

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

14 JANUARY 2019

### REPORT OF THE INTERIM HEAD OF FINANCE

#### BUDGET MONITORING 2018-19 – QUARTER 2 FORECAST

##### 1.0 Purpose of this report

1.1 The purpose of this report is to provide the Committee with an update on the Council's financial position as at 30th September 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 allocation of budget determines the extent to which the Council's corporate improvement priorities can be delivered.

##### 3.0 Background

3.1 On 28th February 2018, Council approved a net revenue budget of £265.984 million for 2018-19, along with a capital programme for the year of £33.693 million, which has since been updated to take into account new approvals and slippage between financial years. 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 30th September 2018.

4.1.1 The Council's net revenue budget and projected outturn for 2018-19 is shown in Table 1 below. This has been amended to reflect the new directorate structures and budgets following the management restructuring undertaken by the Chief Executive.

**Table 1- Comparison of budget against projected outturn at 30th September 2018**

Directorate/Budget Area	Original Budget 2018-19 £'000	Revised Budget 2018-19 £'000	Re-Structuring Transfers 2018-19 £'000	Current Budget 2018-19 £'000	Projected Outturn Q2 2018-19 £'000	Projected Over / (Under) Spend 2018-19 £'000	Projected Over / (Under) Spend Qtr 1 2018-19 £'000
<b>Directorate</b>							
Education and Family Support	108,315	110,773	230	111,003	111,399	396	(44)
Social Services and Wellbeing	67,730	69,954	0	69,954	71,206	1,252	1,860
Communities	26,729	27,456	-665	26,791	27,051	260	539
Chief Executive's	3,803	3,971	15,374	19,345	18,175	(1,170)	(1,163)
Operational and Partnership Services	14,658	14,939	-14,939	0	0	0	0
<b>Total Directorate Budgets</b>	<b>221,235</b>	<b>227,093</b>	<b>0</b>	<b>227,093</b>	<b>227,831</b>	<b>738</b>	<b>1,192</b>
<b>Council Wide Budgets</b>							
Capital Financing	9,514	9,405		9,405	7,003	(2,402)	(18)
Levies	7,046	7,046		7,046	7,046	0	0
Apprenticeship Levy	700	700		700	630	(70)	(35)
Council Tax Reduction Scheme	14,354	14,354		14,354	14,240	(114)	19
Insurance Premiums	1,588	1,588		1,588	1,198	(390)	(242)
Building Maintenance	900	870		870	870	0	0
Pension Related Costs	430	430		430	435	5	0
Other Council Wide Budgets	10,217	4,498		4,498	2,200	(2,298)	(2,214)
<b>Total Council Wide Budgets</b>	<b>44,749</b>	<b>38,891</b>	<b>0</b>	<b>38,891</b>	<b>33,622</b>	<b>(5,269)</b>	<b>(2,490)</b>
<b>Appropriations to / from Earmarked to Reserves</b>					<b>1,980</b>	<b>1,980</b>	<b>0</b>
<b>Total</b>	<b>265,984</b>	<b>265,984</b>	<b>0</b>	<b>265,984</b>	<b>263,433</b>	<b>(2,551)</b>	<b>(1,298)</b>

4.1.2 The overall projected position at 30th September 2018 is a net under spend of £2.551 million, comprising £738,000 net over spend on directorates and £5.269 million net under spend on corporate budgets, offset by new net earmarked reserves of £1.98 million. The Council has recently received its provisional local government settlement for 2019-20 from Welsh Government and, whilst the information is still being analysed, it is clear that there will be difficult choices to make and pressures to meet going forward. In addition, there is still half of the financial year remaining and there are a number of volatile budgets which could impact upon this position. A detailed analysis of the more significant projected under and over spends is set out in section 4.3. The position on directorate budgets is a significant improvement on quarter 1, with the projected over spend reducing by £454,000.

