

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

30 JUNE 2020

### REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

#### REVENUE BUDGET OUTTURN 2019-20

#### 1.0 Purpose of report

1.1 The purpose of this report is to provide Cabinet with an update on the Council's revenue financial performance for the year ended 31st March 2020.

#### 2.0 Connections to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great 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 borough.
2. **Helping people and communities to be more healthy and resilient** – taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

2.2 The allocation of budget determines the extent to which the Council's well-being objectives 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 March 2020

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

**Table 1- Comparison of budget against actual outturn at 31st March 2020**

Directorate/Budget Area	Original Budget 2019-20 £'000	Current Budget 2019-20 £'000	Final Outturn Q4 2019-20 £'000	Final Over / (Under) Spend 2019-20 £'000	Projected Over / (Under) Spend Qtr 3 2019-20 £'000
<b>Directorate</b>					
Education and Family Support	116,208	114,843	114,953	110	560
Social Services and Wellbeing Communities	70,834	71,587	71,650	63	685
Chief Executive's	25,331	26,284	25,853	(431)	(182)
	18,609	18,622	17,115	(1,507)	(978)
<b>Total Directorate Budgets</b>	<b>230,982</b>	<b>231,336</b>	<b>229,571</b>	<b>(1,765)</b>	<b>85</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,430	7,329	6,844	(485)	(563)
Levies	7,376	7,134	7,117	(17)	(17)
Apprenticeship Levy	700	700	625	(75)	(80)
Council Tax Reduction Scheme	14,854	14,854	14,589	(265)	(217)
Insurance Premiums	1,588	1,588	1,054	(534)	(249)
Repairs & Maintenance	870	548	278	(270)	0
Pension Related Costs	430	430	436	6	6
Other Corporate Budgets	6,579	6,890	840	(6,050)	(4,154)
<b>Total Council Wide Budgets</b>	<b>39,827</b>	<b>39,473</b>	<b>31,783</b>	<b>(7,690)</b>	<b>(5,274)</b>
<b>Accrued Council Tax Income</b>			<b>(1,502)</b>	<b>(1,502)</b>	<b>0</b>
<b>Appropriations to Earmarked Reserves</b>			<b>10,394</b>	<b>10,394</b>	<b>4,391</b>
<b>Transfer to Council Fund</b>			<b>563</b>	<b>563</b>	
<b>Total</b>	<b>270,809</b>	<b>270,809</b>	<b>270,809</b>	<b>0</b>	<b>(798)</b>

4.1.2 The overall outturn at 31st March 2020 is a net under spend of £563,000 which has been transferred to the Council Fund, bringing the total Fund balance to £9.339 million in line with Principle 9 of the Medium Term Financial Strategy (MTFS). Total Directorate budgets provided a net under spend of £1.765 million, and Council Wide budgets a net under spend of £7.690 million. These are offset by the requirement to provide new earmarked reserves for a range of new future risks and expenditure commitments to meet specific costs. The net position also takes into account accrued council tax income of £1.502 million during the financial year.

- 4.1.3 As mentioned in the report to Cabinet at quarter 3 the main reason for the under spend of £6.050 million on 'Other Corporate Budgets' is due to the 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. The announcement that these would all be funded came after the budget for 2019-20 was set and approved by Council. Council approved the strategy to fund the potential liabilities as there was no certainty that they would be funded. As a result of the eventual notification of funding from WG, a surplus was created and in June 2019 Council approved an 'Investing in Communities Fund' to 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. Given the significant funding required to meet pay, prices and pension costs in 2020-21, along with budget pressures arising as a result of the COVID-19 pandemic, any uncommitted funding in 2019-20 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 £1.789 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 The position on directorate budgets has improved since quarter 3, with the projected over spend reducing by £1.850 million. This is an important change in estimates and is due to maximisation of grant funding within the Social Services and Wellbeing Directorate (£759,000), improved projections on Section 38 fees (fees charged to developers relating to assessments and inspection of new street works) within the Communities Directorate, a higher than anticipated reimbursement of housing benefit subsidy for overpayments within the housing benefit subsidy claim and a delay in the upgrade of the telephony hardware funded by the Chief Executive's Directorate.
- 4.1.6 There have been no budget virements since the quarter 3 forecast was reported to Cabinet in January 2020. 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.
- 4.1.7 The under spend significantly masks the 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), Home to School Transport and Waste collection and disposal, where a number of historical budget reductions remain unrealised. These 3 alone have an underlying pressure of £2.013 million. 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 an example, we have incurred £318,000 in 2019-20 from just one case in children's services alone.

