

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

25 JULY 2018

### REPORT OF THE INTERIM HEAD OF FINANCE

#### FINANCIAL PERFORMANCE 2017-18

##### 1.0 Purpose of this report

1.1 The purpose of this report is to provide Corporate Overview and Scrutiny Committee with an update on the Council's financial performance for the year ended 31st March 2018.

##### 2.0 Connections to Corporate Improvement Objectives / Other Corporate Priorities

2.1 This report assists in the achievement of the following corporate priorities:-

1. **Supporting a successful economy** – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
2. **Helping people to be more self-reliant** – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
3. **Smarter use of resources** – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 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 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 been updated during the financial year to take 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 / Proposal

##### 4.1 Summary financial position at 31st March 2018

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

**Table 1- Comparison of budget against actual outturn at 31st March 2018**

Directorate/Budget Area	Original Budget 2017-18 £'000	Revised Budget 2017-18 £'000	Final Outturn 2017-18 £'000	Final Over / (Under) Spend 2017-18 £'000	Projected Over / (Under) Spend Qtr 3 2017-18 £'000
<b>Directorate</b>					
Education and Family Support	108,448	108,461	108,387	(74)	(166)
Social Services and Wellbeing Communities	64,683	64,938	66,281	1,343	2,022
Operational and Partnership Services	23,858	25,579	25,271	(308)	(12)
Chief Executives and Finance	15,249	15,388	14,259	(1,129)	(726)
	3,886	3,924	3,746	(178)	(171)
<b>Total Directorate Budgets</b>	<b>216,124</b>	<b>218,290</b>	<b>217,944</b>	<b>(346)</b>	<b>947</b>
<b>Council Wide Budgets</b>					
Capital Financing	10,184	10,184	8,672	(1,512)	(1,349)
Levies	7,020	6,952	6,967	15	30
Apprenticeship Levy	700	700	612	(88)	(88)
Council Tax Reduction Scheme	14,254	14,254	13,611	(643)	(587)
Insurance Premiums	1,559	1,559	1,161	(398)	0
Building Maintenance	900	713	299	(414)	(82)
Pension Related Costs	1,258	1,203	427	(776)	(773)
Other Council Wide Budgets	6,094	4,238	1,946	(2,292)	(2,487)
<b>Total Council Wide Budgets</b>	<b>41,969</b>	<b>39,803</b>	<b>33,695</b>	<b>(6,108)</b>	<b>(5,336)</b>
<b>Accrued Council Tax Income</b>			<b>(594)</b>	<b>(594)</b>	<b>0</b>
<b>Appropriations to / from Earmarked Reserves</b>			<b>6,661</b>	<b>6,661</b>	<b>3,144</b>
<b>Transfer to Council Fund</b>			<b>387</b>	<b>387</b>	<b>0</b>
<b>Total</b>	<b>258,093</b>	<b>258,093</b>	<b>258,093</b>	<b>0</b>	<b>(1,245)</b>

4.1.2 The overall outturn at 31st March 2018 is an under spend of £387,000 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 £346,000, after draw down from reserves of £10.7 million, and Council Wide budgets a net under spend of £6.108 million. These are offset by the requirement to provide earmarked reserves for a range of new future risks and expenditure commitments. The net position also takes into account accrued council tax income of £594,000 during the financial year.

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. Since quarter 3 the Council has received a number of one-off grants from Welsh Government, including £420,000 for social

services winter pressures, £100,000 to cover the additional costs incurred during the periods of bad weather, and £630,000 towards small scale repairs and maintenance in schools, which eased the pressure on these budgets for 2017-18 only. In addition, Directorates drew down £10.703 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. A detailed analysis of the more significant under and over spends is set out in section 4.3.

- 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, where a number of historical budget reductions remain unrealised. 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.
- 4.1.5 The under spend on Council Wide budgets has slightly increased from quarter 3 as a result of lower than anticipated demand for price inflationary increases, delays in progressing minor capital works and delays in the implementation of Welsh Language Standards, following appeals. In addition, funding for a number of budget pressures was adjusted down following more accurate information. Going forward, in 2018-19 these budgets have been reduced by £2.610 million as part of MTFS budget reductions, which will reduce the capacity within these budgets to meet unexpected pressures.
- 4.1.6 There have been a number of virements and technical adjustments between budgets since those reported to Cabinet at the end of quarter 3 in January 2018. These are included in Table 2 below and the outturn position is reported following these adjustments. There have also been a small number of technical adjustments in respect of final pay and price allocations.

