

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

17 JULY 2019

REPORT OF THE INTERIM HEAD OF FINANCE

FINANCIAL PERFORMANCE 2018-19

1. Purpose of this report

- 1.1 The purpose of this report is to provide the Committee with an update on the Council's financial performance for the year ended 31st March 2019.

2. 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. 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. Current Situation / Proposal

4.1 Summary financial position at 31st March 2019.

4.1.1 The Council's net revenue budget and final outturn for 2018-19 is shown in Table 1 below.

Table 1- Comparison of budget against actual outturn at 31st March 2019

Directorate/Budget Area	Original Budget 2018-19 £'000	Current Budget 2018-19 £'000	Final Outturn Q4 2018-19 £'000	Final Over / (Under) Spend 2018-19 £'000	Projected Over / (Under) Spend Qtr 3 2018-19 £'000
Directorate					
Education and Family Support	108,315	110,144	110,545	401	542
Social Services and Wellbeing	67,730	70,088	69,136	(952)	(6)
Communities	26,729	26,937	27,822	885	251
Chief Executive's	3,803	19,539	18,063	(1,476)	(1,379)
Operational and Partnership Services	14,658	0	0	0	0
Total Directorate Budgets	221,235	226,708	225,566	(1,142)	(592)
Council Wide Budgets					
Capital Financing	9,514	9,304	6,459	(2,845)	(2,412)
Levies	7,046	7,046	7,070	24	24
Apprenticeship Levy	700	700	617	(83)	(75)
Council Tax Reduction Scheme	14,354	14,354	14,085	(269)	(241)
Insurance Premiums	1,588	1,588	1,167	(421)	(428)
Building Maintenance	900	621	423	(198)	0
Pension Related Costs	430	430	432	2	5
Other Council Wide Budgets	10,217	5,233	2,312	(2,921)	(3,515)
Total Council Wide Budgets	44,749	39,276	32,565	(6,711)	(6,642)
Accrued Council Tax Income			(670)	(670)	0
Appropriations to / from Earmarked to Reserves			8,094	8,094	1,922
Transfer to Council Fund			429	429	0
Total	265,984	265,984	265,984	0	(5,312)

4.1.2 The overall outturn at 31st March 2019 is an under spend of £429,000 which has been transferred to the Council Fund, bringing the total Fund balance to £8.776 million in line with Principle 8 of the Medium Term Financial Strategy (MTFS). Directorate budgets provided a net under spend of £1.142 million, after draw down from reserves of £7.7 million, and Council Wide budgets a net under spend of £6.711 million, after draw down from reserves of £2.3 million. These are offset by the requirement to provide new earmarked reserves for a range of new future risks and expenditure commitments. The net position also takes into account accrued council tax income of £670,000 during the financial year.

4.1.3 As mentioned in the report to Cabinet at quarter 3, the Council has received a number of one-off grants from Welsh Government, including £620,528 for social services and £718,701 towards teachers' pay, and more recently a number of other school specific grants, totalling almost £1 million, which have eased the pressure on these budgets for 2018-19 only. This is in addition to any other opportunities taken to maximise

existing grant funding streams. Without these the net under spend on Directorate and Council Wide budgets would have been much lower. Given the significant funding required to meet pay, prices and pensions costs in 2019-20 any uncommitted funding in 2018-19 will be required to meet those pressures in the new financial year.

- 4.1.4 The under spend on Directorate net budgets for the year is a result of a number of factors including the late notification of additional grants, the maximisation of existing grants and other income, strict vacancy management and general efficiencies. Directorates drew down £7.7 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.
- 4.1.5 There have been no budget virements since the quarter 3 forecast was reported to Cabinet in January 2019. However, as part of the closing of accounts process, there have been a number of technical adjustments in respect of outstanding pay and price inflation and allocations of corporately held funding for feasibility work and revenue minor works in line with spend, along with transfer of funding for prudential borrowing from corporate capital financing budgets to specific schemes in line with the capital programme.
- 4.1.6 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 (LAC), Adult Social Care, and Home to School Transport, 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.
- 4.1.7 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 lower funding required than anticipated during the last quarter for the implementation of Welsh Language Standards, although it is anticipated that this budget will still be required in 2019-20. In addition, funding for a number of budget pressures was adjusted down following receipt of more accurate information.
- 4.1.8 The net budget for the financial year was 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 were not achievable directorates were tasked with identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals.

