<b>525</b>	<b>(297)</b>	<b>4,520</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:-</b>			
230	Education & Family Support	-	(200)	30
-	Social Services & Wellbeing	-	-	-
2,364	Communities	9	(125)	2,248
153	Operational and Partnership Services	-	(65)	88
45	Chief Executives & Finance	-	-	45
<b>2,792</b>	<b>Total Directorate Reserves</b>	<b>9</b>	<b>(390)</b>	<b>2,411</b>
<b>46,344</b>	<b>Total Usable Reserves</b>	<b>602</b>	<b>(1,763)</b>	<b>45,183</b>

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 6 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves.

**Table 6 – Net Appropriations to / from Earmarked Reserves during Quarter 2**

	<b>New/ Addition to Reserves £'000</b>	<b>Unwound Reserves £'000</b>	<b>Additions / Unwound £'000</b>
<b>Corporate Reserves:-</b>			
Major Claims Reserve	1,000	(938)	62
Building Maintenance Reserve	30	-	30
ICT & Finance Systems	-	(24)	(24)
<b>Total Corporate Reserves</b>	<b>1,030</b>	<b>(962)</b>	<b>68</b>
<b>Directorate Reserves:-</b>			
Directorate Issues	100	-	100
City Deal Reserve	598	-	598
Car Parking Strategy	-	(175)	(175)
Donations Reserve Account	2	-	2
<b>Total Directorate Reserves</b>	<b>700</b>	<b>(175)</b>	<b>525</b>
<b>Equalisation &amp; Grant Reserves:-</b>			
Highways Reserve	9	-	9
<b>Total Equalisation &amp; Grant Reserves</b>	<b>9</b>	<b>-</b>	<b>9</b>
<b>Total Usable Reserves</b>	<b>1,739</b>	<b>(1,137)</b>	<b>602</b>

4.5.4 The additions include an additional £1 million to the Major Claims Reserve in respect of the historic deficit of the Pension Fund; a new City Deal Reserve of £598,000 to cover the capital financing costs that the Council will have to meet as a result of the City Deal Partnership and a new Directorate Issue surrounding a complex housing placement. These additions have been funded partly by a release of £1.137 million from existing reserves that were no longer deemed necessary.

4.5.5 A full breakdown of total movement on earmarked reserves at 30th September is provided in Appendix 5. Further consideration will be given by the S151 officer during the year to the establishment of new reserves to mitigate against unforeseeable pressures and commitments.

## **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 2017-18 and provide any comments.

**Randal Hemingway**  
**Head of Finance and Section 151 Officer**  
**October 2017**

### **Contact Officer**

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### **Background Papers**

Individual Directorate Monitoring Reports

MTFS Report to Council – 1st March 2017

Council report on 4th October 2017: Capital Programme 2017-18 to 2026-27