**Table 2 – Virements and technical adjustments processed during quarter 4**

<b>Service vired from / to</b>	<b>Amount</b>
Transfers of small amounts of corporately held funding to Directorates to offset the costs of the implementation of Welsh Language Standards.	£33,000
Allocation of funding to the Social Services Directorate budget, from budgets retained centrally for pay and prices, for energy uplifts in respect of the contract with HALO Leisure.	£44,000
One-off transfer of funding from uncommitted 'other Council wide budgets' to the Communities Directorate budget to meet the revised funding profile for the Cardiff Capital Region City Deal as approved by Council in March 2018.	£1,701,950
Transfer of funding to the Social Services Directorate budget from central revenue minor works budget to offset the equivalent transfer of capital funding from the Telecare capital scheme to minor works, following the revised definition of Telecare as revenue and not capital expenditure.	£30,000
Allocation of funding held centrally for feasibility works and minor works, to offset spend against schemes which were agreed at the start of the financial year.	£74,000

4.1.7 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. There does not appear to have been any noticeable increase in energy costs during the financial year, and most expenditure has been within budget. This position will continue to be monitored during 2018-19 and any increase in price will be dealt with in the same manner as other unavoidable inflationary costs and provision made from corporate budgets.

## **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.

4.2.2 Not all proposals have been fully delivered yet, however, and where this is the case, Directorates have identified a recurrent solution. At year end there is still £683,000 outstanding and this is broken down in Table 3 below. Further detail is provided in Appendix 1 along with the mitigating action to provide a more permanent solution in future.

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

Ref	Budget Reduction Proposal	Target Saving £000	Shortfall £000
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>841</b>	<b>683</b>

**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 that £2.141 million of proposals have not been met in full, leading to a shortfall on the savings target of £1.840 million, or 31% of the overall reduction target. This position hasn't changed since quarter 3.

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

	Total Budget Reductions Required	Total Budget Reductions Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
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 3 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:

	2017-18 Q4		2017-18 Q3	
	£000	%	£000	%
<b>Green</b>	2,733	47%	2,583	44%
<b>Amber</b>	1,377	24%	1,527	26%
<b>Red</b>	1,742	30%	1,742	30%
<b>Total</b>	<b>5,852</b>	<b>100%</b>	<b>5,852</b>	<b>100%</b>

The overall value and percentage of proposals classed as RED has stayed the same, but there is a small shift between those classed as AMBER and those classed as GREEN, reflecting more positive progress in achievement of some budget reduction proposals.

#### 4.2.4 The most significant budget reduction proposals that weren't 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 actual amount of saving against these proposals and action to be taken by the Directorate to mitigate the shortfall going forward. Those savings not met in full will continue to be monitored during 2018-19. The Social Services and Wellbeing Directorate has developed a Future Service Delivery Plan, which was presented to Corporate Overview and Scrutiny Committee in March 2018, and which outlines the Directorate's response to the financial challenge facing them, not least setting out the planned actions to be undertaken in order to make the required MTFs savings and maximise income opportunities by March 2019. This will be monitored continuously throughout 2018-19.

4.2.5 As outlined in the MTFs reports to Cabinet and Council, MTFs Principle 12 states that "... a MTFs Budget Reduction Contingency will be maintained" and used to mitigate shortfalls on budget reduction proposals that are not met due to factors generally outside of the control of the Directorate. This reserve was established in 2016-17, and used during that financial year, before being increased at the end of 2016-17 to provide capacity to support shortfalls on budget reduction proposals in 2017-18. Following agreement with the then S151 officer, it has been used to mitigate the shortfall on the following budget reduction proposal in this financial year.

COM 18	Reductions to the MREC budget	£200,000
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The situation will be monitored during 2018-19 to determine whether further allocations are required.

### 4.3 Commentary on the financial position at 31st March 2018

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.