4.2 Monitoring of Budget Reduction Proposals

Prior Year Budget Reductions

- 4.2.1 As outlined in previous monitoring reports during the year, at the end of the 2017-18 financial year, there were still £2.604 million of outstanding budget reduction proposals that had not been met in full, relating to the 2016-17 and 2017-18 financial

years, £1.917 million of which related to the Social Services and Wellbeing Directorate. Directors have been working to realise these savings during the 2018-19 financial year. A summary of the latest position is attached as Appendix 1 with a summary per directorate provided in Table 2. Of the £2.604 million of prior year budget proposals outstanding, £1.593 million has been realised, leaving a balance of £1.011 million.

Table 2 – Outstanding Prior Year Budget Reductions

	Total Budget Reductions Required	Total Budget Reductions Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Education and Family Support	166	106	60
Social Services and Wellbeing	1,917	1,266	651
Communities	371	71	300
Chief Executive's	150	150	0
TOTAL	2,604	1,593	1,011

4.2.2 Proposals still not 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, which outlines the Directorate's response to the financial challenge facing them, and sets out the planned actions to be undertaken in order to meet the shortfall. A number of the proposals were planned to be achieved over 2018-19 and 2019-20 and these will continue to be monitored. The actual shortfall against proposals to be achieved in 2018-19 was only £34,000. All outstanding proposals will continue to be monitored during 2019-20.

4.2.3 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 on a one-off basis pending alternative measures. In 2018-19 it has been used to mitigate the on-going shortfall on the following 2017-18 budget reduction proposal:

COM 18	MREC	£200,000
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Budget Reductions 2018-19

4.2.4 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 end of year position is a shortfall on the savings target of £508,000, or 8.3% of the overall reduction target. This figure is slightly worse than reported at quarter 3.

Table 3 – Monitoring of Budget Reductions 2018-19

	Total Budget Reductions Required	Total Budget Reductions Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Education and Family Support	630	478	152
Schools	0	0	0
Social Services and Wellbeing	350	350	0
Communities	1,454	1,098	356
Chief Executive's	1079	1079	0
Council Wide Budgets	2,610	2,610	0
TOTAL	6,123	5,615	508

4.2.5 The most significant budget reduction proposals not achieved, and the action required to achieve them in 2019-20 are outlined in Table 4 below. In the 2019-20 financial year these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position.

Table 4 – Outstanding Budget Reductions 2018-19

MTFS Ref	Budget Reduction Proposal	Shortfall £'000	Mitigating Action 2019-20
EFS1	Phased Implementation of Learner Transport Policy	67	An external review of BCBC's transport arrangements has been commissioned. This will report in Summer term 2019. It is hoped this will support changes to the current arrangements with a view to making the identified efficiency savings.
COM11	Reductions to the budget for Public Conveniences	100	Following formal consultation, full savings should be achieved in 2019-20.
COM27	Removal of Subsidised Bus Services	188	Following formal consultation, full savings should be achieved in 2019-20.

MTFS Ref	Budget Reduction Proposal	Shortfall £'000	Mitigating Action 2019-20
COM40	Introduction of Corporate Landlord Model	200	Will continue to work with implementation programme and monitor closely during 2019-20.

4.2.6 As mentioned in previous monitoring reports, 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. Following a report 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 was 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, the full budget saving has not been realised during 2018-19. These should both be achieved in full during 2019-20.

