

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO CABINET**

**30 JANUARY 2018**

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

#### **BUDGET MONITORING 2017-18 – QUARTER 3 FORECAST**

##### **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 position as at 31st December 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 £49.893 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 31st December 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 31st December 2017**

Directorate/Budget Area	Original Budget 2017-18 £'000	Revised Budget 2017-18 £'000	Projected Outturn 2017-18 £'000	Projected Over / (Under) Spend Qtr 3 2017-18 £'000	Projected Over / (Under) Spend Qtr 2 2017-18 £'000
<b>Directorate</b>					
Education and Family Support	108,448	108,396	108,230	(166)	(274)
Social Services and Wellbeing Communities	64,683	64,809	66,831	2,022	1,937
Operational and Partnership Services	23,858	23,795	23,783	(12)	(119)
Chief Executives and Finance	15,249	15,359	14,633	(726)	(723)
	3,886	3,921	3,750	(171)	(111)
<b>Total Directorate Budgets</b>	<b>216,124</b>	<b>216,280</b>	<b>217,227</b>	<b>947</b>	<b>710</b>
<b>Council Wide Budgets</b>					
Capital Financing	10,184	10,184	8,835	(1,349)	(1,325)
Levies	7,020	6,952	6,982	30	15
Apprenticeship Levy	700	700	612	(88)	(91)
Council Tax Reduction Scheme	14,254	14,254	13,667	(587)	(449)
Insurance Premiums	1,559	1,559	1,559	0	0
Building Maintenance	900	889	807	(82)	0
Pension Related Costs	1,258	1,203	430	(773)	(773)
Other Council Wide Budgets	6,094	6,072	3,585	(2,487)	(585)
<b>Total Council Wide Budgets</b>	<b>41,969</b>	<b>41,813</b>	<b>36,477</b>	<b>(5,336)</b>	<b>(3,208)</b>
<b>Appropriations to / from Earmarked to Reserves</b>			<b>3,144</b>	<b>3,144</b>	<b>3</b>
<b>Total</b>	<b>258,093</b>	<b>258,093</b>	<b>256,848</b>	<b>(1,245)</b>	<b>(2,495)</b>

4.1.2 The overall projected position at 31st December 2017 is a net under spend of £1.245 million, comprising £947,000 net over spend on directorates and £5.336 million net under spend on Council wide budgets. The under spend on Council wide budgets' has increased since the last quarter as a result of reduced demand to date for additional pay and price inflationary increases, and delays in the implementation of welsh language standards, following appeals. In addition, funding for a number of budget pressures were no longer required. Going forward, in 2018-19 there is a proposal to reduce these budgets by £2.610 million as part of MTFS budget reductions, which will reduce the capacity within these budgets to meet unexpected pressures. The net position takes into account the draw down by directorates of £2.788 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 no significant virements between budgets since those reported to Cabinet at the end of quarter 2 in October 2017. The only adjustments made are a technical adjustment to allocate additional price inflation for learner transport contracts from September 2017.

- 4.1.4 Previous reports 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, so the position will continue to be monitored during the winter period and any adjustments needed to directorate budgets will be processed as figures become more certain. A worst case assumption of price increases of around 30%, with a financial impact of £750,000 to £1 million has been built into current projections for pay and prices in 2017-18.
- 4.1.5 A large increase in energy prices would commit funding available within corporate budgets, and will put pressure on budgets going forward into 2018-19, where they are subject to significant reductions. Inflation rates are gradually increasing (CPI was 3.0% in December 2017 compared to 1.8% in January 2017), so the budget will continue 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 November 2017 Cabinet was presented with the draft 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 £31.9 million over the next four years. Since then, the Welsh Government has published its Final Local Government Settlement on 20<sup>th</sup> December, the key headline being that core funding for local government in 2018-19 will increase by 0.2% compared to the current year, with a projected reduction of 1.0% 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 2 there was still £755,000 outstanding, but for quarter 3 this has reduced to £705,000. A summary of the latest position is attached as Appendix 1. This comprises the following budget reduction proposals set out in Table 2 below:

**Table 2 – 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	100
<b>Total</b>		<b>863</b>	<b>705</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 3 below. The current position is a projected shortfall on the savings target of £1.840 million, or 31% of the overall reduction target. This has increased since quarter 2, when the shortfall was projected to be £1.726 million.