#### 4.3.1 Education and Family Support Directorate

The net budget for the Directorate for 2017-18 was £108.461 million and the actual outturn was £108.387 million, following draw down of £3.080 million from earmarked reserves, resulting in an under spend of £74,000. The most significant variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
LEA Special Needs	862	743	(119)	-13.8%
Inter Authority Recoument	(499)	(352)	147	-29.5%
Looked After Children	126	196	70	55.6%
Home to School Transport	4,774	5,201	427	8.9%
Pupil Support	388	294	(94)	-24.2%
Catering Services	718	522	(196)	-27.3%
Integrated Working	898	684	(214)	-23.8%
Youth Justice	366	275	(91)	-24.9%

#### 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'. The year end position for 2017-18 was:
  - Net overall school balances totalled £866,000 at the start of the financial year. During 2017-18 school balances reduced by £506,000 to £360,000 at the end of the financial year, representing 0.39% of the funding available.
  - Out of a total of 59 schools there are 22 schools (17 primary, 4 secondary and 1 special) with deficit budgets and 9 schools (7 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'.
- A summary of the position for each sector and overall is provided below. It must be noted that, had the Welsh Government not provided a last minute grant of £630,000 towards repairs and maintenance costs, the overall schools' balance would have been a negative figure, -£270,000.

	Balance brought forward	Funding Allocated in 2017-18	Total Funding Available	Actual Spend	Balance at year end
	£000	£000	£000	£000	£000
Primary	466	44,003	44,469	44,209	260
Secondary	-151	41,627	41,476	41,912	-436
Special	550	7,916	8,466	7,930	536
<b>Total</b>	<b>865</b>	<b>93,546</b>	<b>94,411</b>	<b>94,051</b>	<b>360</b>

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

### LEA Special Needs

- There is an under spend of £119,000 on the LEA Special Needs budget. £89,000 of this is due to the timing of the opening of the new Moderate Learning Disabilities (MLD) Learning Resource Centres, with the balance from staff vacancy management.

### Inter Authority Recoupment

- There is an over spend of £43,000 on the recoupment expenditure budget due to an increase in out of county placements from 24 at the end of 2016-17 to 28 at the end of 2017-18, in order to meet the needs of individual pupils. In addition, there is a shortfall in recoupment income of £105,000 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.

### Looked After Children

- There is an over spend of £70,000 on the education looked after children budget due primarily to redundancy costs resulting from an in-year restructure. These have been covered by under spends in Integrated Working.

### Home to School Transport

- There is an over spend of £427,000 on Home to School Transport. There have been significant increases in eligible pupils for both 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.

### Pupil Support

- The under spend on Pupil Support of £94,000 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 £196,000 has primarily arisen due to an increase over and above the anticipated demand for school meals compared with when the



budgets were set at the start of the financial year. Estimates included the projected impact of the increased charge for Secondary meals from April 2017 and Primary meals from September 2017. Whilst the take up of primary school meals did reduce in 2017-18 the outturn was 0.5% higher than anticipated. The balance of the under spend is due to strong staff vacancy management.

#### Integrated Working

- There is an under spend of £214,000. Of this £178,000 is due to maximisation of grant funding and £93,000 due to vacancy management, offset by redundancy costs of £55,000 following an in-year restructure. The under spend contributed towards additional restructure costs identified above in the Looked After Children Section. These savings are not recurring.

#### Youth Justice

- There is an under spend of £91,000 primarily 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 net budget for the Directorate for 2017-18 was £64.938 million and the actual outturn was £66.281 million, following draw down of £1.128 million from earmarked reserves, resulting in an over spend of £1.343 million. As outlined in paragraph 4.1.3 the Directorate received additional grant funding of £420,000 from Welsh Government at the end of the financial year to support social services winter pressures. It was also successful in bidding for Supporting People grant slippage of approximately £240,000. Without this additional grant funding the over spend would have been almost £2 million. This funding is non-recurring and will therefore be a cost pressure for the Directorate in 2018-19.

