

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

13 FEBRUARY 2020

#### REPORT OF THE INTERIM HEAD OF FINANCE

#### BUDGET MONITORING 2019-20 – QUARTER 3 REVENUE 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 revenue financial position as at 31st December 2019.

##### 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 priorities can be delivered.

##### 3.0 Background

3.1 On 20th February 2019, Council approved a net revenue budget of £270.809 million for 2019-20. 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 December 2019

4.1.1 The Council's net revenue budget and projected outturn for 2019-20 is shown in Table 1 below.

**Table 1- Comparison of budget against projected outturn at 31st December 2019**

Directorate/Budget Area	Original Budget 2019-20 £'000	Revised Budget 2019-20 £'000	Projected Outturn Q3 2019-20 £'000	Projected Over / (Under) Spend 2019-20 £'000	Projected Over / (Under) Spend Qtr 2 2019-20 £'000
<b>Directorate</b>					
Education and Family Support	116,208	114,949	115,509	560	594
Social Services and Wellbeing	70,834	71,582	72,267	685	918
Communities	25,331	25,862	25,680	(182)	32
Chief Executive's	18,609	18,622	17,644	(978)	(885)
<b>Total Directorate Budgets</b>	<b>230,982</b>	<b>231,015</b>	<b>231,100</b>	<b>85</b>	<b>659</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,430	7,329	6,766	(563)	(570)
Levies	7,376	7,134	7,117	(17)	0
Apprenticeship Levy	700	700	620	(80)	(77)
Council Tax Reduction Scheme	14,854	14,854	14,637	(217)	(103)
Insurance Premiums	1,588	1,588	1,339	(249)	(258)
Repairs & Maintenance	870	870	870	0	0
Pension Related Costs	430	430	436	6	0
Other Corporate Budgets	6,579	6,889	2,735	(4,154)	(3,800)
<b>Total Council Wide Budgets</b>	<b>39,827</b>	<b>39,794</b>	<b>34,520</b>	<b>(5,274)</b>	<b>(4,808)</b>
<b>Appropriations to Earmarked Reserves</b>			<b>4,391</b>	<b>4,391</b>	<b>3,574</b>
<b>Total</b>	<b>270,809</b>	<b>270,809</b>	<b>270,011</b>	<b>(798)</b>	<b>(575)</b>

4.1.2 The overall projected position at 31st December 2019 is a net under spend of £798,000 comprising £85,000 net over spend on directorates and £5.274 million net under spend on council wide budgets, offset by net appropriation to earmarked reserves of £4.391 million.

4.1.3 The main reason for the under spend of £4.154 million on 'Other Corporate Budgets' is due to Welsh Government advising local authorities of additional grant funding being made available during 2019-20 to meet the increased cost of teachers' pensions (£2,006,096), fire service pensions (£272,405), and teachers' pay increases (£343,701), all of which were originally funded in full through the MTFS. In June 2019 Council approved that an 'Investing in Communities Fund' be established with £2 million of this funding to support the capital minor works programme by enabling more capital improvement works to be undertaken on Council assets in our local communities. Other movements in earmarked

reserves can be found in section 4.4. In addition, given the significant funding required to meet pay, prices and pension costs in 2020-21, any uncommitted funding in 2019-20 will be carried forward to meet those pressures in the new financial year.

- 4.1.4 The Council received its provisional local government settlement for 2020-21 from Welsh Government on the 16th December 2019. A report was presented to Cabinet on the 14th January 2020 on the draft Medium Term Financial Strategy 2020-21 to 2023-24 which set out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2020-2024 and a detailed draft revenue budget for 2020-21. It is clear from the report that there will be difficult choices to make and pressures to meet going forward. In addition, there is still one quarter of the financial year remaining and there are a number of volatile budgets which could impact upon this position, particularly during the winter months.
- 4.1.5 A detailed analysis of the more significant projected under and over spends is set out in section 4.3. The position on directorate budgets has improved since quarter 2, with the projected over spend reducing by £574,000. This is primarily due to maximisation of grant funding within the Social Services and Wellbeing Directorate along with improved projections on development income within the Communities Directorate due to a number of large planning applications being received/due before the end of the financial year.
- 4.1.6 There have been no budget virements, but several technical adjustments between budgets since the quarter 2 forecast was reported to Cabinet on the 22nd October 2019. The main technical adjustments are outlined below:

#### Technical Adjustments

<b>Service vired from / to</b>	<b>Amount</b>
Allocation of funding retained centrally in respect of outstanding pay and price inflation e.g costs of meeting National Living Wage for external care providers and confirmed increases in costs of external contracts	£780,851
Allocation of funding retained centrally in respect of teachers pay award (£503,054) and pension (£132,123) 19-20 net of grant	£635,177
Allocation of funding retained centrally in respect of contingency requests for Home to School Transport and Schools Causing Concern	£340,947
Allocation of funding from education central budget (recoupment) to school delegated budget to fund increase in pupil numbers at special schools	£88,372
Re-allocation of budget growth from education central budget to school delegated budget to fund opening of ASD bases in schools	£75,409
Transfer of staff from Business Support (Communities) to the Chief Executive's Directorate	£48,940

- 4.1.7 As mentioned in the quarter 2 report, Welsh Government made additional grant funding available during 2019-20 to meet the increased cost of teachers' pension and fire service pensions along with additional grant funding towards teacher's pay increases. The shortfall in 2019-20 has been met as shown in the technical adjustments table above. The MTFs report to Cabinet on the 14th January indicated that the increase in Aggregate External Finance (AEF) for Bridgend of 4.7% for Bridgend in 2020-21 will be required to fund the full year effect of the teachers' pay and pensions increases for the period April to August 2020, the future impacts of teachers' pay awards which will come into effect from September 2020 and to provide funding for free school meals, given the continued rollout of Universal Credit by the UK Government. This is in addition to other pressures such as the non-teachers' pay increase from April 2020 (not yet agreed) and other legislative and demographic pressures, including rising pupil numbers.
- 4.1.8 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 £7.621 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.
- 4.1.9 The draft Medium Term Financial Strategy for 2020-21 to 2023-24, presented to Cabinet on 14th January 2020 included a number of pressures facing Welsh Councils over the life of the MTFs. This reiterated the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £29.332 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.
- 4.1.10 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 2019-20. 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 18th June 2019 on Financial Performance 2018-19. In the report it was highlighted that, for 2016-17 to 2018-19, there were £2.342 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £1.519 million. Directors have been asked to identify if any of these proposals are still not likely to be achieved in full during the 2019-20 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.

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 2019-20.

**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	222	20	202
Social Services and Wellbeing	918	673	245
Communities	1,202	1,102	100
<b>TOTAL</b>	<b>2,342</b>	<b>1,795</b>	<b>547</b>

4.2.3 Table 2 shows that of the £2.342 million outstanding reductions, £1.795 million is likely to be achieved in 2019-20 leaving a shortfall of £547,000. Proposals still not likely to be achieved include:

- Learner Transport Policy and Transport Route efficiencies (£127,000) due to delays in assessments of safe routes.
- Review of Special Schools Home to School Transport (£75,000) as currently out to mini-tender.
- Permitting Scheme for Road Works (£100,000) due to delays in approval process with Welsh Government.

The balance mainly relates to proposals set out in the Social Services and Wellbeing Service Delivery Plan that are profiled over two to three years.

4.2.4 As outlined in the MTFS reports to Cabinet and Council, MTFS Principle 7 states that *“Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays”*. A Budget Reduction Contingency was established in 2016-17. This reserve has been used to meet specific budget reduction proposals in previous years on a one-off basis pending alternative measures. Following agreement with the S151 Officer, it is being used in 2019-20 to mitigate the on-going shortfall on the following budget reductions proposals:-

<b>MTFS Reference</b>	<b>Original Saving Proposal £'000</b>	<b>Funding from MTFS Budget Reduction Contingency Reserve £'000</b>
COM 52 - MREC	1,300	500
EFS 1 – Learner Transport Policy (17-18)	20	20
EFS 2 – School Transport Route Efficiencies (17-18)	40	40
EFS 1 – Learner Transport Policy (18-19)	67	67
EFS 1 – Learner Transport Policy (19-20)	67	67
<b>TOTAL</b>	<b>1,494</b>	<b>694</b>

During the remainder of the financial year the S151 Officer will consider further applications from directorates to the MTFS Budget Reduction Contingency Reserve to mitigate further shortfalls.

### **Budget Reductions 2019-20**

- 4.2.5 The budget approved for 2019-20 included budget reduction proposals totalling £7.621 million, which is broken down in Appendix 2 and summarised in Table 3 below. The current position is a projected shortfall on the savings target of £1.111 million, or 14.5% of the overall reduction target.