4.1.3 There have been no budget virements but there has been a number of technical adjustments between budgets since the quarter 1 forecast was reported to Cabinet in July 2018. These include funding for outstanding centrally held inflationary increases and pay awards, along with the following:

## Technical Adjustments

<b>Service vired from / to</b>	<b>Amount</b>
Transfer of funding for Innovation Centre finance lease to corporate Capital Financing budgets.	£54,336
Re-allocation of centrally held approved growth for Learning Resource Centres from education central budget to school delegated budgets.	£109,971
Allocation of funding retained centrally for costs of meeting new National Living Wage for external care providers	£583,642
Transfer of funding from Council wide budgets to schools and central education for teachers' pay award from September 2018.	£800,996

- 4.1.4 A number of energy providers have announced price increases for 2018, blaming rising wholesale gas and electricity prices. There were slight increases in most buildings in overall spend on gas and electricity in 2017-18 compared to 2016-17. Additional funding for energy increases in 2018-19, averaging around 9% has been provided during quarter 2.
- 4.1.5 The pay award for teachers from September 2018 was agreed by Parliament in the middle of September, and additional funding has been provided to schools and central education services. Whilst the maximum increase is 3.5% (for unqualified teachers and teachers on the main scale), the overall average has been calculated at 2.18%. The UK Government has announced that it will give Wales an extra £23.5 million towards pay awards for teachers, £8.7 million in 2018-19 via a specific grant and £14.8 million in 2019-20 through the local government settlement, but we are still awaiting details of how much Bridgend will receive.
- 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 £6.123 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 February 2018 Council approved the Medium Term Financial Strategy for 2018-19 to 2021-22. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to around £32.6 million over the next four years. 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 2018-19. 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 budget 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

### Prior Year Budget Reductions

- 4.2.1 A report was presented to Cabinet on 19th June 2018 on Financial Performance 2017-18. In the report it was highlighted that, for 2016-17 and 2017-18, there were £2.982 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £2.523 million. Directors have been asked to identify if any of these proposals are still not likely to be achieved in full during the 2018-19 financial year, and to identify mitigating action that will be undertaken to achieve them. A summary of the latest position is attached as Appendix 1 with a summary per directorate provided in Table 2. Of the total proposals not achieved in full at year end, the Social Services and Wellbeing Directorate had already partly realised £378,000. Consequently there are still £2.604 million of prior year budget proposals outstanding, £1.917 million of which relates to the shortfall on Social Services and Wellbeing, which will need to be met in full during 2018-19 or from alternative savings proposals.
- 4.2.2 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 meet the shortfall. This will be monitored continuously throughout 2018-19 but a number of the proposals are not likely to be achieved in full in this financial year.

**Table 2 – Outstanding Prior Year Budget Reductions**

	<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	166	106	60
Social Services and Wellbeing	1,917	1134	783
Communities	371	21	350
Chief Executive's	150	150	0
<b>TOTAL</b>	<b>2,604</b>	<b>1,411</b>	<b>1,193</b>

- 4.2.3 The table shows that of the £2.604 million outstanding reductions, £1.411 million is likely to be achieved in 2018-19 leaving a shortfall of £1.193 million. Proposals still not likely to be achieved include:
- Learner Transport (£60,000) due to delays in assessments of safe routes;

- Review of Car Parking Charges (£50,000) due to delay in reporting options and therefore achieving full year savings;
- Permitting Scheme for Road Works (£100,000) due to delays in approval process with Welsh Government.
- Reductions to the Materials Recovery and Energy Centre (MREC) (£200,000).

The balance mainly relates to proposals set out in the Social Services and Wellbeing Service Delivery Plan.

4.2.4 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 has been used to meet specific budget reduction proposals in 2016-17 and 2017-18 on a one-off basis pending alternative measures. Following agreement with the S151 officer, it is being used to mitigate the on-going shortfall on the following 2017-18 budget reduction proposal in this financial year.

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

### **Budget Reductions 2018-19**

4.2.5 The budget approved for 2018-19 included budget reduction proposals totalling £6.123 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 £354,000, or 5.8% of the overall reduction target.

**Table 3 – Monitoring of Budget Reductions 2018-19**

	<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	630	453	177
Schools	0	0	0
Social Services and Wellbeing	350	350	0
Communities	1,454	1,277	177
Chief Executive's	1,079	1,079	0
Council Wide Budgets	2,610	2,610	0
<b>TOTAL</b>	<b>6,123</b>	<b>5,769</b>	<b>354</b>

A comparison of the RAG position against quarter 1 is provided below:

	2018-19 Q2		2018-19 Q1	
	£000	%	£000	%
<b>Green</b>	3,978	65%	4,116	67%
<b>Amber</b>	2,003	33%	1,907	31%
<b>Red</b>	142	2%	100	2%
<b>Total</b>	<b>6,123</b>	<b>100%</b>	<b>6,123</b>	<b>100%</b>

There has been a slight shift from reductions classed as green to amber and red between quarters 1 and 2.