The most significant variances are:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Services to Older People (excl. OP Assessment & Care Management)	17,469	17,295	(174)	-1.0%
Adult Social Care - Assessment and Care Management	4,713	4,145	(568)	-12.1%
Learning Disabilities Residential Care	1,347	1,534	187	13.9%
Care at Home for Learning Disabilities	7,385	8,162	777	10.5%
Services to Adults with Learning Disabilities	(166)	139	305	-183.7%
Looked after Children - LAC	10,690	11,873	1,183	11.1%
Other Child & Family Services	1,173	979	(194)	-16.5%

#### Services to Older People

- There is an under spend of £174,000 (excluding assessment & care management) against older person services in total. The main reason for this is a higher level of income actually received from clients compared to the level estimated at the beginning of the year. It is very difficult to estimate income to

be received as it depends very much on individuals' financial circumstances and can change year on year.

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

- There is an under spend of £568,000 across assessment and care management in adult social care, including £192,000 on assessment and care management for older people and £195,000 on services for people with physical disabilities, arising mainly from staff vacancies and vacancy management throughout the year. The Directorate has managed these vacancies in order to generate savings in-year.

#### Learning Disabilities Residential Care

- There is an over spend of £187,000 as a result of the higher 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 a learning difficulty residential care placement reaching up to £1,360 per week or £71,000 per annum.

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

- There is an over spend of £777,000 as a result of higher spend on domiciliary care and supported living schemes. Due to the complex nature of care and support within learning difficulties, the costs of packages of care for domiciliary care and other support are particularly high.

#### Services to Adults with Learning Disabilities

- There is an over spend of £305,000 due to MTFS budget reduction targets being applied to the budget but actual savings being unrealised to date. The Directorate has undertaken a full financial review and formulated a service delivery plan to identify alternative cost reduction opportunities.

#### Looked After Children (LAC)

- There is an over spend of £1.183 million on the Looked After Children budget. 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 a £1.4 million over spend, 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.

#### Other Child & Family Services

- There is an under spend of £194,000 against other child and family services. This is mainly due to a year end repayment of £196,000 to Bridgend Council from the Western Bay Adoption Service, in line with the partnership agreement, where the joint service costs are apportioned to partners based on the number of adoptions placed by each authority. It is very difficult to estimate the actual contribution required each year so an adjustment is made at year end to reflect the actual requirement.

### 4.3.3 Communities Directorate

The net budget for the Directorate for 2017-18 was £25.579 million and the actual outturn was £25.271 million, following draw down of £5.810 million from earmarked reserves, resulting in an under spend of £308,000. The most significant variances are:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Development	310	477	167	53.9%
Waste Disposal	4,613	4,794	181	3.9%
Waste Collection	2,732	3,062	330	12.1%
Street Lighting	1,550	1,249	(301)	-19.4%
Highways Service (DSO)	2,533	2,438	(95)	-3.8%
Network Management	128	203	75	58.6%
Fleet Services	(22)	110	132	-600.0%
Car Parking	(369)	(322)	47	-12.7%
Engineering Services	84	(175)	(259)	-308.3%
Parks & Open Spaces	2,236	1,920	(316)	-14.1%
Streetscene Support	304	229	(75)	-24.7%
Adult Education	121	78	(43)	-35.5%
Property (Estates)	1,344	1,198	(146)	-10.8%

#### Development

- The over spend in Development of £167,000 is primarily due to a downturn in planning application income in Development Control (£191,000). 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 was 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, funding has been drawn down from the MTFs Budget Reduction Contingency to offset this proposal for this financial year. The majority of the over spend (£115,000) has occurred as a result of the long standing disposal contract with Neath Port Talbot (NPT) CBC. The Council is currently working closely with Neath Port Talbot to renegotiate the terms of this arrangement.

#### Waste Collection

- The over spend of £330,000 on waste collection services is due to a combination of factors. The disposal contract with Neath Port Talbot CBC is based on a fixed price, minimum tonnage. Consequently a drop in commercial waste tonnage for disposal and subsequent reduction in income (£230,000) 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 (£198,000) early in the new waste collection contract due to better than expected take up of the Council's new Absorbent Hygiene Products (AHP) collection service and better than anticipated diversion of residual waste from the Council's Community Recycling Centres resulting in a higher than expected payment to the contractor (£63,000), both of which are a welcome boost to the Council's recycling 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, as well as under spends on the waste awareness budget (£43,000) and one-off income from Waste and Resources Action Programme (WRAP) of £11,000.

In summary, very successful waste reduction and increased recycling performance changes have resulted in costs that are currently not being offset by corresponding reductions in disposal costs as would normally be expected, due to the contract for disposal at the MREC. A new contract arrangement with NPT, currently being negotiated, will hopefully resolve this position.