**Table 3 – Monitoring of Budget Reductions 2019-20**

	<b>Total Budget Reductions Required £'000</b>	<b>Total Budget Reductions Likely to be Achieved £'000</b>	<b>Shortfall £'000</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education and Family Support	596	529	67
Schools	0	0	0
Social Services and Wellbeing	1,235	1,125	110
Communities	1,938	1,079	859
Chief Executive's	1,464	1,384	80
Council Wide Budgets	2,388	2,388	0
<b>TOTAL</b>	<b>7,621</b>	<b>6,505</b>	<b>1,116</b>

A comparison of the RAG status position against Quarter 2 is provided below:-

	2019-20		2019-20	
	Q 2		Q 3	
	£'000	%	£'000	%
<b>Green</b>	5,155	68%	5,495	72%
<b>Amber</b>	1,009	13%	664	9%
<b>Red</b>	1,457	19%	1,462	19%
<b>Total</b>	<b>7,621</b>	<b>100%</b>	<b>7,621</b>	<b>100%</b>

The main shift has been from reductions classed as amber to green between Quarters 2 and 3.

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

- EFS1 - Phased Implementation of Learner Transport Policy (£67,000) – no saving likely to be achieved in 2019-20.
- SSW22 – Further savings from library and cultural facilities (£60,000) – no saving likely to be achieved in 2019-20.
- COM52 – Reduction to the budget for the MREC (£1,300,000) - £650,000 likely to be achieved in 2019-20.

4.2.7 Appendix 2 identifies the projected amount of saving against these proposals in detail and action to be taken by the directorate to mitigate the shortfall. Directors continue to work with their staff to deliver their proposals or identify alternatives and this is reflected in the forecast outturn for the year. In the longer term, these proposals must be realised or met through alternative budget reduction proposals in order to deliver a balanced budget position.

### 4.3 Commentary on the financial position as at 31st December 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. Actions are being taken by those directorates currently reporting a projected over spend to try to resolve issues that led to the current position or alternatively to identify offsetting savings in other areas of the service.

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

The net budget for the Directorate for 2019-20 is £114.949 million. The Directorate (excluding Schools) contains savings targets of £596,000 for 2019-20. Current projections indicate an over spend of £560,000 at year end. The main variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Inclusion	2,430	2,848	418	17.2%
Home to School Transport	5,468	6,229	761	13.9%
Strategic Management	1,594	1,569	(25)	-1.6%
Catering Services	939	887	(52)	-5.5%
Emotional Health & Behaviour	1,851	1,785	(66)	-3.6%
Integrated Working	1,488	1,300	(188)	-12.6%
Health & Safety	384	247	(137)	-35.7%
Skills	107	51	(56)	-52.3%
Youth Justice	361	307	(54)	-15.0%

#### **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 3 for 2019-20 there are 25 primary schools and 3 secondary schools (46% of all schools) that are projecting a deficit balance at year end. In total the Quarter 3 projections indicate an overall deficit balance for school delegated budgets of £1.09 million at year end.

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

##### Inclusion

- The over spend of £418,000 primarily relates to a deficit in the recoupment budget (£389,000). This is mainly due to that fact that there are currently only 20 out of county placements at Heronsbridge School and Ysgol Bryn Castell compared with 30 in the Summer Term 2018, impacting on the anticipated income levels.

##### Home to School Transport

- There is an over spend of £761,000 on Home to School Transport. There is still significant pressure on the home-to-school transport budget. Although a significant budget reduction of £1.794m has been applied to the learner transport budget to support the MTFs since 2014-2015, the change of policy approved by Cabinet in September 2015 has not delivered significant enough savings to support this large budget reduction. The 'in-receipt' and 'sibling rule' entitlement has meant that, year-on-year, the number of pupils the policy change applies to, is relatively small. As a result a contribution of £194,000 has been agreed by the S151 Officer from the MTFs Budget Contingency Reserve as outlined in paragraph 4.2.4.
- As well as an increase in eligible learners, there is also significant pressure on transport providers with many not tendering for smaller contracts as they do not



consider them to be profitable. Limited competition is increasing the costs associated with some contracts, especially where specialist vehicles are required e.g. those with tail-lifts. The requirement for specialist transport provision for pupils with additional learning needs (ALN) is increasing costs in general.