**Table 3 – 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	411	166
Schools	869	869	0
Social Services and Wellbeing	2,283	1,049	1,234
Communities	767	402	365
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>4,012</b>	<b>1,840</b>

A comparison of the RAG position against quarter 2 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 Q3</b>		<b>2017-18 Q2</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Green</b>	<b>2,583</b>	44%	2,604	44%
<b>Amber</b>	<b>1,527</b>	26%	1,741	30%
<b>Red</b>	<b>1,742</b>	30%	1,507	26%
<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 stayed the same between quarters 2 and 3, the total and percentage classed as RED has increased. Shortfalls have increased in both the Education and Family Support Directorate (increase of £74,000) and Communities Directorate (increase of £40,000). 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:

- EFS1 and EFS2 Implementation of Learner Transport Policy and School Transport efficiencies (£60,000);
- EFS15 Delegation of Speech and Language Therapy to Schools (£75,000);
- 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);
- COM19 Introduction of Permitting Scheme for Road Works (£100,000);
- 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 remainder of 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 31st December 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. Any further draw down from earmarked reserves will be undertaken at year end.

#### 4.3.1 Education and Family Support Directorate

The net budget for the Directorate for 2017-18 is £108.396 million. Current projections indicate an under spend of £166,000 at year end. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Inter Authority Recoupment	(499)	(367)	132	-26.5%
Home to School Transport	4,774	5,078	304	6.4%
Pupil Support	388	284	(104)	-26.8%
Catering Services	718	545	(173)	-24.1%
Integrated Working	898	645	(253)	-28.2%
Youth Justice	366	307	(59)	-16.1%

#### Schools' Delegated Budgets

- The schools' delegated budget is reported as balanced in any one year as any under or over spend is automatically carried forward, in line with legislation, 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'.

- Net overall school balances totalled £866,000 at the start of the financial year. In quarter 2 it was reported that 31 schools (25 primary, 5 secondary and 1 special) were projecting a deficit balance at year end, with a projected overall deficit balance for school delegated budgets of £1.234 million. At the end of quarter 3, 26 primary schools, 4 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 £1.159 million.

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

### Inter Authority Recoupment

- There is a projected over spend of £132,000 on the recoupment expenditure budget due to an increase in out of county placements from 24 at the end of 2016-17 to 26 currently, with 1 new placement pending, in order to meet the needs of individual pupils. 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 Ysgol Bryn Castell from 33 in the Summer Term to 27 from December 2017.

### Home to School Transport

- There is a projected over spend of £304,000 on Home to School Transport. There have been significant increases in eligible pupils for both Post 16 Home to College transport and primary education of 16.5% and 18.1% respectively from 2016-2017 to 2017-2018. There are also significant additional pressures caused by increased numbers of eligible pupils with Additional Learning Needs, in particular those pupils with autism spectrum disorders. Although a learner travel policy was approved by Cabinet in September 2015 with subsequent budget reductions of £1.6 million the savings generated have not been as high as anticipated due to the need to undertake safe route assessments and deal with legal challenges. Safe route assessments which will allow the full implementation of the new policy have not progressed as quickly as anticipated but should be complete by the end of the year.

### Pupil Support

- There is a projected under spend of £104,000 which has arisen primarily due to the cessation of the volunteer driver service pending the outcome of the review of the service.

### Catering Services

- The under spend of £173,000 has primarily arisen as a result of higher demand for meals than anticipated when the budget was set as well as strong performance on vacancy management.

### Integrated Working

- There is a projected under spend of £253,000. £165,000 of this is due to maximisation of grant funding and £88,000 due to vacancy management within the Integrated Family Support Service (IFSS). These savings are not recurring.

### Youth Justice

- There is an under spend of £59,000 as a consequence of moving to alternative premises. This saving will contribute to future MTFS savings.

### 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 £2.022 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>	
Services to Older People	19,581	19,781	200	1.0%
Adult Social Care - Assessment and Care Management	4,713	4,232	(481)	-10.2%
Learning Disabilities Residential Care	1,347	1,474	127	9.4%
Care at Home for Learning Disabilities	7,334	7,828	494	6.7%
Services to Adults with Learning Disabilities	(166)	141	307	-184.9%
Physical Disabilities - Equipment and Adaptions	859	936	77	9.0%
Looked after Children - LAC	10,690	11,739	1,049	9.8%

#### Services to Older People

- There is a projected over spend of £200,000 against older person services in total. The main reason for this is due to MTFS budget reductions being applied to the budget but actual savings being unrealised to date. The directorate is currently undertaking a full financial review and formulating a financial plan to identify alternative cost reduction opportunities.