#### Street Lighting

- The under spend of £301,000 has partly arisen following the LGBI programme for the replacement of lanterns, and subsequent reduction in energy costs (£143,000). This will contribute to the MTFs saving of £110,000 in 2018-19 in respect of energy costs. The balance of the under spend relates to prudential borrowing (£16,000), in year staff vacancies within the department (£19,000) and delays in undertaking works by year end (£86,000).

#### Highways Services

- There is an under spend of £95,000 mainly 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 £75,000 is mainly due to the delay in realising the MTFs target of £100,000 relating to a review of street works management systems, as a result of the time taken to progress the business case to be submitted to Welsh Government. This is partly offset in this financial year by staff vacancies.

#### Fleet Services

- There is an over spend of £132,000 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 due to undertake a review of the fleet service.

#### Car Parking

- There is an over spend across the service of £47,000. This is due to the non-achievement of the 2017-18 budget reduction target of £50,000 pending a review of car park charges, including those for staff and members. The car park

review has been updated and a project board has been established to take this forward.

#### Engineering Services

- There is an under spend across the service of £259,000 due to a combination of an under spend on staffing, due to difficulties in recruiting, and an increase in the level of fee earning jobs (balance of EU/non EU funded projects and the differing chargeable rates allowed). Issues around recruitment still need to be addressed as the work programme for 2018-19 is in excess of in-house capacity and failure to recruit will affect future capacity, resilience and works knowledge retention. It is still envisaged that the MTFs savings target of £74,000 in 2018-19 is achievable.

#### Parks & Open Spaces

- There is an under spend of £316,000 across the service. This is mainly due to under spends in staffing (£196,000), in particular seasonal grounds maintenance staff where it has been difficult to recruit this year. This has led to difficulties with maintaining levels of service across parks and bereavement functions. The recruitment of seasonal operatives for 2018-19 has proved equally problematic with numbers of applicants lower than in previous years. To overcome this and to mitigate the situation experienced this year the service area will look to recruit operatives through the Council's temporary agency partner. In addition there has been an under spend of £150,000 against the provision for improvements to children's playgrounds resulting from procurement timescales and contract award procedures. These works will be completed early in 2018-19.

#### Streetscene Support

- There is an 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.

#### Adult Education

- There is an under spend across the service of £43,000. This is mainly due to under spends in staffing where it has been difficult to recruit this year. The service are actively recruiting into the vacant posts in 2018-19, therefore the under spend is considered to be a one-off.

#### Property (Estates)

- There is an under spend across the service of £146,000. This has resulted from a combination of staff vacancies in the service (£168,000) and an under spend on corporate cleaning (£72,000), which are partly offset by a shortfall against income targets of £129,000 primarily due to under-occupancy at the Innovation Centre and Bridgend Market.

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

The net budget for the Directorate for 2017-18 was £15.388 million and the actual outturn was £14.259 million, following draw down of £584,000 from earmarked reserves, resulting in an under spend of £1.129 million. The most significant variances are:

<b>OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Housing Options and Homelessness	1,556	1,048	(508)	-32.6%
Legal (including Admin)	2,480	2,220	(260)	-10.5%
Member and Mayoral Services	1,857	1,554	(303)	-16.3%
HR & Organisational Development	1,646	1,555	(91)	-5.5%
Customer Services	1,284	1,078	(206)	-16.0%
ICT	3,891	4,264	373	9.6%

#### Housing Options and Homelessness

- The net under spend of £508,000 is a combination of reduced costs on temporary accommodation of £110,000, following the receipt of non-recurrent grant funding, and also vacancy savings of £116,000 across the service, including community safety. There is also an under spend against the Housing Prevention budget of £221,000. Funding from this budget was set aside to undertake essential works at Brynmenyn Hostel, but this has been delayed until 2018-19, so the corresponding amount of funding has been placed into an earmarked reserve to enable the works to progress in 2018-19.

#### Legal Services

- The under spend on legal services is mainly due to staffing vacancies, and some under spends on non-pay budgets. The service has identified £190,000 MTFS staff savings in 2018-19.