4.2.7 Overall there are £2.342 million of budget reductions from 2016-17 to 2018-19 that are yet to be achieved in full, broken down as follows:

Prior Year Outstanding Reductions:	Total Saving Proposal £'000	Balance of Proposal Outstanding £'000
Education and Family Support	222	212
Social Services and Wellbeing	918	651
Communities	1,202	656
Total	2,342	1,519

These will continue to be monitored during 2019-20, alongside new budget reductions for 2019-20, and will be reported in the quarterly monitoring reports.

4.3 Commentary on the financial position as at 31st March 2019

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 was £110.144 million and the actual outturn was £10.545 million, following draw down of £2.081 million from earmarked reserves, resulting in an over spend of £401,000. The most significant variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Inclusion	2,840	3,004	164	5.8%
Home to School Transport	4,779	5,880	1,101	23.0%
Pupil Support	345	209	(136)	-39.4%
Catering Services	811	753	(58)	-7.2%
Integrated Working	1,457	997	(460)	-31.6%
Youth Justice	384	287	(97)	-25.3%
Health and Safety	228	171	(57)	-25.0%

Schools' Delegated Budgets

Total funding delegated to schools in 2018-19 was £89.922 million.

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 and Procedures on Managing School Surplus Balances'.

The year-end position for 2018-19 was:

- Net overall school balances totalled £360,000 at the start of the financial year. During 2018-19 school balances increased by £254,000 to £614,000 at the end of the financial year, representing 0.65% of the funding available.
- Out of a total of 59 schools there are 22 schools (18 primary and 4 secondary) with deficit budgets and 12 schools (9 primary, 2 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 School Surplus Balances'.
- A summary of the position for each sector and overall is provided below.

	Balance brought forward	Funding allocated in 2018-19	Total Funding available	Actual Spend	Balance at year end
	£'000	£'000	£'000	£'000	£'000
Primary	260	45,386	45,646	45,295	351
Secondary	-436	42,560	42,124	42,322	(198)
Special	536	8,404	8,940	8,479	461
Total	360	96,350	96,710	96,096	614

It must be noted that there has been a significant improvement from the projected deficit position for schools of £1.101 million at quarter 3 due to the following reasons:-

- Additional funding from Welsh Government towards additional costs incurred in funding free school meals during 2018-19 as a result of the rollout of Universal Credit - £231,000.
- Additional funding for schools from the Central South Consortium (CSC) for Professional Learning - £453,708 - and Schools as Learning Organisations & Cluster Funding – £279,000.
- Additional Learning Needs Transition funding distributed to schools - £61,000.
- Corporate contingency support for schools meeting the Cause for Concern criteria - £144,000.
- Additional 1:1 support funding for special schools - £188,580.

Without the last minute additional funding from Welsh Government and the CSC the overall schools' balance would have been a negative figure of £349,000.

Central Education and Family Support Budgets

Inclusion

- There is an over spend of £164,000 in the Inclusion service. This is primarily due to a shortfall in recoupment income – there were 24 out of county placements at Heronsbridge School and Ysgol Bryn Castell in the spring term 2019 compared with 30 in the summer term 2018.

Home to School Transport

- There was an over spend of £1.101 million on home to school transport in 2018-2019. Previous budget reductions of £1.87 million have not been implemented as quickly as anticipated due to the need to undertake safe route assessments and deal with legal challenges. There have also been significant costs associated with discretionary transport, transport to support looked after children and children with additional learning needs, in particular autism spectrum disorder. There have been challenges over the safety and availability of walked routes to school with the need to issue temporary passes to children where they would not normally be eligible.
- During 2018-19 there was also an increase in the requirement to provide alternative transport for children with significant behavioural needs and to support the new Access to Education arrangements to support the Council's vulnerable group's agenda, in particular a reduction of permanent exclusions. Eligible pupils for both home to college and home to school transport have also increased. The limited number of transport providers reduces the options available for the local authority to drive forward efficiency savings and to support the aforementioned significant budget reductions.
- In addition, the handing back of contracts from providers who have over-committed themselves in tendering for transport has meant increased costs later on in the contract's lifespan.