#### Adult Social Care - Assessment and Care Management

- There is a projected under spend of £481,000 across assessment and care management in adult social care, including £121,000 on assessment and care management for older people and £180,000 on services for people with physical disabilities, arising mainly from staff vacancies. The directorate has managed these vacancies in order to generate cost savings in-year. Potentially, these vacant posts will need to be filled over the next year.

#### Learning Disabilities Residential Care

- There is a projected over spend of £127,000 as a result of the complexity of needs within the learning disability residential service together with the demand for residential respite services. The cost for learning difficulties care and support can be very high with the average cost of learning difficulty residential care totalling £1,360 per week or £71,000 per annum.

#### Care at Home for Adults with Learning Disabilities

- There is a projected over spend of £494,000 as a result of increased spend on direct payments for adults with learning disabilities, along with an over spend on domiciliary care and supported living schemes. The average number of direct payment recipients has increased from 98 in 2016-17 to 108 in 2017-18 to



date. Also, due to the complex nature of care and support within learning difficulties, the costs of packages of care for domiciliary care and support increased significantly.

#### Services to Adults with Learning Disabilities

- There is a projected over spend of £307,000 due to MTFs budget reductions being applied to the budget but actual savings being unrealised to date. The directorate is currently undertaking a full financial review and formulating a financial plan to identify alternative cost reduction opportunities.

#### Physical Disabilities – Equipment and 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.

#### Looked After Children (LAC)

- There is currently a projected over spend of £1.049 million 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 of £1.4 million over spend before drawdown of earmarked reserves, the current financial projection represents a significant improvement, which reflects the service's strategy to place more children into more cost effective placements.
- Whilst the average number of LAC has increased to 387 compared to 385 in 2016-17, there has been a substantial change in the type of placements, which is driving the reduction in expenditure per child.
- Consideration will be given during the final quarter 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 £23.795 million and the current projection is an anticipated under spend of £12,000. 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	470	160	51.6%
Waste Disposal	4,613	4,798	185	4.0%
Waste Collection	2,732	2,935	203	7.4%
Street Lighting	1,550	1,450	(100)	-6.5%
Highways Service (DSO)	2,533	2,383	(150)	-5.9%
Network Management	128	188	60	46.9%
Fleet Services	(22)	148	170	-772.7%
Car Parking	(369)	(314)	55	-14.9%
Engineering Services	84	(71)	(155)	-184.5%
Parks & Open Spaces	2,236	1,976	(260)	-11.6%

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Streetscene Support	304	229	(75)	-24.7%
Property (Estates)	1,333	1,203	(130)	-9.8%

### Development

- The projected over spend in Development is primarily due to a downturn in planning application income in Development Control (£165,000). Fee income is subject to considerable fluctuations between years, depending on number and type of applications. For example in 2016-17, the service generated a surplus of £139,000 which was used to balance the overall Communities Directorate position.

### Waste Disposal

- There is a budget reduction target of £200,000 for 2017-18 in respect of the MREC. As the procurement exercise to secure a new operator for the facility is still ongoing, as outlined in paragraph 4.2.5, the MTFS Budget Reduction Contingency is being applied against this proposal. The majority of the over spend (£130,000) has occurred due to the long standing fixed price minimum tonnage disposal contract which the Council is committed to honouring with its neighbour Neath Port Talbot (NPT) CBC, combined with a secondary issue of separation and classification of waste from Community Recycling Centres (this specific issue has now been resolved). The Council is currently working closely with Neath Port Talbot to renegotiate the terms of this arrangement.

### Waste Collection

- There is a projected over spend of £203,000 on waste collection services. This is due to a combination of factors. The fixed price, minimum tonnage, disposal contract, which the Council is committed to honouring with its neighbour Neath Port Talbot (NPT) CBC, is a contributing factor as a drop in commercial waste tonnage and income (£220,000) has not generated a corresponding reduction in cost. The Council is currently working closely with Neath Port Talbot CBC to renegotiate the terms of this arrangement. There have been higher than anticipated costs (£185,000) early on in the new waste collection contract due to better than expected take up of the Council's new Absorbent Hygiene Products (AHP) collection service, which has given a welcome boost to the Council's performance against the Welsh Government's statutory recycling target. These over spends have been offset by reduced costs arising from a delay in undertaking capital works at Tondu depot (£65,000), and the consequent revenue implications of these, and under spends on the waste awareness budget (£75,000) and one-off income from Waste and Resources Action Programme (WRAP).