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

- EFS1 Phased Implementation of Learner Transport Policy (£67,000);
- COM11 Reductions to the budget for Public Conveniences (£100,000);
- COM27 Removal of Subsidised Bus Services (£188,000)

As part of the MTFs discussions it was agreed that the progression of the latter two proposals would be dependent on the outcome of public consultations, following which decisions would be made on how to proceed with these proposals. The final council tax increase agreed for 2018-19 was 4.5%, higher than the original proposed 4.2%, to provide flexibility to enable members to mitigate some of the proposed budget reductions. A report was presented to Cabinet on 15th May on the outcome of the public consultation exercise in respect of the rationalisation of supported bus services (COM27). Cabinet resolved to retain the subsidy for three routes for a period of one year to allow additional time in dialogue with bus operators and with other potential partners to try and find ways of keeping existing routes running. Consequently, £51,500 of this funding has been transferred to the Communities directorate for one year only to offset this shortfall. With regard to Public Conveniences, a report was presented to Cabinet in June 2018. A number of proposals were made, but given time to implement some, it is anticipated that the full budget saving will not be made during 2018-19, and the directorates will mitigate this shortfall with other measures.

4.2.7 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. 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.

#### **4.3 Commentary on the financial position as at 30th September 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 2018-19 is £111.003 million. Current projections indicate an over spend of £395,000. The main variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Inclusion	2,838	2,990	152	5.4%
Home to School Transport	4,779	5,349	570	11.9%
Pupil Support	381	275	(106)	-27.8%
Catering Services	811	758	(53)	-6.5%
Integrated Working	1,489	1,382	(107)	-7.2%
Youth Justice	384	290	(94)	-24.5%

#### **Schools' Delegated Budgets**

The schools' delegated budget is reported as balanced as any under or over spend is automatically carried forward into the new financial year before being considered by the Director of Education and Family Support in line with the 'Guidance on Managing School Surplus Balances'. At Quarter 2 in 2018-19 there are 20 primary schools, 6 secondary schools and 1 special school (46% of all schools) that are projecting a deficit balance at year end. In total the quarter 2 projections indicate an overall deficit balance for school delegated budgets of £1.339 million at year end.

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

##### Inclusion

- There is a projected over spend of £152,000 in the Inclusion service. £78,000 is due to an increase in demand for ancillary support in schools and difficulty in recruitment and hence increased agency costs. £85,000 is due to recoupment costs – there were 31 out of county placements at quarter 2 compared with 27 at the end of 2017-18. Additional ancillary support has also been required at Ysgol Bryn Castell special school.

##### Home to School Transport

- There is an over spend of £570,000 on Home to School Transport. There have been significant increases in eligible pupils for both Home to College and primary school transport of 16.5% and 18.1% respectively from 2016-2017 continuing into 2018-19. 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. Additional pressures in 2018-19 have arisen due to transport being provided to support the Council's vulnerable groups agenda, and the handing back of contracts from providers which, when retendered, have proven to be more costly.

### Pupil Support

- The under spend of £106,000 relates primarily to the volunteer driver support service which ceased in February 2017 whilst a review was undertaken. The outcome of the review will be considered in due course.

### Catering Services

- The under spend of £53,000 has arisen as a result of a projected increase over and above the anticipated demand for school meals compared with when the budgets were set at the start of the financial year. Take up of school meals will require close in-year monitoring.

### Integrated Working

- The under spend of £107,000 relates to staff vacancies within the service.

### Youth Justice

- The under spend of £94,000 is a combination of savings on the premises budget following vacation of the offices at Tremains Road, along with staff vacancy management. The premises budget saving will be considered as part of future years' MTFs savings.