- A report was approved by Cabinet on the 23rd July 2019 to commence a 12 week public consultation starting in September 2019 on proposed changes to the Local Authority Home to School/College Transport policy.
- At the start of the 2019-20 academic year a large number of contracts were handed back by transport providers after a competitive tender process. This left the local authority in a very difficult position, with the awarding of these contracts to other contractors at short notice. This increased the total value of the retendered contracts by approximately £100,000 annually.
- The Corporate Strategic Transport Review will aim to identify opportunities for efficiency savings within the school transport budget and elsewhere across the local authority's transport services.
- Several hundred pupils in both primary and secondary schools who are not eligible for free home-to-school transport have been identified as currently benefiting from it. There are significant savings possible if transport is removed from these pupils, as whole contracts can be cancelled. This can be achieved by providing one term's notice to pupils and parents.

#### Strategic Management

- The under spend of £25,000 is as a result of a review of non-staffing budgets across the directorate, which are being held to mitigate over spends across other directorate service areas. These will be considered as part of future years' MTFS savings.

#### Catering Services

- The under spend of £52,000 has arisen as a result of a 3.31% increase in primary school meal take up 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.

#### Emotional Health & Behaviour

- The under spend of £66,000 is a combination of increased use of Ty Lidiard (provision of education to children who are not able to attend school because they are in hospital) by other Local Authorities and the increased level of clawback from schools for the Education Other Than At School (EOTAS) provision, i.e. recoupment of the pupil funding from the respective schools whilst they are receiving EOTAS.

#### Integrated Working

- The under spend of £188,000 relates to current staff vacancies within the service. The vacant posts are expected to be filled during the remainder of the financial year.

#### Health and Safety

- The under spend of £137,000 relates to current staff vacancies within the service. The service area is currently going through a recruitment process to fill these vacancies.

#### Skills

- The under spend of £56,000 relates to maximisation of grant draw down within the service area.

### Youth Justice

- The under spend of £54,000 relates to current staff vacancies within the service. The service area is currently going through a review to fill these vacancies.

### 4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2019-20 is £71.582 million. The Directorate budget contains savings targets of £1.235 million for 2019-20. Current projections indicate an over spend of £685,000 at year end which has improved from the quarter 2 projection of £918,000 primarily due to maximisation of grant income. The main variances are:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Care at home for Older People	8,503	8,164	(339)	-4.0%
Care at Home for Physical Disabilities	1,644	1,480	(164)	-10.0%
Equipment and Adaptations	858	1,094	236	27.5%
Assessment and Care Management	5,022	4,485	(537)	-10.7%
Learning Disabilities Residential Care	1,930	2,087	157	8.1%
Care at Home for Learning Disabilities	9,635	9,947	312	3.2%
Learning Disabilities Day Opportunities	2,957	3,257	300	10.1%
Mental Health Supported & Other Accommodation	202	79	(123)	-60.9%
Looked After Children	11,557	12,610	1,053	9.1%
Commissioning & Social Work	5,087	4,948	(139)	-2.7%
Sports, Play and Active Wellbeing	5,165	5,126	(39)	-0.8%

#### Care at Home for Older People

- Care at home includes domiciliary care services, local authority homecare services and the provision of direct payments. The net under spend of £339,000 is a combination of an over spend on the Direct Payments budget due to an increase in the number of cases, offset by an under spend on the homecare budget primarily due to difficulties in recruiting to care posts and the implementation of a restructure.

#### Care at Home for Physical Disabilities

- There is a projected net under spend of £164,000 which is made up of a combination of an over spend on direct payments (65 clients at Quarter 3 compared with 60 clients at Quarter 1) offset by a consequential under spend on external domiciliary care and care attendants. The service area has also benefited from receiving more joint health funding than originally anticipated.

#### Equipment and Adaptations

- There is a projected over spend of £236,000 as a result of increased use of aids and equipment, along with servicing costs. These costs are seen as a preventative measure to keep service users out of long term care, and therefore reduce pressure on other service area budgets.

#### Assessment and Care Management (ACMT)

- There is a projected under spend of £537,000 on all assessment and care management budgets across the directorate. £173,000 of this is due to the receipt of additional Integrated Care Fund funding with the balance due to staff vacancies. The directorate manages its staff vacancies stringently in order to achieve cost savings in-year.