#### Member and Mayoral Services

- The majority of the actual under spend (£239,000) is in respect of the Members' Community Action Fund, following the delay in implementation after the Council elections in May 2017. 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.

#### HR and Organisational Development

- The under spend is mainly staff related (£66,000) and relates to staff vacancies. The service has identified £43,000 of MTFS staff savings in 2018-19.

#### Customer Services

- The under spend is mainly staff related and is made up of vacant posts together with temporary secondments. The service has identified £116,000 of staff savings in 2018-19.

#### ICT

- The net over spend has arisen following a decision by Council to use revenue under spends to fund ICT capital on a one-off basis. The additional revenue contribution was £818,000 in 2017-18. Without this revenue contribution the service would have under spent by £445,000. This was mainly made up of staff related costs (£294,000) and software costs (£200,000). There were other over spends across the service to the value of £49,000. The service has identified MTFS savings of £210,000 in 2018-19.

#### 4.3.5 Chief Executives and Finance

The net budget for the Directorate for 2017-18 was £3.924 million and the actual outturn was £3.746 million, following draw down of £101,000 from earmarked reserves, resulting in an under spend of £178,000. The most significant variances are:

<b>CHIEF EXECUTIVES AND FINANCE</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Internal Audit	313	251	(62)	-19.8%
Housing Benefits Administration	689	482	(207)	-30.0%
Taxation and Sundry Debtors	41	156	115	280.5%

##### Internal Audit

- The under spend mainly relates to a rebate in respect of a reduced number of audit days received in the 2017-18 financial year as a result of staff vacancies within the service. There is currently a review of the service 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 shortfall of £91,000 on income from court costs, together with an over spend on staffing arising from the delay in implementing "channel shift" in line with 2017-18 MTFs proposals.

#### 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 net budget for 2017-18 was £39.803 million and the actual outturn was £33.695 million, resulting in an under spend of £6.108 million. The most significant variances are:

<b>COUNCIL WIDE BUDGETS</b>	<b>Net Budget</b>	<b>Final Outturn</b>	<b>Final Variance Over/(Under) Budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Capital Financing Costs	10,184	8,672	(1,512)	-14.8%
Council Tax Reduction Scheme	14,254	13,611	(643)	-4.5%
Building Maintenance	713	299	(414)	-58.1%
Pension Related Costs	1,203	427	(776)	-64.5%
Other Council Wide Budgets	4,238	1,946	(2,292)	-54.1%

### Capital Financing

- The actual under spend of £1.512 million is a combination of an under spend on interest paid due to lower borrowing than anticipated (£1.23 million), as Council uses its own internal resources to finance schemes, and additional interest received from current investments. This budget has been subject to significant reductions in the 2018-19 MTFS. However, given the scarcity of capital resources, and the increasing pressure for capital investment, the Council may be required to increase its borrowing in future years to fund such investment, which will require revenue funding to meet the repayments.

### Council Tax Reduction Scheme

- The actual under spend of £643,000 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 a further reduction of £400,000 for 2018-19.

### Building Maintenance

- The under spend of £414,000 is a result of slippage on some minor works schemes and feasibility studies, which will now be completed in 2018-19. An earmarked reserve has been established to meet these costs. There were capacity issues in the Building Maintenance section during 2017-18 which will be addressed under the new Corporate Landlord model, which is being implemented from April 2018.

### Pension Related Costs

- The actual under spend of £776,000 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 have contributed to the 2018-19 MTFS savings.

### Other Council Wide Budgets

- The under spend of £2.292 million is due to a number of reasons. In general it is a combination of lower than anticipated requirements for funding of inflationary and other pressures, delays in implementation of certain Welsh Language Standards following appeal (£300,000) 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. These under spends have contributed to the 2018-19 MTFS savings.

These budgets have been reviewed as part of the MTFS 2018-19 to 2021-22 and are subject to total reductions of £2.6 million in 2018-19.

## **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 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 as part of the MTFS on 28th February 2018, totalled £45.462 million. Since then there



have been new approvals of £565,000 and slippage of £9.195 million into 2018-19, following discussions with Directorates on scheme progress, bringing the revised programme to £36.832 million, of which £24.027 million is met from BCBC resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £12.805 million coming from external resources. On 28th March 2018 Council agreed to the re-profiling of Bridgend's contribution to the Cardiff Capital Region City Deal following a decision to draw down HM Treasury grant later in the programme. This is reflected in the revised programme for 2017-18.