4.1.8 The under spend on Council Wide budgets has increased from quarter 3 as a result of lower than anticipated demand for price inflationary increases, delays in progressing minor capital works, lower funding required than anticipated during the last quarter for the implementation of Welsh Language Standards and an in-depth review of claims on the insurance database which resulted in the need for a lower provision to be made.

4.1.9 The net position also takes into account accrued council tax income of £1.502 million during the financial year. Council approved a new policy in relation to 'Council Tax – discretionary discount on empty properties and second homes' on the 20<sup>th</sup> February 2019. The report indicated that based on the number of properties that had been empty for longer than 6 months (1,244), it was estimated at the time that by removing the 50% discount an additional £933,000 in Council Tax could be raised in 2019-20, based on an average Band D council tax charge of approximately £1,500 and 100% collection. There were 1,386 actual empty properties as at the 1<sup>st</sup> April 2019, but only 520 are still empty and are now liable for a full charge. The remainder of the properties have become occupied, so a combination of the removal of the discount and our Empty Property Strategy has delivered a significant impact. This is one of the main reasons for the accrued council tax income, however extra properties built in 2019-20 has also contributed to the accrued council tax income - property totals increased from 64,503 at 31st March 2019 to 64,995 at 31st March 2020.

4.1.10 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 £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. These are set out in 4.2.4.

## **4.2 Monitoring of Budget Reduction Proposals**

### **Prior Year Budget Reductions**

4.2.1 As outlined in previous monitoring reports during the year, there were still £2.342 million of outstanding prior year budget reduction proposals that had not been met in full. Directors have been working to realise these savings during the 2019-20 financial year. A summary of the latest position is attached as Appendix 1 with a summary per directorate provided in Table 2. Of the 2.342 million of prior year budget proposals outstanding, £1.883 million has been realised, leaving a balance of £459,000.

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

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions 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	761	157
Communities	1,202	1,102	100
<b>TOTAL</b>	<b>2,342</b>	<b>1,883</b>	<b>459</b>

4.2.2 Proposals still not achieved include:

- Learner Transport Policy and Transport Route efficiencies (£202,000) – Independent Review of transport and outcome of Consultation exercise undertaken between October 2019 and January 2020 due to be presented to Cabinet shortly.
- Increase in-house fostering provision (£157,000) – saving proposal has been profiled over two financial years with the shortfall set to be achieved in 2020-21.
- Permitting Scheme for Road Works (£100,000) due to delays in approval process with Welsh Government.

All outstanding proposals will continue to be monitored during 2020-21.

4.2.3 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 has been 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>

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

4.2.4 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 end of year position is a shortfall on the savings target of £806,000, or 10.6% of the overall reduction target. This figure is an improvement on that reported at quarter 3.

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

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Achieved</b>	<b>Shortfall</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	1,175	60
Communities	1,938	1,273	665
Chief Executive's	1,464	1,450	14
Council Wide Budgets	2,388	2,388	0
<b>TOTAL</b>	<b>7,621</b>	<b>6,815</b>	<b>806</b>

A comparison of the RAG status position against Quarter 3 is provided below:-

	2019-20		2019-20	
	Q 3		Q 4	
	£'000	%	£'000	%
<b>Green</b>	5,495	72%	5,814	76%
<b>Amber</b>	664	9%	1,630	22%
<b>Red</b>	1,462	19%	177	2%
<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 red to amber between quarters 3 and 4.