## 4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2018-19 is £69.954 million. Current projections indicate an over spend of £1.252 million at year end prior to any draw down from earmarked reserves. The over spend projection has actually reduced by £608,000 since quarter 1. The main variances for current forecast over spend 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>	
Older People Residential Care	8,808	8,718	(90)	-1.0%
Care at home for Older People	8,462	8,611	149	1.8%
Equipment and Adaptations	859	1,026	127	14.8%
Assessment and Care Management	4,892	4,441	(451)	-9.2%
Learning Disabilities Residential Care	1,630	1,745	115	7.0%
Care at Home for Learning Disabilities	9,366	10,016	650	6.9%
Mental Health Residential Care	1,266	1,125	(141)	-11.1%
Care at Home for Mental Health	612	770	158	25.8%
Looked After Children	11,151	11,961	811	7.3%

### Older People Residential Care

- There is a projected under spend of £90,000 mainly due to increased client contributions for residential care, and income received from other local authorities, which are currently higher than anticipated.

### Care at home for Older People

- There is a projected over spend mainly as a result of increased demand for domiciliary care for older people. Domiciliary care is currently forecasting an over spend of £400,000 which is currently being offset by forecast under spends

on our internal homecare staffing costs, resulting in a forecast over spend of £149,000 overall. The average number of weekly homecare and domiciliary care hours provided this financial year has increased by approximately 4.6% compared to 2017-18.

#### Equipment and Adaptations

- There is a projected over spend of £127,000 as a result of increased usage of aids and equipment, along with servicing costs. These costs are seen as preventative investment aimed at keeping residents out of long term care.

#### Assessment and Care Management (ACMT)

- There is a projected under spend of £451,000 on all assessment and care management budgets, including £169,000 on assessment and care management for older people and £90,000 under spend on ACMT for people with mental health, arising mainly from staff vacancies, although the directorate is hoping to fill some of these posts during the year.

#### Learning Disabilities Residential Care

- There is a projected over spend of £115,000 based on current placements. The complexity of needs within these placements contributes to the high costs.

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

- There is a projected over spend of £650,000 as a result of an increase in the number and the complexity of needs of service users receiving direct payments or receiving domiciliary care within a home setting or supported accommodation. This forecast over spend has actually reduced by £136,000 since quarter 1.

#### Mental Health Residential Care

- A projected under spend of £141,000 is likely based on current placements. Anticipated health contributions to these placements is contributing to this projection.

#### Care at Home for People with Mental Health Issues

- There is a projected over spend of £158,000 as a result of the complexity of needs of service users receiving direct payments or receiving domiciliary care within a home setting or supported accommodation.

#### Looked After Children (LAC)

- There is a projected over spend of £811,000 on LAC. MTFs budget reductions have resulted in the budget being reduced by around £1 million over the last three years. The projected over spend has actually reduced by £541,000 since quarter 1 as the directorate has started to implement its residential and fostering remodelling projects.
- Project plans for both of these areas are now in place and the required work has gathered momentum, with significant capital work taking place in 2018-19. The plan to place more children into in-house foster placements is now in place but due to the time taken to put arrangements into place, the full saving is not likely to be realised in 2018-19.
- The average number of LAC this financial year is 376 compared with an average of 387 in 2017-18, with 11 children currently in out of county residential placements. Some individual placements can cost around £220,000 per

annum. The cost of out of county placements is a considerable pressure on the budget and greatly contributing to the current forecast over spend.

- The average number of independent fostering placements (IFAs) this financial year is 65 compared to 82 in 2017-18.
- The budget is closely monitored to ensure that the current over spend is reduced and that the budget for 2018-19 is effectively managed.

#### 4.3.3 Communities Directorate

The net budget for the Directorate for 2018-19 is £26.791 million and the current projection is an anticipated over spend of £260,000. 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	357	507	150	42.0%
Public Conveniences	72	147	75	104.2%
Waste Disposal	4,629	4,679	50	1.1%
Waste Collection	4,961	5,131	170	3.4%
Street lighting	1,561	1,511	(50)	-3.2%
Network Management	163	263	100	61.3%
Highways Services	2,514	2,614	100	4.0%
Fleet Services	11	161	150	1363.6%
Engineering Services	58	(142)	(200)	-344.8%
Parks & Open Spaces	2,082	1,972	(110)	-5.3%
Corporate Landlord	3,066	2,966	(100)	-3.3%

##### Development Control

- The projected over spend in Development of £150,000 is primarily due to a forecast downturn in planning application income based on income to date and comparison with the 2017-18 outturn. Fee income is subject to considerable fluctuations between years, depending on number and type of applications and will require close monitoring in-year.