### 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 required maintenance. This will contribute to future MTFS targets.

### Highways Services

- There is a projected under spend of £150,000 as a result of additional resurfacing works on the A470 and M4 commissioned by the South East Wales Trunk Road Agency (SWTRA), which is responsible for managing, maintaining and improving the motorways, trunk roads and associated assets throughout the South Wales region on behalf of the Welsh Government.

### Network Management

- The over spend of £60,000 is primarily due to the delay in the implementation of the MTFS target of £100,000 against the introduction of a permit scheme, resulting from time taken to progress the business case with Welsh Government, which is partly offset by staff vacancies (£40,000).

### Fleet Services

- There is a projected over spend across the service, similar to 2016-17, due to a downturn in income arising from reduced spend by directorates. The directorate has sought to mitigate this during the financial year and is currently undertaking a review of the fleet service.

### Car Parking

- There is a projected over spend across the service of £55,000. 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 car park review has been updated and a project board has been established to take this forward.

### Engineering Services

- There is a projected under spend across the service of £155,000 as a result of an anticipated 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 £260,000 across the service. This is mainly due to under spends in staffing (£205,000), in particular seasonal grounds maintenance staff where it has been difficult to recruit this year (£135,000) and vacancy management to meet streetworks efficiency MTFS targets in 2018-19 (£70,000). The balance of the projected under spend of £50,000 is due to the proposed timescale in respect of a tender for children's playground equipment, where works will partly slip into 2018-19.

### Streetscene Support

- There is a projected under spend across the service of £75,000 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 £130,000. This is as a result of a combination of staff vacancies in the service (£200,000), an under spend on running costs for corporate buildings (£30,000), and an under spend on corporate cleaning (£60,000), which are partly offset by a projected shortfall

in income targets of £165,000 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 £15.359 million and current projections anticipate an under spend against this budget of £726,000. 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	1,557	1,343	(214)	-13.7%
Legal (including Admin)	2,510	2,326	(184)	-7.3%
Member and Mayoral Services	1,850	1,662	(188)	-10.2%
Customer Services	1,284	1,058	(226)	-17.6%
ICT	3,823	4,137	314	8.2%

##### Housing Options and Homelessness

- The net under spend of £214,000 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. In October 2017, Council approved the use of £120,000 of the service under spend towards structural repairs at Brynmenyn Homelessness Unit. A further commitment has been made to meet the cost of an out of county housing related placement. 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 the 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 (£42,000).

## 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 £171,000. 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	506	(183)	-26.6%
Taxation and Sundry Debtors	41	126	85	207.3%

#### 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, additional annual leave purchases and unanticipated grant income.

#### 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 £41.813 million and the projected outturn is £36.477 million, resulting in a projected under spend of £5.336 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	8,835	(1,349)	-13.2%
Council Tax Reduction Scheme	14,254	13,667	(587)	-4.1%
Pension Related Costs	1,203	430	(773)	-64.3%
Other Council Wide Budgets	6,072	3,585	(2,487)	-41.0%

### Capital Financing

- The projected under spend of £1.349 million is a combination of an under spend on interest paid due to lower borrowing than anticipated (£1.26 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 £587,000 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 proposed 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. These under spends will be put forward for future MTFS savings.

### Other Council Wide Budgets

- The under spend of £2.487 million has increased from the quarter 2 projection for a number of reasons, not least more up to date information on likely demand for additional funding for unknown budget pressures and inflation increases. In general it is a combination of lower than anticipated requirements for funding of inflationary pressures, delays in implementation of certain welsh language standards following appeal (£307,000) as well as under spends on the Glamorgan Records Office (£80,000), following the repayment of prudential borrowing at the end of 2016-17. It also includes an under spend on the PFI equalisation reserve (£187,000) as sufficient reserve has now been built up.
- It should be noted that this projection could change significantly during the remainder of 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 have been 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 20th December 2017, totalled £49.893 million. Since then there have been new approvals of £434,000 and slippage of £4.495 million into 2018-19, following discussions with directorates on scheme progress, bringing the revised programme to £45.832 million, of which £34.103 million is met from BCBC resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £11.729 million coming from external resources. The main areas of slippage are:

- Penyfai Primary School (£357,000) – final payments in respect of outstanding land issues;
- Porthcawl Sea Defences (£1.072 million) – contract has been awarded, awaiting spend profile from contractor;
- Fleet Vehicle Replacement (£500,000) – a fleet replacement plan has been drawn up, but unlikely to be implemented in this financial year.
- Mandatory Disabled Facilities Grants (£500,000) – funding committed but not likely to be incurred in this financial year.