4.2.5 The most significant budget reduction proposals not achieved, and the action required to achieve them in 2020-21 are outlined in Table 4 below. In the 2020-21 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 2019-20**

MTFS Ref	Budget Reduction Proposal	Shortfall £'000	Mitigating Action 2020-21
EFS 1	Phased Implementation of Learner Transport Policy	67	Cabinet due to consider the outcomes of public consultation with a view to making the identified efficiency savings.
SSW22	Library and Cultural Facilities	60	Savings have been agreed and incorporated into the contract for 2020-21.
COM20	Highways Department Management Structure	45	Restructure fully in place going into 2020-21 therefore full saving will be achieved.
COM44	Bridgend Bus Station	45	Budget re-alignment from Public Realm budget to be actioned to mitigate the shortfall in 2020-21.
COM46	Removal of budget for Subsidised Bus Routes	62	Consultation, reporting and challenge process resulted in a 7 month saving in 2019-20. Now fully implemented, therefore no shortfall going into 2020-21.
COM52	Reduction to the budget for the MREC	475	This is an on-going shortfall against the saving target. Consideration will be given at Quarter 1 in 2020-21 for the funding of this shortfall through a permanent budget pressure.

### 4.3 Commentary on the financial position at 31st March 2020

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 2019-20 was £114.843 million and the actual outturn was £114.953 million, following draw down of £365,000 from earmarked reserves resulting in an over spend of £110,000. The most significant variances were:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Inclusion	2,430	2,708	278	11.4%
Foundation	1,001	928	(73)	-7.3%
Youth Service	451	282	(169)	-37.5%
Home to School Transport	5,468	6,242	774	14.2%
Strategic Management	356	269	(87)	-24.4%
Adult Learning	133	81	(52)	-39.1%
Integrated Working	1,488	1,195	(293)	-19.7%
Corporate Health & Safety	384	197	(187)	-48.7%

#### Schools' Delegated Budgets

Total funding delegated to schools in 2019-20 was £93.676 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 Corporate Director - Education and Family Support in line with the 'Guidance and Procedures on Managing Surplus School Balances'.

The year-end position for 2019-20 was:-

- Net overall school balances totalled £614,000 at the start of the financial year. During 2019-20 school balances decreased by £506,000 to £108,000 at the end of the financial year, representing 0.11% of the funding available.
- Out of a total of 59 schools, there are 28 schools (25 primary and 3 secondary) with deficit budgets and 8 schools (5 primary, 1 secondary, 2 special) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. These balances will be analysed by the Corporate Director – Education and Family Support, in line with the agreed 'Guidance and Procedures on Managing Surplus School Balances'.



- A summary of the position for each sector and overall is provided below:-

	<b>Balance brought forward</b>	<b>Funding allocated in 2019-20</b>	<b>Total Funding available</b>	<b>Actual Spend</b>	<b>Balance at year end</b>
	£'000	£'000	£'000	£'000	£'000
Primary	352	45,947	46,299	46,842	(543)
Secondary	(199)	44,011	43,812	43,720	92
Special	461	9,357	9,818	9,259	559
<b>Total</b>	<b>614</b>	<b>99,315</b>	<b>99,929</b>	<b>99,821</b>	<b>108</b>

It must be noted that there has been a significant improvement from the projected deficit position for schools of £1.09 million at quarter 3 due to the following reasons:-

- Additional funding distributed to schools to cover costs of increased numbers of free school meals during 2019-20 - £100,000.
- Additional in year funding provided for increase in pupil numbers for special schools - £240,000.
- Funding drawn down in final quarter under Welsh Government PDG and EIG grants - £187,000.
- Allocation of funding for schools from the Central South Consortium (CSC) for claims submitted in quarter 4 e.g. Cluster funding and Professional Learning Pioneer - £175,000.
- There have also been delays to timetables for building works at schools - £300,000. Whilst this improves the position of the overall schools balance at the year end, the value is committed spend that will take place in 2020-21.

Without the last minute additional allocation of funding from Welsh Government and CSC the overall schools' balance would have been a negative figure of £254,000.

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

#### Inclusion

- The over spend of £278,000 primarily relates to a deficit in the recoupment budget. This is mainly due to the fact that there are currently only 20 out of county placements at Heronsbridge School and Ysgol Bryn Castell compared with 23 in the Summer Term 2019, impacting on the level of income received.

#### Foundation

- The under spend of £73,000 within the foundation service is primarily due to an under spend in Early years provision of £65,000 due to a temporary reduction in demand for nursery care. This is not anticipated to be a recurring saving.

#### Youth Service

- The under spend of £169,000 within Youth Services is due to new grant funding being received in year, subsequent recruitment delays and grant maximisation. The Youth Service are actively recruiting to fill, or have already filled the staffing vacancies, therefore this saving will not be recurring in 2020-21.