##### Public Conveniences

- A report was presented to Cabinet on the 19th June 2018 outlining the findings of the public consultation and recommending actions against each of the town centre public toilets. Implementing these recommendations will take some time to complete and discussions with the Town and Community Councils are taking place prior to formal consultation with affected staff, therefore the £100,000 MTFS saving for 2018-19 will not be made in full this year.

##### Waste Disposal

- There was a budget reduction target of £200,000 for 2017-18 in respect of the MREC. There has been a procurement exercise with Neath Port Talbot Council to secure a new operator for the facility, therefore for this financial year the full MTFS saving has been funded from the MTFS Budget Reduction Contingency Reserve as outlined in paragraph 4.2.4. The balance of the projected over spend is primarily due to increased costs for disposing of street waste.

### Waste Collection

- The projected over spend of £170,000 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, 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.

### Street Lighting

- There is a projected under spend of £50,000 which has primarily arisen following the LGBI programme for the replacement of lanterns, and subsequent reduction in energy costs.

### Network Management

- The projected over spend of £100,000 is due to the delay in realising the 2017-18 MTFS target of £100,000. There has been a delay in developing a full business case for the street works review, and it is yet to be submitted to Welsh Government for their consideration. Once the submission is made it may be several months before a determination is made and, as such, it is considered unlikely that potential changes to the format of street-works management will be realised in this financial year.

### Highways Services

- There is a projected over spend of £100,000 mainly as a result of an in-year notification received regarding the cessation of the contract with 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.

### Fleet Services

- There is a projected over spend of £150,000 across the service, similar to the 2017-18 outturn, due to a downturn in income arising from reduced spend by Directorates. The Directorate plans to undertake a review of the fleet service in the near future.

### Engineering Services

- There is a projected under spend across the service of £200,000 due to a projected increase in the level of fee earning jobs (balance of EU/non EU funded projects and the differing chargeable rates allowed) based on income earned to date compared with 2017-18 outturn.

### Parks & Open Spaces

- There is a projected under spend across the service of £110,000 due primarily to staff vacancies, in particular seasonal grounds maintenance staff where it has been problematic to recruit this year.

### Corporate Landlord

- There is a projected under spend of £100,000 mainly as a result of vacancies whilst the new structure was being populated.

#### 4.3.4 Chief Executive's Directorate

The net budget for the Directorate for 2018-19 is £19.345 million and current projections anticipate an under spend against this budget of £1.170 million. The main variances are:

CHIEF EXECUTIVES	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Business Unit	869	781	(88)	-10.1%
Accountancy	1,523	1,404	(119)	-7.8%
Housing Benefits – Admin / Payments to Claimants	540	601	61	11.3%
Taxation and Sundry Debtors	41	127	86	209.8%
Housing and Homelessness	1,017	963	(54)	-5.3%
Member and Mayoral Services	1,824	1,507	(317)	-17.4%
HR and Organisational Development	1,637	1,515	(122)	-7.5%
ICT	3,734	3,578	(0)	-4.2%
Shared Regulatory Services	1,424	1,351	(73)	-5.1%
Communication & Marketing	1,622	1,473	(149)	-9.2%

##### Business Unit

- The forecast under spend of £88,000 mainly relates to staffing vacancies across the service. These vacancies are to be held whilst a review is undertaken across all Business Support.

##### Accountancy

- The forecast under spend of £119,000 mainly relates to staffing vacancies across the service. These vacancies will be monitored in line with business needs.

##### Housing Benefits – Admin / Payments to Claimants

- There is an under spend in respect of the administration of housing benefit arising mainly from staffing vacancies, but also changes in staffing hours and additional annual leave purchases. This is currently being offset by a potential over spend on housing benefit subsidy, but this still results in a forecast net under spend of £61,000.

##### Taxation and Sundry Debtors

- There is a projected shortfall of £86,000 on income from court costs, as well as shortfalls on the 2017-18 MTFs proposal to implement fines for non-return of Single Person Discounts.

##### Housing Options and Homelessness

- The forecast under spend of £54,000 on Housing and Homelessness is mainly arising from staffing vacancies. Some of the services are currently being restructured.

##### Member and Mayoral Services

- This forecast under spend of £317,000 is mainly as a result of the delay in initially implementing the Members' Community Action Fund in 2017-18, which

has impacted upon this year's budget. An assessment of the first year of operation is due to be presented to Audit Committee in December. The budget for this fund is £285,000.