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 3 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 draw down by Directorates is £2.788 million from specific earmarked reserves and there have been net additions of £3.743 million (£598,000 of which has been incurred against directorate budgets) as shown in Table 4 below.

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

Opening Balance 1/04/17 £'000	Reserve	Net Additions / Re- classifications £'000	Draw-down £'000	Closing Balance 31/12/17 £'000
	<b>Corporate Reserves:-</b>			
	Education & Family Support	30	-475	
	Social Services & Wellbeing	0	-63	
	Communities	996	-863	
	Operational and Partnership Services	0	-288	
	Chief Executives & Finance	300	-19	
	Non-Directorate	1,038	0	
<b>39,260</b>	<b>Total Corporate Reserve</b>	<b>2,364</b>	<b>-1,708</b>	<b>39,916</b>
	<b>Directorate Earmarked Reserves:-</b>			
663	Education & Family Support	20	-57	626
1,916	Social Services & Wellbeing	0	-191	1,725
1,167	Communities	1,021	-150	2,038
246	Operational and Partnership Services	286	-22	510
300	Chief Executives & Finance	0	-6	294
<b>4,292</b>	<b>Total Directorate Reserves</b>	<b>1,327</b>	<b>-426</b>	<b>5,193</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:-</b>			
230	Education & Family Support	0	-200	30
0	Social Services & Wellbeing	0	0	0
2,364	Communities	52	-346	2,070
153	Operational and Partnership Services	0	-73	80
45	Chief Executives & Finance	0	-35	10
<b>2,792</b>	<b>Total Directorate Reserves</b>	<b>52</b>	<b>-654</b>	<b>2,190</b>
<b>46,344</b>	<b>Total Usable Reserves</b>	<b>3,743</b>	<b>-2,788</b>	<b>47,299</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 5 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves.



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

	<b>Additions/ Unwound up to Qtr 2 £'000</b>	<b>New/ Addition to Reserves Qtr 3 £'000</b>	<b>Additions/ Unwound up to Qtr 3 £'000</b>
<b>Corporate Reserves:-</b>			
Major Claims Reserve	62	0	62
Building Maintenance Reserve	30	0	30
Capital Feasibility Fund	0	102	102
Corporate Pressures Contingency	0	1,000	1,000
Capital Programme Contribution	0	889	889
Property Disposal Strategy	0	5	5
ICT & Finance Systems	-24	300	276
<b>Total Corporate Reserves</b>	<b>68</b>	<b>2,296</b>	<b>2,364</b>
<b>Directorate Reserves:-</b>			
Directorate Issues	100	721	821
City Deal Reserve	598	0	598
Porthcawl Regeneration	0	80	80
Car Parking Strategy	-175	0	-175
Donations Reserve Account	2	1	3
<b>Total Directorate Reserves</b>	<b>525</b>	<b>802</b>	<b>1,327</b>
<b>Equalisation &amp; Grant Reserves:-</b>			
Highways Reserve	9	43	52
<b>Total Equalisation &amp; Grant Reserves</b>	<b>9</b>	<b>43</b>	<b>52</b>
<b>Total Usable Reserves</b>	<b>602</b>	<b>3,141</b>	<b>3,743</b>

4.5.4 The additions include an increase of £889,000 to the Capital Programme Contribution Reserve and £102,000 for Capital Feasibility, a new Corporate Pressures Contingency Reserve of £1 million to provide one off temporary relief in the event of unforeseen over-spends on corporate budgets following significant reductions proposed in the 2018-19 budget, and an additional £721,000 for various Directorate Issues, as well as £300,000 for ICT potential re-tender costs. These additions have been funded from the projected under spend on other non-Directorate budgets at period 9. There are also additions which are from de-minimis capital receipts (£5,000) and highways commuted sums (£43,000).

4.5.5 A full breakdown of total movement on earmarked reserves at 31<sup>st</sup> 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 Cabinet is requested to

- note the projected revenue and capital outturn position for 2017-18;

**Gill Lewis**

**Interim Head of Finance and Section 151 Officer**

**January 2018**

### **Contact Officer**

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### **Background Papers**

Individual Directorate Monitoring Reports

MTFS Report to Council – 1st March 2017

Council report on 20th December 2017: Porthcawl Regeneration Scheme (Revised capital programme 2017-18 to 2026-27)