### Home to School Transport

- There is an over spend of £774,000 on Home to School Transport. There is still significant pressure on the home-to-school transport budget. Although a significant budget reduction of £1.794 million has been applied to the learner transport budget to support the MTFS since 2014-15, 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 4.2.3.
- 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 and needs further consideration by Cabinet.
- 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 on a number of policy proposals to achieve additional savings. Following the public consultation held between October 2019 and January 2020, a report is due to be considered shortly by Cabinet on the outcomes of the public consultation.
- 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 has identified opportunities for efficiency savings within the school transport budget and elsewhere across the local authority's transport services, and these will also be considered by Cabinet in due course.

### Strategic Management

- The under spend of £87,000 on Strategic Management is primarily due to staff vacancy management. The under spend is in preparation to support the £50,000 saving in the MTFS for 2020-21 against a review of staffing structures across the Education and Family Support Directorate.

### Adult Learning

- The £52,000 under spend against Adult learning is primarily due to staff vacancy management of £41,000 and a further £11,000 saving on delivery costs. Various recruitment exercises were actioned throughout 2019-20 in order to fill vacant posts and this is planned to continue in 2020-21, therefore the saving will not recur in 2020-21.

#### Integrated Working

- The £293,000 under spend within the Integrated Working service is primarily due to maximisation of grant funding and is therefore not a recurring under spend for 2020-21.

#### Corporate Health and Safety

- The £187,000 under spend within Health and Safety is due to staff vacancy management. There has been a recruitment drive after Council approved a budget pressure for the service in 2019-20 and it is anticipated that the posts will be filled in 2020-21 therefore this saving will not be recurring in 2020-21.

### 4.3.2 Social Services and Wellbeing Directorate

The net budget for the Directorate for 2019-20 was £71.587 million and the actual outturn was £71.650 million following draw down of £65,000 from earmarked reserves, resulting in an over spend of £63,000. As outlined in paragraph 4.1.5 the Directorate received additional grant funding of £759,000 in the last quarter of 2019-20. Without this additional grant funding there would have been an over spend of approximately £822,000. This funding is non-recurring and will therefore be a cost pressure for the Directorate in 2020-21. The most significant variances were:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Care for Older People	17,335	17,573	238	1.4%
Assessment and Care Management	5,022	4,352	(670)	-13.3%
Learning Disabilities Residential Care	1,930	2,174	244	12.6%
Learning Disabilities Day Opportunities	2,963	3,342	379	12.8%
Mental Health Supported & Other Accommodation	202	2	(200)	-99.0%
Children's Social Care	7,318	6,826	(492)	-6.7%
Children Looked After	11,557	12,461	904	7.8%
Sports, Play and Active Wellbeing	5,165	4,934	(231)	-4.5%
Centralised Team Budgets	3,443	3,239	(204)	-5.9%

#### Care for Older People

- Care for Older People includes homes for older people, supported accommodation, independent domiciliary care services, local authority homecare services and the provision of direct payments. The net over spend of £238,000 is a combination of an over spend on the Direct Payments budget due to an increase in the number of cases (46 active cases at quarter 4 2019-20 compared with 35 at quarter 4 2018-19), offset by an under spend on the homecare budget primarily due to difficulties in recruiting to care posts and the implementation of a restructure. The restructure has been postponed due to the pandemic and the service will be reviewing this in 2020-21 in line with the review of the MTFs.

#### Assessment and Care Management (ACMT)

- There is a under spend of £670,000 on all assessment and care management staffing budgets for adult social care, which includes £265,000 on assessment and care management for older people, £182,000 on ACMT for people with physical disabilities and 126,000 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. Various recruitment exercises were actioned throughout 2019-20 in order to fill vacant posts, however the recruitment of Social Workers remains a challenge. Recruitment will continue into 2020-21 with a view to reviewing the remaining posts with regard to future MTFS savings.

#### Learning Disabilities Residential Care

- There is an over spend of £244,000 which relates mainly to the complexity of needs and resulting high cost, as well as increased placement numbers (29 at quarter 4 2019-20 compared with 23 placements at quarter 4 2018-19).