A number of policy proposals are being put forward for Cabinet to consider to support future efficiency savings during 2019-2020. It is expected that these proposals will better support the previous budget reductions of £1.87 million in 2020-2021. In addition, £427,000 of growth has been allocated in the 2019-20 budget to support increase in demand.

Pupil Support

- The under spend on Pupil Support of £136,000 has arisen mainly as a result of the cessation of the volunteer driver support service in February 2017 whilst a review was undertaken. A budget reduction proposal of £100,000 has been agreed as part of the MTFS 2019-20 to 2022-23 against the volunteer driver service.

Catering Services

- The under spend of £58,000 has arisen as a result of 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 of 4.28%.

Integrated Working

- There is an under spend of £460,000 on this service. Of this £351,000 is due to maximisation of the Integrated Working grant funding and £62,000 due to vacancy management.

Youth Justice

- There is an under spend of £97,000 primarily as a consequence of moving to alternative premises (£60,000) with the remainder being from staff vacancy management. These under spends will contribute towards a budget reduction in the MTFS for 2019-20 of £41,000 against the Youth Offending Service.

Health and Safety

- There is an under spend of £57,000 in this area due to staff vacancies. Additional funding of £150,000 has been agreed as part of the MTFS to provide more robust corporate health and safety arrangements following interventions by the Health and Safety Executive. This includes additional officers to work with, and support managers, in discharging their health and safety responsibilities. The recruitment process is currently ongoing.

4.3.2 **Social Services and Wellbeing Directorate**

The net budget for the Directorate for 2018-19 was £70.088 million and the actual outturn was £69.136 million, following draw down of £1.750 million from earmarked reserves, resulting in an under spend of £952,000. As outlined in paragraph 4.1.3 the Directorate received additional grant funding of £620,528 from Welsh Government towards the end of the financial year towards costs associated with supporting sustainable social services. It was also successful in bidding for Supporting People grant slippage of approximately £620,000, and was able to access additional Integrated Care Fund (ICF) regional funding of approximately £140,000. Without this additional grant funding there would have been an over spend of almost £430,000. This funding is non-recurring and will therefore be a cost pressure for the Directorate in 2019-20.

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Older Persons Residential Care	8,808	9,166	358	4.1%
Care at Home for Older People	8,462	7,919	(543)	-6.4%
Assessment and Care Management	4,892	4,244	(648)	-13.2%
Learning Disabilities Residential Care	1,630	1,786	156	9.6%
Care at Home for Learning Disabilities	9,366	9,504	138	1.5%
Looked After Children	11,173	11,486	313	2.8%

Older Persons Residential Care

- There is a year-end over spend of £358,000. There are various factors contributing to this, including the increased demand for nursing and some residential placements and also reductions in the predicted levels of income received through charging, which can vary based on an individual's financial assets. The total number of placements has increased from 464 in 2017-18 to 479 in 2018-19.

Care at Home for Older People

- Care at home includes domiciliary care services, local authority homecare services and the provision of direct payments. The outturn shows a net under spend of £543,000. Of this, approximately £300,000 is related to a staffing under spend within the internal homecare service which in the main relates to non-care staff roles however the service did experience some delays in recruiting to direct care roles. The service is currently undertaking a review of the non-care structure and MTFs savings have been identified for 2019-20. In addition, the Telecare service was able to access additional Supporting People grant slippage to the value of £130,000 towards year end, together with ICF grant to the value of £41,000.

Assessment and Care Management (ACMT)

- There is an under spend of £648,000 on all assessment and care management staffing budgets for adult social care, which includes £236,000 on assessment and care management for older people, £191,000 on ACMT for people with physical disabilities and £167,000 under spend on ACMT for people with mental health, arising mainly from staff vacancies. Effective vacancy management and a number of interim posts throughout the year has enabled these cost savings to be achieved. The service is currently undertaking a review of the overall structure in 2019-20.

Learning Disabilities Residential Care

- An over spend of £156,000 has occurred due to the number and complexity of placements throughout 2018-19.