#### Learning Disabilities Residential Care

- There is a projected over spend of £157,000 which relates mainly to the complexity of needs and resulting high cost despite a reduced number of service users (26 current placements (including respite), down from 28 placements as at Quarter 2).

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

- There is a projected over spend of £312,000 mainly due to the complexity of needs and number of service users receiving direct payments or receiving domiciliary care within a home setting or supported accommodation.

#### Learning Disabilities Day Opportunities

- There is a projected over spend of £300,000 mainly due to the cost of external day service provision. These costs are considerably less than 'one to one' care provision and this therefore reduces pressure on other service areas within the directorate.

#### Mental Health Supported & Other Accommodation

- A projected under spend of £123,000 is due to a combination of staffing under spends (£93,000) as a result of a staff restructure and additional income (£37,000) from accommodation fees and rent within BCBC accommodation.

#### Looked After Children (LAC)

- There is a projected over spend of £1.053 million. This represents 9.1% of the overall budget for LAC. This has increased from the Quarter 2 projected over spend (£694,000) due to a combination of factors.
- The implementation of a new model for residential services has required increased staffing due to the complexities/risk behaviours of the young people placed over recent months (some of which have been court directed) as an alternative to being placed with independent providers out of county
- We have 9 children in out of authority placements with the most recent admissions requiring specialist support and high staffing ratios (including secure Childrens' home provision).
- The average number of LAC this financial year is 381 compared with an average of 376 in 2018-19. This can fluctuate month to month and will require ongoing monitoring in-year.
- The average number of independent fostering placements (IFAs) this financial year is 67 compared to 61 in 2018-19. This can fluctuate month to month and again will require ongoing monitoring in-year.

#### Commissioning & Social Work

- A projected under spend of £139,000 is mainly due to staffing under spends due to difficulty in recruiting social workers.

### Sports, Play and Active Wellbeing

- A projected under spend of £39,000 relates to current staff vacancies in the service area.

### 4.3.3 Communities Directorate

The net budget for the Directorate for 2019-20 is £25.862 million. The Directorate budget contains savings targets of £1.938 million for 2019-20. The current projection is an anticipated under spend of £182,000. 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>	
Planning and Development	438	506	68	15.5%
Regeneration	2,295	2,157	(138)	-6.0%
Waste Disposal	3,325	3,450	125	3.8%
Waste Collection	5,178	5,405	227	4.4%
Highways Services	2,746	2,496	(250)	-9.1%
Engineering	49	-51	(100)	-204.1%
Fleet Services	52	225	173	332.7%
Parking Services	-336	-520	(184)	54.8%
Corporate Director - Communities	146	25	(121)	-82.9%

### Planning and Development

- The projected over spend in Planning and Development of £68,000 is partly due to a projected shortfall in income of £168,000 within the Policy and Development Section. This income 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 has been mostly offset by a projected under spend in Development Control of £90,000 based on planning application income received to date and comparison with the 2018-19 outturn. Fee income is subject to considerable fluctuations between years depending on number and type of applications and requires close monitoring in-year.

### Regeneration

- The projected under spend of £138,000 in Regeneration has arisen mainly from staffing vacancies and changes in staffing hours. Vacancies are being closely managed through the year.

### Waste Disposal and Collection

- There is a combined over spend on the Waste Collection and Waste Disposal budget of £352,000. There has been an ongoing procurement exercise with Neath Port Talbot County Borough Council (NPTCBC) to originally secure a new operator for the MREC facility. Total MTFs Budget Reductions against the Waste budget of £200,000 in 2017-18 and £1.300 million in 2019-20 were predicated on achieving a price in the region of £135 per tonne from this exercise. NPTCBC will now be running the MREC facility in-house, and whilst savings have been made in 2019-20 they are not at the level to achieve the MTFs savings and discussions are

continuing with NPTCBC to continue to negotiate further improvements. A contribution of £500,000 has been agreed by the S151 Officer from the MTFS Budget Reduction Contingency Reserve as outlined in paragraph 4.2.4.

#### Highways Services

- There is a projected under spend of £250,000 within Highways Services (DSO). This is primarily due to members of staff working on, and hence charging their time to, the ongoing SALIX capital scheme to enable the replacement of street lighting with new energy efficient LED units.

#### Engineering

- There is a projected under spend of £100,000 within 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).