#### Learning Disabilities Day Opportunities

- There is an over spend of £379,000 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

- There is an under spend of £200,000 which is due to a combination of staffing under spends as a result of a staff restructure (£155,000), maximisation of grant funding (Innovation grant - £15,000) and additional income (£30,000) from accommodation fees, housing benefit and rent within directly provided care services. Mental Health budgets will be reviewed in 2020-21 and realignment of budgets will take place across adult services.

#### Children's Social Care

- There is an overall under spend of £492,000 across Children's Social Care. This was partly due to a refund of £217,000 from the Regional Adoption Service due to their overall budget being under spent and the number of children from Bridgend placed in 2019-20 being proportionately lower than the previous year. There was also an under spend in Commissioning & Social Work of £128,000 which was primarily due to staff vacancy management. This is mainly due to difficulty in recruiting social workers, both permanent and agency (the latter when identified as necessary). Various recruitment exercises were undertaken throughout 2019-20 in order to fill vacant posts and this is planned to continue in 2020-21, therefore it is not anticipated that this saving will be recurring in 2020-21.

#### Looked After Children (LAC)

- There is a net over spend of £904,000 relating to Looked After Children.
- The implementation of a new model for residential services has required increased staffing due to the complexities/risky behaviours of the young people placed throughout the year (some of which have been court directed) as an alternative to being placed with independent providers out of county.
- There are 7 children in independent residential placements at the end of 2019-20 with the most recent admissions requiring specialist support and high staffing ratios (including secure children's home provision). The average throughout the year has been 9 placements. Some individual placements can cost around £300,000 per annum. The cost of independent placements (residential and fostering) is a considerable pressure on the budget and greatly contributes to the over spend.
- The average number of LAC this financial year is 384 (376 in 2018-19) at an average cost of £32,450 per child. A key piece of Bridgend's Looked After Children's strategy action plan is to increase the revocation of care orders for

children placed with relatives/ friends or parents, increase the number of care order discharges, and increase the use of alternative orders such as Special Guardianship Orders. The service will continue with the initiatives and actions incorporated in the LAC expectation plan in order to reduce the number of children placed in line with BCBC's corporate strategy during 2020-21.

#### Sports, Play and Active Wellbeing

- The under spend of £231,000 is primarily due to maximisation of grant funding (£90,000), in addition to funding from the Families First grant (£102,000) contributing towards Venture Out, Discovery Days and community centre services.

#### Centralised Team Budgets

- These budgets include the Director of Social Services, the monitoring and commissioning team, adult services protection, monitoring and admin team alongside training and health and safety budgets. An under spend of £204,000 is primarily due to staff vacancy management. The under spend will contribute to the required MTFs savings against staffing structures of £175,000 in 2020-21.

### 4.3.3 Communities Directorate

The net budget for the Directorate for 2019-20 was £26.1284 million and the actual outturn was £25.853 million, following draw down of £1.148 million from earmarked reserves, resulting in an under spend of £431,000. The most significant variances were:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Regeneration	2,402	2,290	(112)	-4.7%
Waste Disposal	3,325	3,626	301	9.1%
Waste Collection	5,178	5,212	34	0.7%
Highways Services	2,746	2,431	(315)	-11.5%
Street Lighting	1,639	1,537	(102)	-6.2%
Engineering	49	-93	(142)	-289.8%
Parks and Playing Fields	2,142	2,184	42	2.0%
Fleet Services	52	179	127	244.2%
Parking Services	-336	-524	(188)	56.0%
Corporate Director - Communities	146	29	(117)	-80.1%

#### Regeneration

- The under spend of £112,000 is primarily due to staff vacancy management across a number of teams within the Regeneration department. Most of these departments are looking to recruit and fill these vacancies therefore the majority of the savings will not be recurring in 2020-21. However, part of this under spend is in preparation to support the £93,000 savings in the MTFs budget for 2020-21 for Regeneration services.

### Waste Disposal and Collection

- There is a combined over spend on the Waste Collection and Waste Disposal budget of £335,000. There has been an ongoing procurement exercise with Neath Port Talbot County Borough Council (NPTCBC) for the MREC facility. An agreement with NPTCBC for disposal costs has been made going forward until 2030 or until a regional facility comes on line.
- Whilst savings have been made in 2019-20 they are not at the level to achieve the MTFS savings. A contribution of £500,000 has been agreed by the S151 Officer from the MTFS Budget Reduction Contingency Reserve as outlined in paragraph 4.2.3 and consideration will be given at quarter 1 in 2020-21 for the funding of this shortfall through a permanent budget pressure.