4.4.2 In terms of new approvals, these are either schemes that are grant funded, such as:

Bridgend Life Centre and Heron House – funded by the Welsh Government Integrated Care Fund (£115,000);  
Community Care Information System - funded from a Welsh Government grant via the NHS (£43,000).

Or they relate to schemes that were funded from revenue but have been re-categorised as capital expenditure in line with accounting requirements, such as ICT equipment (£151,000) and minor works.

4.4.3 The main schemes where slippage is required, and the reasons for the slippage, are:

<b>Scheme</b>	<b>Budget 2017-18 £000</b>	<b>Amount of Slippage to / from (-) 2017-18 £000</b>	<b>Reason for Slippage</b>
Cardiff Capital Region City Deal	0	2,285	Re-profiling of Local Authority Partnership capital funding requirement as agreed by Council on 28 <sup>th</sup> March 2018.
Garw Valley South Primary Provision	8,327	-3,728	Budget re-profiled across later years from initial budget in line with revised spend profile.
Pencoed Primary School	9,650	-4,335	Budget re-profiled across later years from initial budget in line with revised spend profile.
Extra Care Facilities	1,500	-725	Budget re-profiled across later years from initial budget in line with revised spend profile.
Town Beach Revetment	646	304	Works progressed more quickly than initial profile, so funding brought forward.

There are a number of other schemes where there is slippage and this is generally due to difficulties in knowing exactly how much spend will be incurred on a project in a financial year, particularly during the winter months. Some schemes are also delayed due to tender processes and capacity to support projects.

4.4.4 Appendix 4 provides details of the individual schemes within the capital programme, showing the budget available in 2017-18 compared to the actual spend.

Commentary is provided explaining reasons for any major variations in expenditure against budget or changes to budget.

4.4.5 Total expenditure as at 31st March 2018 is £36.584 million, resulting in an under spend of £39,000 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 2017-18, Directorates drew down funding from specific earmarked reserves and these were reported to Cabinet through the quarterly monitoring reports. The final Directorate draw down of £10.703 million is detailed in Table 5 below.

**Table 5 – Draw Down from Earmarked Reserves during 2017-18**

	<b>Draw down from Earmarked Reserves 2017-18 £'000</b>
<b>Education &amp; Family Support</b>	3,080
<b>Social Services &amp; Wellbeing Communities</b>	1,128
<b>Operational &amp; Partnership Services</b>	5,810
<b>Chief Executives &amp; Finance</b>	584
<b>Total</b>	<b>10,703</b>

4.5.2 There have been net additions to earmarked reserves of £7.619 million (£958,000 of which has been incurred against Directorate budgets) as shown in Table 6 below.

**Table 6 – Movement on Earmarked Reserves to 31st March 2018**

Opening Balance 01-Apr-2017 £'000	Reserve	Net Additions/ Reclass- ification £'000	Draw down £'000	Closing Balance 31-Mar-2018 £'000
	<b>Corporate Reserves:-</b>			
-	Education & Family Support	4,234	(2,029)	-
-	Social Services & Wellbeing	(27)	(874)	-
-	Communities	1,686	(4,860)	-
-	Operational and Partnership Services	(180)	(469)	-
-	Chief Executives & Finance	100	(34)	-
-	Non-Directorate	2,348	-	-
<b>39,260</b>	<b>Total Corporate Reserve</b>	<b>8,161</b>	<b>(8,266)</b>	<b>39,155</b>
	<b>Directorate Earmarked Reserves:-</b>			
663	Education & Family Support	145	(345)	463
1,916	Social Services & Wellbeing	(1)	(254)	1,661
1,167	Communities	1,671	(390)	2,448
246	Operational and Partnership Services	599	(40)	805
300	Chief Executives & Finance	-	(24)	276
<b>4,292</b>	<b>Total Directorate Reserves</b>	<b>2,414</b>	<b>(1,053)</b>	<b>5,653</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:-</b>			
4,179	Education & Family Support	(3,640)	(200)	339
2,364	Communities	510	(560)	2,314
153	Operational and Partnership Services	174	(75)	252
45	Chief Executives & Finance	-	(43)	2
<b>6,741</b>	<b>Total Equalisation Reserves</b>	<b>(2,956)</b>	<b>(878)</b>	<b>2,907</b>
<b>866</b>	<b>School Balances</b>	<b>-</b>	<b>(506)</b>	<b>360</b>
<b>51,159</b>	<b>Total Usable Reserves</b>	<b>7,619</b>	<b>(10,703)</b>	<b>48,075</b>

4.5.3 The year end 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 7 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves.