#### Fleet Services

- Fleet is showing a projected over spend of £173,000. The service has undergone a 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 has engaged in a review of productivity in advance of calculating the new rates. As a result of this review, at the start of 2019, technicians moved onto a differing working pattern to improve productivity. This was alongside a management restructure remodel which has seen a refocusing on workshop management and scheduling to address the over spend. Further costs saving measures have been undertaken such as improved procurement (e.g. reduced spend on tyres) and the fitting of speed limiters to vehicles to reduce fuel costs.

#### Parking Services

- Parking Services is showing a projected under spend of £184,000. This is primarily due to better than forecast levels of income received in car parks. This additional income is contributing to pressures within the overall transport budget.

#### Corporate Director - Communities

- There is a projected under spend of £121,000 mainly as a result of the promotion of the former Director to the post of Chief Executive, and whilst the new senior management structure is being populated.

#### 4.3.4 Chief Executive's

The net budget for the Directorate for 2019-20 is £18.622 million. The Directorate budget contains savings targets of £1.464 million for 2019-20. Current projections anticipate an under spend against this budget of £978,000. The main variances are:

CHIEF EXECUTIVE'S	Net Budget £'000	Projected Outturn £'000	Projected Variance Over/(under) budget £'000	% Variance
Housing Benefits – Admin	829	668	(161)	-19.4%
HR and Organisational Development	1,622	1,504	(118)	-7.3%
ICT	3,498	3,280	(218)	-6.2%
Communication & Engagement	1,598	1,372	(226)	-14.1%
Legal, Democratic & Regulatory	5,015	4,789	(226)	-4.5%

##### Housing Benefits - Admin

- There is an under spend of £161,000 in respect of the administration of housing benefit arising mainly from staffing vacancies, but also changes in staffing hours and additional annual leave purchases. Vacancies will be closely managed through the year.

##### HR & Organisational Development

- The under spend of £118,000 mainly relates to staffing vacancies (implementation of a restructure) and changes in staffing hours. Vacancies will be managed throughout the year and could be subject to MTFS savings in 2020-21.

##### ICT

- The under spend of £218,000 is due to a combination of staffing vacancies, along with reduced telephony costs.

##### Communication & Engagement

- The under spend of £226,000 mainly relates to staffing vacancies, but also changes in staffing hours and additional annual leave purchases. Vacancies will be closely managed throughout the year and recruitment exercises are ongoing to fill vacant posts.

##### Legal, Democratic & Regulatory

- The under spend of £226,000 has mainly arisen from staffing vacancies and under spends on the legal fees budget. Vacancies continue to be managed throughout the year. Part of the under spend under legal, democratic and regulatory services could be subject to MTFS savings in 2020-21.

#### 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 for 2019-20 is £39.794 million. The Directorate budget contains savings targets of £2.388 million for 2019-20. The projected outturn is £34.520 million, resulting in a projected under spend of £5.274 million. Without the additional grants of £2,622,202 as referenced in paragraph 4.1.3, the under spend would have been £2.652 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	7,329	6,766	(563)	-7.7%
Apprenticeship Levy	700	620	(80)	-11.4%
Council Tax Reduction Scheme	14,854	14,637	(217)	-1.5%
Insurance Premiums	1,588	1,339	(249)	-15.7%
Other Corporate Budgets	6,889	2,735	(4,154)	-60.3%

##### Capital Financing Costs

- There is a projected under spend of £563,000 on interest paid/received due to a combination of lower borrowing than anticipated as the Council uses its own internal resources to finance schemes, and additional interest from current investments.

##### Apprenticeship Levy

- The projected under spend of £80,000 is based on monthly charges to date and historic outturns.

##### Council Tax Reduction Scheme

- There is a projected under spend of £217,000 on the Council Tax Reduction Scheme based on spend to date. 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. This budget therefore requires close monitoring during 2019-20.

##### Insurance Premiums

- The projected under spend of £249,000 is mainly as a result of the reduction in the premium for property insurance in 2019-20 following a retendering exercise. This budget heading will be considered as part of future years' MTFS savings.