### Highways Services

- The under spend of £315,000 within the Highways Services (DSO) 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. This is not a recurring saving as it is limited to the timeframe of the capital programme.

### Street Lighting

- The LED replacement programme has generated an under spend on energy consumption of £102,000 in 2019-20. This will be looked at as part of future MTFS proposals for the Communities Directorate.

### Engineering

- The under spend of £142,000 within Engineering Services is primarily due to an increase in the level of fee earning jobs (balance of EU/non EU funded projects and the differing chargeable rates allowed).

### Parks and Playing Fields

- The net over spend of £42,000 is primarily due to the decision that football and rugby clubs in BCBC would not have to pay the hire charges for using outdoor sports facilities for the 2019-20 season. This decision was made to take account of both the exceptional circumstances around the COVID-19 crisis and the continued commitment of sports clubs to complete community asset transfers of outdoor facilities.

### Fleet Services

- There is a £127,000 over spend on Fleet services. The service has undergone a review in 2019-20 and the factors contributing to the over spend have been identified, including the charge out rate being too low to cover costs incurred. Internal reviews also took place over productivity levels including changes in working patterns, a management restructure and improved procurement processes. It is anticipated that the review in 2019-20 will resolve the over spend moving into the 2020-21 financial year.

### Parking Services

- Parking Services is showing an under spend of £188,000. 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, e.g. Fleet services, shop mobility, Bus station and School Crossing Patrols.

#### Corporate Director - Communities

- The under spend of £117,000 is as a result of the promotion of the former Director to the post of Chief Executive. The post is now filled and therefore this saving will not be recurring in 2020-21.

#### 4.3.4 Chief Executive's

The net budget for the Directorate for 2019-20 was £18.622 million and the actual outturn was £17.115 million, following draw down of £211,000 from earmarked reserves, resulting in an under spend of £1.507 million. The main variances were:

CHIEF EXECUTIVE'S	Net Budget	Actual Outturn	Actual Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Finance	1,550	1,430	(120)	-7.7%
Housing Benefits - Admin	829	662	(167)	-20.1%
Housing Benefits - Payments to Claimants	-172	-308	(136)	79.1%
HR and Organisational Development	1,622	1,525	(97)	-6.0%
Communication & Engagement	1,598	1,362	(236)	-14.8%
Partnerships	255	184	(71)	-27.8%
Legal, Democratic & Regulatory	5,015	4,877	(138)	-2.8%
ICT	3,498	3,043	(455)	-13.0%
Housing Options & Homelessness/ Supporting People	816	665	(151)	-18.5%

#### Finance

- The under spend of £120,000 mainly relates to staffing vacancies across the service. The service also received grant funding to offset some core costs in 2019-20. These vacancies will be monitored in line with business needs in 2020-21.

#### Housing Benefits - Admin

- There is an under spend of £167,000 in respect of the administration of housing benefit arising mainly from staffing vacancies, but also changes in staffing hours, staff opting out of pension and additional annual leave purchases. These vacancies will be monitored in line with business needs in 2020-21.

#### Housing Benefits – Payments to Claimants

- There is an under spend of £136,000 which is due to higher than anticipated reimbursement of housing benefit subsidy for overpayments within the housing benefit subsidy claim. This budget is closely monitored as any reduction in the percentage of the Department for Works and Pensions subsidy received towards Housing Benefit payments to claimants could have an adverse impact on the budget.

#### HR & Organisational Development

- The under spend of £97,000 mainly relates to staffing vacancies and changes in staff hours. HR are actively recruiting to fill, or already have filled the staffing vacancies as part of the restructure that took place in 2019-20 therefore this saving will not be recurring in 2020-21.

#### Communication & Engagement

- The under spend of £236,000 mainly relates to staffing vacancies and changes in staff hours. Various recruitment exercises were actioned throughout 2019-20 in order to fill vacant posts and this is planned to continue in 2020-21 therefore this saving will not be recurring in 2020-21.