Care at Home for People with Learning Disabilities

- There was an over spend of approximately £500,000 before the allocation of Welsh Government and Supporting People grants at year end of £362,000, resulting in a final over spend of £138,000. The over spend is due to the number

and 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 an over spend of £313,000 on LAC but only following an allocation of Welsh Government grant to the value of £320,000. The actual over spend would have been £633,000. MTFS budget reductions have resulted in the budget being reduced by around £1 million over the last three years. The actual over spend has actually reduced by £233,000 since quarter 3 as the Directorate has implemented 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 also now in place. Independent fostering placements (IFAs) have reduced significantly in 2018-19 compared to 2017-18.
- The average number of LAC this financial year is 376 compared with an average of 387 in 2017-18, with 6 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 contributes to the over spend.
- The average number of independent fostering placements (IFAs) this financial year is 61 compared to 75 in 2017-18.

4.3.3 Communities Directorate

The net budget for the Directorate for 2018-19 was £26.937 million and the actual outturn was £27.822 million, following draw down of £2.255 million from earmarked reserves, resulting in an over spend of £885,000. The most significant variances are:

COMMUNITIES DIRECTORATE	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Regeneration	2,304	2,193	(111)	-4.8%
Public Conveniences	72	147	75	104.2%
Waste Disposal	4,629	4,724	95	2.1%
Waste Collection	4,971	5,232	261	5.3%
Highways and Fleet	6,590	6,949	359	5.4%
Transport and Engineering Services	940	862	(78)	-8.3%
Parks & Open Spaces	2,082	2,142	60	2.9%
Corporate Landlord	3,041	3,313	272	8.9%

Regeneration

- The under spend of £111,000 in Regeneration is primarily due to staff vacancy management. £79,000 of this relates to the Physical Regeneration Team – these posts have now been recruited to, therefore the saving is not recurring. £25,000 of this relates to Regeneration Management – this will contribute towards the 2018-19 MTFS saving of £135,000 against Communities Management restructure.

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 has taken some time to complete. Discussions with the Town and Community Councils have taken place along with formal consultation with affected staff, therefore the £100,000 MTFS saving for 2018-19 has not been made in full this year. Savings have started to materialise from January 2019 and will be made in full during 2019-20.

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 County Borough Council (CBC) 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 4.2.3. The remaining over spend is primarily due to increased costs for disposing of street sweeper waste for which there is a £36,000 budget pressure in the MTFS for 2019-20, along with an increase in red/grey bag purchases where the service area have been linking in with the probation service and volunteer groups to target problem areas.

Waste Collection

- The over spend of £261,000 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. This will contribute towards a budget reduction proposal in the MTFS for 2019-20 of £1,300,000 against the MREC.

Highways and Fleet

- There is a combined over spend of £359,000 on Highways and Fleet Services. £284,000 is due to an over spend on Fleet Services. The service has undergone an initial review and the factors contributing to the over spend have been identified, including the charge out rate being too low to cover costs incurred. In line with a Corporate Management Board (CMB) recommendation, the service area is engaged in a review of productivity before being able to confirm a change to the charge out rate. This is intended to be completed during May 2019 with a report back to CMB shortly after. To improve productivity, technicians moved onto a differing working pattern at the start of 2019, along with a management restructure that was finalised in April 2019, which has seen a refocusing on workshop management and scheduling to address the over spend.
- The balance of over spend is primarily due to the delay in realising the 2017-18 MTFS target of £100,000 in respect of introducing a permitting scheme. The timeline is not in the direct control of BCBC officers as the business case is going through multiple steps in an approval process with Welsh Government. However ultimately a positive response is expected, which should ensure its successful implementation.

Transport and Engineering Services

- There is a combined under spend across Transport and Engineering of £78,000. A shortfall in income within Policy and Development (£184,000) is linked directly to the amount of Section 38 fees received – these fees are charged to developers and relate to assessments and inspection of new street works. Due to the nature of Section 38 fees, income can be subject to considerable fluctuations between years depending on number and type of applications.
- This shortfall has been offset by an under spend of £219,000 in Engineering Services due primarily to an increase in the level of fee earning jobs (balance of EU/non EU funded projects and the differing chargeable rates allowed).