#### HR and Organisational Development

- The under spend of £122,000 is mainly due to staffing vacancies, not least the removal of the Head of HR and Organisational Development post, as part of the Chief Executive's restructuring of senior management. These savings are being considered within 2019-20 MTFS proposals.

#### ICT

- The forecast under spend of £156,000 is mainly due to staffing vacancies. These vacancies are being held with future MTFS savings requirements in mind.

#### Shared Regulatory Services

- The forecast under spend mainly relates to £141,000 rebate from the 2017-18 shared service final outturn position. This rebate is currently offsetting shortfalls of income elsewhere within regulatory services, resulting in a projected £73,000 under spend overall.

#### Communications & Marketing

- The forecast under spend of £149,000 is mainly due to staffing vacancies. These vacancies are being held with future MTFS savings requirements in mind.

### 4.3.5 Council Wide budgets

This section includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The budget is £38.891 million and the projected outturn is £33.622 million, resulting in a projected under spend of £5.269 million. The main variances are detailed below:

<b>COUNCIL WIDE BUDGETS</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>	
Capital Financing Costs	9,405	7,003	(2,402)	-25.5%
Insurance Premiums	1,588	1,198	(390)	-24.6%
Other Council Wide Budgets	4,498	2,200	(2,298)	-51.1%

#### Capital Financing

- The projected under spend of £2.402 million is mainly as a result of the change in policy in respect of repayment of debt (Minimum Revenue Provision - MRP), as approved by Council in September (£2 million saving in 2018-19). There is also an under spend on interest paid due to lower borrowing than anticipated, as the Council uses its own internal resources to finance schemes, and additional interest received from current investments. The funding released from the change in policy has been transferred to an earmarked reserve for future capital expenditure.

### Insurance Premiums

- The projected under spend of £242,000 is partly as a result of the reduction in the premium for property insurance in 2018-19 following a retendering exercise. There is also a fortuitous and unexpected rebate in respect of the Maesteg PFI scheme under the contract's premium sharing agreement (£177,000).

### Other Council Wide Budgets

- The under spend of £2.298 million is due to reduced requirements for funding for budget pressures and inflationary increases compared to the estimates provided at the start of the financial year. The pay award for all staff has now been agreed, so the remaining balance on these budgets should not change significantly during the remainder of the year unless any unexpected inflationary pressures come to light. However, in September HM Treasury published draft directions to be used in the valuation of public service pension schemes. The Government Actuary's Department provided indicative results of the 2016 valuation of the Teachers' Pension Scheme (TPS) to the Department for Education (DfE), which has resulted in an increase in the employer contribution rate from 16.48% to an estimated 23.6% from September 2019. This was significantly higher than previously indicated, and for Bridgend will result in a full year cost of around £3.5 million. Any balance of funding from provisions for pay and prices will be carried forward to meet that pressure.

It should be noted that this projection could change significantly during the financial year, depending on inflationary increases, 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.

## **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 2018-19. The original budget approved by Council on 28th February 2018 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2017-18 and any new schemes and grant approvals. The revised programme for 2018-19 currently totals £40.940 million, of which £34.725 million is met from BCBC resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £6.215 million coming from external resources.

4.4.2 Appendix 4 provides details of the individual schemes within the capital programme, showing the budget available in 2018-19 compared to the projected spend. Commentary is provided detailing any issues associated with these projects. There are a number of schemes where budgets need to slip into 2019-20, including:

- £514,000 slippage of Special Regeneration Funding into 2019-20 in line with the re-profiling of spend against schemes.
- £2.4 million slippage for Llynfi Valley Development Programme into 2019-20 due to delay in progressing schemes.
- £1.32 million for the relocation of the Tythegston recycling centre – this scheme is now at planning stage.

- £1.3 million Corporate Landlord energy efficiency scheme, due to delays in populating the structure and taking the scheme forward.
- These are offset by £8.063 million funding brought forward for the final 21<sup>st</sup> Century Schools schemes - Pencoed and the Garw Valley Welsh School - which will be completed in 2018-19.