**Table 7 – Net Appropriations to/from Earmarked Reserves during Quarter 4**

	<b>Additions/ (Unwound) Up to Qtr 3 £'000</b>	<b>Additions/ (Unwound) At Qtr 4 £'000</b>	<b>Total Additions/ (Unwound) 17-18 £'000</b>
<b>Corporate Reserves:-</b>			
Asset Management	-	381	381
Building Maintenance Reserve	30	276	306
Capital Feasibility Fund	102	166	268
Capital Programme Contribution	889	5,127	6,016
Corporate Pressures Contingency	1,000	-	1,000
DDA Emergency Works	-	1	1
ICT & Finance Systems	276	(601)	(325)
Major Claims Reserve	62	(491)	(429)
Property Disposal Strategy	5	8	13
Service Reconfiguration	-	1,130	1,130
Welfare Reform	-	(200)	(200)
<b>Total Corporate Reserves</b>	<b>2,364</b>	<b>5,797</b>	<b>8,161</b>
<b>Directorate Reserves:-</b>			
Car Parking Strategy	(175)	-	(175)
City Deal Reserve	598	490	1,088
Directorate Issues	821	617	1,438
Donations Reserve Account	3	0	3
Human Resources	-	(10)	(10)
Looked After Children	-	(1)	(1)
Porthcawl Regeneration	80	-	80
Safe Routes to Schools	-	19	19
Schools Reserve	-	(28)	(28)
<b>Total Directorate Reserves</b>	<b>1,327</b>	<b>1,087</b>	<b>2,414</b>
<b>Equalisation &amp; Grant Reserves:-</b>			
Building Control	-	7	7
Highways Reserve	52	-	52
Car Parking Enforcement	-	12	12
IFRS Grants	-	604	604
Legal Fees	-	119	119
Local Development Grant	-	17	17
Maesteg PFI Reserve	-	(3,949)	(3,949)
Special Regeneration Reserve	-	182	182
<b>Total Equalisation &amp; Grant Reserves</b>	<b>52</b>	<b>(3,008)</b>	<b>(2,956)</b>
<b>Total Usable Reserves</b>	<b>3,743</b>	<b>3,876</b>	<b>7,619</b>

- 4.5.4 The additions include a net increase of £6.016 million to the Capital Programme Contribution Reserve which includes additional funding for Schools Band B schemes. This has been partially offset by the unravelling of the Maesteg PFI Reserve which is no longer required due to a change in the mechanism for allocating the PFI funding and the necessary accounting treatment. The City Deal Earmarked Reserve has had to be increased to reflect the additional monies needed for capital expenditure in 2018-19 following approval of the City Deal Business Plan and the re-profiled expenditure plan. The Service Reconfiguration Reserve has been increased by £1.130 million to meet the potential costs relating to service remodelling and consequential severance costs.
- 4.5.5 A full breakdown of the total movement on earmarked reserves at 31st March 2018 is provided in Appendix 5.

## **5.0 Effect upon Policy Framework & Procedure 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 Equalities Impact Assessment**

- 6.1 There are no equality implications arising from this report.

## **7.0 Well-being of Future Generations (Wales) Act 2015 Implications**

- 7.1 The wellbeing goals identified in the Act were considered in the preparation of this report. As the report is for noting only it is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

## **8.0 Financial implications**

- 8.1 These are reflected in the body of the report.

## **9.0 Recommendations**

- 9.1 Corporate Overview and Scrutiny Committee is recommended to:
- note the actual revenue and capital outturn position for 2017-18;

**Gill Lewis**  
**Interim Head of Finance and Section 151 Officer**  
**June 2018**

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**Background documents:** Individual Directorate Monitoring Reports  
MTFS Report to Council – 28 February 2018