Parks & Open Spaces

- There is an over spend across the service of £60,000 mainly due to additional spend on repairs and maintenance on pavilions.

Corporate Landlord

- There is an over spend of £272,000 against Corporate Landlord for 2018-19. The main causes of the over spend were additional costs of £65,000 for the Interim Head of Service as a result of needing to continue with an external resource, and an income shortfall of £113,000 on Maesteg Market and the Innovation Centre due to refurbishment works.
- The balance is mainly due to a shortfall in income in the Operational Trade Section of the service. As a direct consequence of the launch of the Corporate Landlord model and the complexity of introducing new systems of work, the rates charged were lower than they should have been, based on the actual volumes of work. This has been rectified for 2019-20 with all staff now using timesheets for recharges to be raised against client works and therefore it is anticipated that the financial outcome will be much more positive.

4.3.4 Chief Executive's Directorate

The net budget for the Directorate for 2018-19 was £19.539 million and the actual outturn was £18.063 million, following draw down of £1.590 million from earmarked reserves, resulting in an under spend of £1.476 million. The most significant variances are:

CHIEF EXECUTIVE'S	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Accountancy	1,523	1,395	(128)	-8.4%
Housing Benefits – Admin	712	536	(176)	-24.7%
Housing Benefits – Payments to Claimants	-172	-303	(131)	76.2%
Member and Mayoral Services	1,823	1,468	(355)	-19.5%
HR and Organisational Development	1,637	1,471	(166)	-10.1%
Shared Regulatory Services	1,459	1,347	(112)	-7.7%
Communication & Marketing	1,622	1,463	(160)	-9.8%

Accountancy

- The under spend of £128,000 mainly relates to staffing vacancies across the service. The service also received grant funding to offset some core costs in

2018-19. These vacancies will be monitored in line with business needs in 2019-20.

Housing Benefits – Admin

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

Housing Benefits – Payments to Claimants

- The under spend is due to higher than anticipated recovery of housing benefit overpayments within the housing benefit subsidy claim.

Member and Mayoral Services

- The under spend of £355,000 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 was presented to Audit Committee in December 2018. The budget for this fund is £285,000 and it was approved by Council as a budget reduction for 2019-20 in the MTFS 2019-20 to 2022-23 in February 2019.

HR and Organisational Development

- The under spend of £166,000 is mainly due to staffing vacancies, not least the removal of the post of Head of HR and Organisational Development, as part of the Chief Executive's restructuring of senior management. These savings have been approved as part of the 2019-20 MTFS proposals.

Shared Regulatory Services

- The under spend mainly relates to a rebate of £141,000 following the closure of the 2017-18 final accounts for the Shared Regulatory Service which had not been reserved into that financial year so resulted in one off fortuitous income in 2018-19. This rebate has offset shortfalls in income elsewhere within the service, resulting in an overall under spend of £112,000.

Communications & Marketing

- The under spend of £160,000 is mainly due to staffing vacancies. These vacancies contributed to MTFS savings in 2019-20.

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 net budget for 2018-19 was £39.276 million and the actual outturn was £32.565 million, resulting in an under spend of £6.711 million. As outlined in paragraph 4.1.3 the Council received additional grant funding of £718,701 towards teachers' pay, which offset corporate funding. The most significant variances are:

COUNCIL WIDE BUDGETS	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing Costs	9,304	6,459	(2,845)	-30.6%
Council Tax Reduction Scheme	14,354	14,085	(269)	-1.9%
Insurance Premiums	1,588	1,167	(421)	-26.5%
Other Council Wide Budgets	5,233	2,312	(2,921)	-55.8%

Capital Financing

- The under spend of £2.845 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 2018 (£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. The budget has been reduced in 2019-20 by £1.975 million as part of the MTFs savings going forward.