##### Other Corporate Budgets

- Other corporate budgets includes funding for pay, price and pensions increases, along with funding to deal with unexpected costs unforeseen when the budget was set. As reported to Cabinet in the Quarter 1 Budget Monitoring report in July 2019 since the Medium Term Financial Strategy (MTFS) was approved in February, Welsh Government advised Local Authorities that additional grant funding was being made available during 2019-20 to meet the increased cost of teachers' pensions and fire service pensions, both of which had been funded in full through the MTFS, along with additional grant funding of £343,701 towards teachers' pay

- increases. In respect of the South Wales Fire and Rescue Authority, this meant that the levy was reduced by £272,405, compared to the original budgeted provision.
- The total funding released from these allocations of £2.622 million is included in the overall pay and price budget. Council has agreed that the majority of this funding can be used to undertake capital works as part of an 'Investing in Communities Fund' and an earmarked reserve of £2 million has been created out of this reported under spend – see section 4.4.4. At this point in the year, there is a further projected under spend on the pay and price budget due to reduced requirements for funding for budget pressures and inflationary increases compared to the estimates provided for at the start of the financial year primarily due to maximising grant funding to support pay and price pressures – e.g. National Living Wage.
  - It should be noted that the projection on Other Corporate budgets could change significantly during the remainder of the financial year, especially due to 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 Review of Earmarked Reserves**

4.4.1 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. At Quarter 3 a further review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding. 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.

4.4.2 Table 4 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves since the beginning of the financial year. There have been net additions of £5.147 million, the cumulative draw down by directorates is £2.905 million and £756,000 has been unwound.



**Table 4 – Earmarked Reserves – Quarter 3**

Opening Balance 01-Apr-19	Reserve	Net Additions/ Reclassify	Draw-down	Unwound	Closing Balance 31-Dec-19
£'000		£'000	£'000	£'000	£'000
	<b>Corporate Reserves:</b>				
(9,243)	Education & Family Support	-	44	49	(9,150)
(841)	Social Services & Wellbeing	-	24	-	(818)
(7,397)	Communities	(2,597)	508	313	(9,172)
(5,415)	Chief Executives	(4,000)	501	47	(8,867)
(13,833)	Non-Directorate	2,240	770	248	(10,575)
<b>(36,729)</b>	<b>Total Corporate Reserves</b>	<b>(4,357)</b>	<b>1,847</b>	<b>657</b>	<b>(38,582)</b>
	<b>Directorate Earmarked Reserves:</b>				
(634)	Education & Family Support	-	-	-	(634)
(1,854)	Social Services & Wellbeing	-	169	-	(1,685)
(2,539)	Communities	(652)	244	100	(2,848)
(2,770)	Chief Executives	(125)	122	-	(2,774)
<b>(7,797)</b>	<b>Total Directorate Reserves</b>	<b>(777)</b>	<b>535</b>	<b>100</b>	<b>(7,939)</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:</b>				
(850)	Education & Family Support	(7)	521	-	(336)
(1,634)	Communities	(13)	1	-	(1,646)
(483)	Chief Executives	7	-	-	(476)
<b>(2,967)</b>	<b>Total Equalisation Reserves</b>	<b>(13)</b>	<b>522</b>	<b>-</b>	<b>(2,457)</b>
<b>(614)</b>	<b>School Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(614)</b>
<b>(48,107)</b>	<b>Total Usable Reserves</b>	<b>(5,147)</b>	<b>2,905</b>	<b>756</b>	<b>(49,592)</b>

4.4.3 The net appropriation to earmarked reserves as at Quarter 3 is £4.391 million (£5.147 million additions offset by £756,000 that have been unwound). This net addition has been funded from the projected under spend on non-Directorate budgets at the end of Quarter 3 as shown in Table 1.

4.4.4 The main additions are the creation of a £2 million 'Investing in Communities' fund as referred to in section 4.3.5, a £2 million addition to the unallocated capital reserve to be utilised against projected capital pressures, a £500,000 increase to the Change Management Fund to support new applications to the fund and an increase of £335,000 to the earmarked reserve against the Innovation Centre to support the period of development for the Enterprise Hub project. The main reserves that have been unwound are in relation to the Extra Care capital scheme (£308,000), Major Claims Reserve (£248,000) and Community Safety Reserve (£100,000) following a review of likely spend in these areas.

## **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 That the Corporate Overview and Scrutiny Committee is requested to:

- note the projected revenue outturn position for 2019-20.

**Gill Lewis**  
**Interim Head of Finance and Section 151 Officer**  
**January 2020**

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**Background documents:** Individual Directorate Monitoring Reports  
MTFS Report to Council – 20 February 2019