4.4.3 There are also a number of new schemes included in the capital programme since the programme was last approved in full by Council, which now include:

- Eastern Promenade Porthcawl (£400,000 total), coastal risk management scheme.
- Safe Routes to Schools (£950,000) for Croesty, Pencoed and Newton Primary Schools.
- Road Safety Improvements (£290,000) for the A48 Waterton to Laleston.
- Porthcawl Resort Investment Focus (PRIF) (£2.55 million total), including Watersports Centre and Harbour improvements.

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

## **4.5 Review of Earmarked reserves**

4.5.1 The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The MTFS includes the Council's Reserves and Balances Protocol which sets out how the Council will determine and review the level of its Council Fund balance and earmarked reserves. A quarter 2 review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding.

4.5.2 The cumulative draw down by directorates is £2.688 million from specific earmarked reserves and there have been net additions of £1.980 million as shown in Table 4 below.

**Table 4 – Movement on Earmarked Reserves to the end of Quarter 2**

Opening Balance 01-Apr-2018 £'000	Reserve	Net Additions/ Reclassification £'000	Draw-down £'000	Closing Balance 30-Sep-2018 £'000
	<b>Corporate Reserves:-</b>			
-	Education & Family Support	-	(343)	-
-	Social Services & Wellbeing	-	(945)	-
-	Communities	-	(704)	-
-	Chief Executives	-	(311)	-
-	Non-Directorate	1,588	-	-
<b>39,155</b>	<b>Total Corporate Reserve</b>	<b>1,588</b>	<b>(2,303)</b>	<b>38,440</b>
	<b>Directorate Earmarked Reserves:-</b>			
463	Education & Family Support	152	(46)	569
1,661	Social Services & Wellbeing	-	-	1,661
2,448	Communities	233	(120)	2,561
1,081	Chief Executives	-	(188)	893
<b>5,653</b>	<b>Total Directorate Reserves</b>	<b>385</b>	<b>(354)</b>	<b>5,684</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:-</b>			
339	Education & Family Support	-	-	339
2,314	Communities	7	(11)	2,310
254	Chief Executives	-	-	254
<b>2,907</b>	<b>Total Equalisation Reserves</b>	<b>7</b>	<b>(11)</b>	<b>2,903</b>
<b>360</b>	<b>School Balances</b>	<b>-</b>	<b>-</b>	<b>360</b>
<b>48,075</b>	<b>Total Usable Reserves</b>	<b>1,980</b>	<b>(2,668)</b>	<b>47,387</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 2**

	Unwound up to Qtr 2 £'000	New/Additions to Reserves Qtr 2 £'000	Total Qtr 2 £'000
<b>Corporate Reserves:-</b>			
Capital Programme Contribution	(153)	2,000	1,847
Change Management	-	500	500
ICT & Finance Systems	(250)	-	(250)
Major Claims Reserve	(1,214)	700	(514)
Property Disposal Strategy	-	5	5
<b>Total Corporate Reserves</b>	<b>(1,617)</b>	<b>3,205</b>	<b>1,588</b>
<b>Directorate Reserves:-</b>			
Directorate Issues	-	232	232
Donations Reserve Account	-	1	1
School Projects Reserve	-	152	152
<b>Total Directorate Reserves</b>	<b>-</b>	<b>385</b>	<b>385</b>
<b>Equalisation &amp; Grant Reserves:-</b>			
Highways Reserve	-	7	7
<b>Equalisation &amp; Grant Reserves</b>	<b>-</b>	<b>7</b>	<b>7</b>
<b>TOTAL RESERVES</b>	<b>(1,617)</b>	<b>3,597</b>	<b>1,980</b>

4.5.4 The additions include an increase of £2,000,000 to the Capital Programme Contribution Reserve which was agreed by Council in September, an addition of £700,000 to the Major Claims Reserves to cover potential future claims, £500,000 to enhance the Change Fund which is used to pump prime transformational change projects and an additional £385,000 for various Directorate Issues, including monies to review transport arrangements, an allocation for school related projects and the production of a toilet strategy in line with Welsh Government requirements. These additions have been funded from the projected under spend on other non-Directorate budgets at the end of quarter 2. There are also additions which are from de-minimis capital receipts (£5,000) and highways commuted sums (£7,000).

4.5.5 A full breakdown of total movement on earmarked reserves at 30th September 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 implications in this report.

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

7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information 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 The Committee is requested to note the projected revenue and capital outturn position for 2018-19.

**Gill Lewis**  
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**September 2018**

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