Council Tax Reduction Scheme

- There is an under spend of £269,000 on the Council Tax Reduction Scheme. This is a demand led budget and take-up is difficult to predict. The Welsh Government is working with local authorities and third sector organisations to make people more aware of the range of support available to help people pay their council tax bills, and this could impact on take-up in 2019-20.

Insurance Premiums

- There is an under spend of £179,000 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 net under spend of £2.921 million is mainly due to reduced requirements for funding for budget pressures and pay and price increases compared to the estimates provided at the start of the financial year. This includes funding returned in-year from the Education and Family Support budget for the Festival of Learning and Uniform grant, which were no longer required, along with additional grant funding of £718,701 received from Welsh Government towards the costs of teachers' pay.
- As mentioned in previous reports, there will be a significant increase in the employer's contribution to teachers' pensions 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. We have been notified by Welsh Government that some grant funding will be allocated towards this during 2019-20 but we have not been informed of the final amount at this stage, although it is estimated that it could be around £100,000 short of the required amount. In addition, we do not yet know what the teachers' pay award is likely to be from September 2019, and whether or not additional funding will be provided by Welsh Government towards this. Given this uncertainty, any balance of funding from provisions for pay and prices will be carried forward to meet that pressure.

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 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, approved by Council in February 2019 as part of the MTFS, currently totalled £35.474 million, of which £31.933 million is met from BCBC resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £4.224 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 actual spend. Commentary is provided detailing any issues associated with these projects. The revised programme was only approved in February 2019, so there have been few amendments since then other than the following main changes:

- New approvals of £284,000, £188,000 of which is revenue minor works re-classified as capital, and £96,000 of which relates to a re-profiling of grant in respect of the Maesteg Town Hall Cultural Hub. This brings the revised budget to £35.758 million.

4.4.3 Total expenditure as at 31st March 2019 is £27.614 million, resulting in a total under spend of £8.144 million. Net slippage into 2019-20 of £8.286 million is required, the main schemes being:

- £508,000 in respect of the Extra Care facility at Maesteg following delays due to drainage issues.
- £535,000 in respect of the Cardiff Capital Region City Deal as no additional capital projects were approved during the year (although there was further spend in respect of the Compound Semiconductor scheme).
- Porthcawl Resort Investment Focus (PRIF) where £661,000 of grant has been re-profiled into 2019-20.
- £1.015 million of funding for minor capital works which, due to capacity issues during the implementation of the Corporate Landlord model, have not been able to be completed.
- £790,000 in respect of retentions on 21st Century Band A Schemes that were finalised during 2018-19, including Garw Valley South and Brynmenyn Primary provision.

4.4.4 The overall outturn is therefore a small over spend of £38,000, mostly in respect of ICT schemes, which has been funded by a revenue contribution to capital.

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 2018-19, Directorates drew down funding from specific earmarked reserves and these were reported to Cabinet through the

quarterly monitoring reports. The final draw down from reserves was £9.996 million and is detailed in Table 5 below.

Table 5 – Draw Down from Earmarked Reserves during 2018-19

	Draw down from Earmarked Reserves 2018-19 £'000
Education & Family Support	2,081
Social Services & Wellbeing	1,750
Communities	2,255
Chief Executives	1,590
Non-Directorate	2,320
Total	9,996

4.5.2 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 6 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves. The net additions to reserves for the whole of 2018-19 is £10.301 million. The final column shows that there have been net additions of £8.379 million in the last quarter of the financial year:-