#### Partnerships

- The under spend of £71,000 mainly relates to maximisation of grant funding for Violence Against Women, Domestic Abuse and Sexual Violence, Children & Communities and Community Cohesion along with staff vacancies.

#### Legal, Democratic & Regulatory

- The under spend of £138,000 has mainly arisen from staffing vacancies in Member Services and procurement. These departments are looking to recruit and fill these vacancies in 2020-21 therefore this saving will not be recurring in 2020-21.

#### ICT

- The under spend of £455,000 is primarily due to staff vacancies and related staff costs (£200,000) and an under spend on the software and telephony budget, in particular the delay in the upgrade of the telephony hardware (£140,000). The under spend is in preparation to support the £200,000 saving in the MTFs budget in 2020-21 for software rationalisation and ICT staffing vacancies.

#### Housing Options & Homelessness/Supporting People

- The under spend of £151,000 is mainly due to staffing vacancies in respect of the core funded housing team. Various recruitment exercises were actioned throughout 2019-20 in order to fill vacant posts and this is planned to continue in 2020-21 therefore this saving will not be recurring 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 net budget for 2019-20 was £39.473 million and the actual outturn was £31.783 million, resulting in an under spend of £7.690 million. Without the additional grants of £2,622,202 as referenced in paragraph 4.1.3, the under spend would have been £5.068 million. The most significant variances were:

<b>COUNCIL WIDE BUDGETS</b>	<b>Net Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Capital Financing	7,329	6,844	(485)	-6.6%
Council Tax Reduction Scheme	14,854	14,589	(265)	-1.8%
Repairs and Maintenance	548	278	(270)	-49.3%
Insurance Premiums	1,588	1,054	(534)	-33.6%
Other Corporate Budgets	6,890	840	(6,050)	-87.8%



### Capital Financing Costs

- The under spend of £485,000 arose on interest paid and 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. In addition, the capital financing budget was utilised in 2019-20 to pay off prudential borrowing associated with Minor Works which will have a long term cost saving benefit for the Council.

### Council Tax Reduction Scheme

- There is an under spend of £265,000 on the Council Tax Reduction Scheme. This is a demand led budget and take-up is difficult to predict. The Welsh Government worked with local authorities and third sector organisations during 2019-20 to make people more aware of the range of support available to help people pay their council tax bills. This, in conjunction with the impact of COVID-19 on personal financial circumstances, will impact on take-up in 2020-21. Current indications are that spend in 2020-21 could exceed budget by up to £1 million if no additional external funding is provided.

### Repairs and Maintenance

- There is an under spend of £270,000 is as a result of slippage on some minor works schemes and feasibility studies, which will now be completed in 2020-21. An earmarked reserve has been established to meet these costs.

### Insurance Premiums

- There is an under spend of £534,000 partly as a result of the reduction in the premium for property insurance in 2019-20 following a retendering exercise. In addition, following an in-depth review of claims on the insurance database we have been able to write off a number of historic claims, with a lower provision required as a result on the Insurance Premium account. The budget will be reviewed going forward to determine if there are any permanent budget reduction opportunities.

### Other Council Wide Budgets

- Other council wide 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 2019, 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. In June 2019 Council approved agreed 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.
- There is a further 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.

- As mentioned in The MTFS report to Council in February 2020, there will be significant increases to staffing costs in 2020-21 as a result of:-
  - 6.2% increase in the national living wage from April 2020 (with further increases expected in April 2021).
  - Impact of staff pay increases in 2020-21 including full year effect of teachers' pay increase in September 2019 and potential increases for non-teachers.
- Given this uncertainty, and the financial impact of the Covid-19 pandemic on the Council's budget for 2020-21, which will not be known with any certainty until later in the year, any balance of funding from these council wide budgets will be carried forward to meet these pressures. In particular, a Covid-19 earmarked reserve has been created at year-end of £3 million. Once the financial position for 2020-21 is known with more certainty, any potential recurrent under spends will be considered for future MTFS savings.

#### 4.4 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. During 2019-20, 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 £8.299 million and is detailed in Table 5 below.