Table 6 – Net Appropriations to/from Earmarked Reserves 2018-19

	Unwound	New/Additions	Total	Increase/
	2018-19	to Reserves		(Decrease)
	£'000	£'000	£'000	Qtr 4 Only
				£'000
Corporate Reserves:-				
Asset Management Reserve	(320)	1,200	880	1,180
Building Maintenance	(87)	-	(87)	(87)
Capital Asset Management Fund	-	500	500	500
Capital Feasibility	(60)	164	104	104
Capital Programme Contribution	(553)	3,502	2,949	1,102
Change Management	-	501	501	19
Corporate Pressures Contingency	(1,000)	-	(1,000)	(1,000)
DDA Emergency Works	(119)	-	(119)	(119)
Economic & Future Resilience Fund		800	800	800
ICT & Finance Systems	(250)	420	170	420
Insurance Reserve	-	2,320	2,320	-
Major Claims Reserve	(3,448)	700	(2,748)	86
MTFS Contingency	-	1,000	1,000	1,000
Property Disposal Strategy	-	14	14	-
Public Realm	(57)	-	(57)	(57)
Total Corporate Reserves	(5,894)	11,121	5,227	3,948
Directorate Reserves:-				
Chief Executive Partnership Reserve		3	3	3
City Deal	-	812	812	812
Directorate Issues	(348)	1,850	1,502	1,270
Donations Reserve Account	-	2	2	1
Highways Asset Management Reserve	-	1,491	1,491	1,491
Human Resources Reserve	(5)	-	(5)	-
Local Development Plan IT System	(20)	-	(20)	-
School Projects Reserve	-	152	152	-
Waste Awareness Reserve	-	82	82	-
Total Directorate Reserves	(373)	4,392	4,019	3,577
Equalisation & Grant Reserves:-				
Elections	-	40	40	40
Highways Reserve	(791)	32	(759)	(791)
IFRS Grants	-	1,197	1,197	1,043
Legal Fees	-	167	167	167
Local Development Plan	-	15	15	-
Special Regeneration Fund	-	141	141	141
Equalisation & Grant Reserves	(791)	1,592	801	600
School Balances	-	254	254	254
TOTAL RESERVES	(7,058)	17,359	10,301	8,379

4.5.3 The main net additions in the last quarter have been:-

- a net increase of £1.180 million to the Asset Management Reserve to support health and safety expenditure on schools, various demolitions and condition surveys in accordance with the Asset Management Plan;
- a net increase of £1.102 million to the Capital Programme Contribution Reserve which includes additional funding for Schools Maintenance Grant following the late notification from Welsh Government of £1.162 million offset by some monies being moved into a new Highways Asset Management Reserve;
- a movement of £1 million from the Corporate Pressures Contingency Reserve to the MTFs Contingency Reserve;
- a net increase of £1.270 million on Directorate Issues Reserve which reflect earmarked reserve requests received by the s151 Officer as part of the Closing of the 2018-19 Accounts and subsequently approved in accordance with the Reserves and Balances Protocol;
- an amalgamation of various earmarked reserves in relation to highways and infrastructure assets into a new Highways Asset Management Reserve totalling £1.491 million at year end.

4.5.4 A full breakdown of the total movement on earmarked reserves at 31st March 2019 is provided in Appendix 5. Table 7 below summarises the final position on all useable reserves for the year:-

Table 7 – Summary of Movement on Earmarked Reserves 2018-19

Opening Balance 01-Apr-18 £'000	Reserve	Movement as at Quarter 4		Closing Balance 31-Mar-2019 £'000
		Additions/ Reclassifi- cation £'000	Drawdown £'000	
8,347	Council Fund Balance	429	-	8,776
39,155	Corporate Reserves	5,227	(7,579)	36,803
5,653	Directorate Reserves	4,019	(1,676)	7,996
2,907	Equalisation & Grant Reserves	801	(741)	2,967
360	School Balances	254	-	614
48,075	Total Earmarked Reserve	10,301	(9,996)	48,380
56,422	Total Useable Reserves	10,730	(9,996)	57,156

5. 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. Equalities Impact Assessment

6.1 There are no implications in this report.

7. 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. Financial implications

8.1 These are reflected in the body of the report.

9. Recommendations

9.1 The Committee is requested to note the actual revenue and capital outturn position for 2018-19.

Gill Lewis
Interim Head of Finance and Section 151 Officer
June 2019

Contact Officer: Deborah Exton
Interim Deputy Head of Finance

Telephone: 01656 643604

Email: deborah.exton@bridgend.gov.uk

Postal Address : Raven's Court
Brewery Lane
Bridgend
CF31 4AP

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