**Table 5 – Draw Down from Earmarked Reserves during 2019-20**

	<b>Draw down from Earmarked Reserves 2019-20 £'000</b>
<b>Education &amp; Family Support</b>	365
<b>Social Services &amp; Wellbeing</b>	65
<b>Communities</b>	1,148
<b>Chief Executives</b>	211
<b>Non-Directorate</b>	6,510
<b>Total</b>	<b>8,299</b>

4.4.2 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 2019-20 is £15.414 million. The final column shows that there have been net additions of £8.837 million in the last quarter of the financial year:

**Table 6 – Net Appropriations to/from Earmarked Reserves 2019-20**

	Unwound 2019-20	New/ Additions to Reserves 2019-20	Total	Increase/ (Decrease) Qtr 4 Only
	£'000	£'000	£'000	£'000
<b>Corporate Reserves:-</b>				
Capital Programme Reserve	-500	7,360	6,859	960
ICT Reserve	-420	0	-420	-420
Asset Management Reserve	0	210	210	210
Building Maintenance Reserve	0	1,338	1,338	838
Service reconfiguration	-308	0	-308	0
Central feasibility	0	303	303	303
Property Disposal Strategy	0	1	1	1
Capital Asset Management Fund	-100	1,024	924	867
Major Claims Reserve	-950	1,000	50	2,798
Change Management Fund	0	500	500	500
<b>Total Corporate Reserves</b>	<b>-2,279</b>	<b>11,735</b>	<b>9,456</b>	<b>6,056</b>
<b>Directorate Reserves:-</b>				
Directorate Issues	-283	1,332	1,049	475
City Deal Equalisation Reserve	0	589	589	589
Chief Executive Partnership Reserve	-100	0	-100	0
<b>Total Directorate Reserves</b>	<b>-382</b>	<b>1,921</b>	<b>1,539</b>	<b>1,064</b>
<b>Equalisation &amp; Grant Reserves:-</b>				
ED&FSS Grants	0	807	807	800
Building Control	0	32	32	32
Communities Grants	0	468	468	452
SRF	0	42	42	42
Chief Execs Grant	-25	337	312	319
Legal Fees	0	7	7	7
SSWB Grants	0	65	65	65
<b>Total Equalisation &amp; Grant Reserves</b>	<b>-25</b>	<b>1,759</b>	<b>1,733</b>	<b>1,717</b>
<b>School Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RESERVES</b>	<b>-2,687</b>	<b>15,414</b>	<b>12,727</b>	<b>8,837</b>

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

- a net increase of £2.798 million to the Major Claims Reserve primarily to support additional costs due to COVID-19;
- a net increase of £867,000 to the Capital Asset Management Fund which primarily relates to the creation of a fund to support asbestos works resulting from the asbestos surveys that have mainly been undertaken in 2019-20.
- a net increase of £838,000 to the Building Maintenance Reserve to fund the required works to Brackla 1 Car Park;
- a net increase of £960,000 to the Capital Programme reserve to be utilised against projected capital pressures.

4.4.4 A full breakdown of the total movement on earmarked reserves at 31st March 2020 is provided in Appendix 4. Table 7 below summarises the final position on all useable reserves for the year:

**Table 7 – Summary of Movement on Earmarked Reserves 2019-20**

Opening Balance 01-Apr-19 £'000	Reserve	Movement at Quarter 4		Closing Balance 31-Mar-20 £'000
		Additions/ Reclassification £'000	Drawdown £'000	
8,776	<b>Council Fund Balance</b>	563	0	9,339
36,729	Corporate Reserves	11,735	-4,975	43,489
7,797	Directorate Reserves	1,921	-1,787	7,931
2,967	Equalisation & Grant Reserves	1,758	-1,031	3,694
614	School Balances	0	-506	108
48,107	<b>Total Earmarked Reserve</b>	15,414	-8,299	55,222
56,883	<b>Total Useable Reserves</b>	15,977	-8,299	64,561

## 5.0 Effect upon policy framework & procedure rules

5.1 As required by section 3 (budgetary control) of the Financial Procedure Rules, Chief Officers in consultation with the appropriate Cabinet Member are expected to manage their services within the approved cash limited budget and to provide the Chief Finance Officer with such information as is required to facilitate and monitor budgetary control.

## 6.0 Equalities Impact Assessment

6.1 There are no equality implications arising from this report.

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

7.1 The 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 Cabinet is requested to:

- note the revenue outturn position for 2019-20.

**Gill Lewis**  
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**June 2020**

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