

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

3 FEBRUARY 2015

CORPORATE DIRECTOR RESOURCES

BUDGET MONITORING – QUARTER 3 2014-15

1. Purpose of this report

- 1.1 The purpose of this report is to provide Cabinet with an update on the Council's financial position as at 31 December 2014.

2. Connections to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 The budget monitoring report provides an overview of the current financial position and projected outturn for the year against the budget approved by Council. The allocation of budget determines the extent to which the corporate improvement objectives can be delivered.

3. Background

- 3.1 On 19 February 2014, Council approved a net revenue budget of £255.131 million for 2014-15, along with a capital programme for the year of £32.060 million, which was revised in December to £31.350 million. 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 savings is also kept under review and reported to Cabinet as part of this process.

4.0 Current Situation / Proposal

Revenue Budget Monitoring

4.1 Summary financial position at 31 December 2014.

- 4.1.1 The Council's net revenue budget and projected outturn for 2014-15 is shown in the table below.

Table 1- Comparison of budget against projected outturn at 31 December 2014

Directorate/Divisions	Budget 2014-15 £'000	Projected Outturn 2014-15 £'000	Projected Over / (Under) Spend Qtr 3 2014-15 £'000	Projected Over / (Under) Spend Qtr 2 2014-15 £'000
Directorate				
Children	125,109	125,109	0	0
Wellbeing	43,416	43,513	97	147
Communities	26,570	26,656	86	179
Resources	14,973	14,983	10	82
Legal & Regulatory Services	6,532	6,042	(490)	(429)
Total Directorate Budgets	216,600	216,303	(297)	(21)
Council Wide Budgets	38,531	38,531	0	0
Total	255,131	254,834	(297)	(21)

- 4.1.2 The projected Directorate underspend is £297,000 as at the end of December 2014. This is mainly due to the significant underspend in Legal and Regulatory Services, but the overall figure masks a number of in year budget pressures in Safeguarding and Family Support and Adult Social Care, over and above the additional recurrent funding that was allocated to these areas in the 2014-15 budget.
- 4.1.3 The outturn assumes full implementation of the current year budget reduction requirements across the Council's budget which amount to £11.274 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have met their requirements using other measures such as vacancy management.
- 4.1.4 In December 2014 Cabinet approved for consultation the draft Medium Term Financial Strategy (MTFS) for 2015-16 to 2018-19. This identified the need to develop recurrent budget reduction proposals amounting to around £48.8 million over the next four years - £11.225 million in 2015-16. 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.
- 4.1.5 In line with the report to Cabinet on the MTFS, and the Council's Financial Procedure Rules, any planned over or underspends by directorates will be carried forward into the following year. Corporate Management Board are in the process of considering any requests for planned carry forward of underspends. Fortuitous underspends or unplanned overspends will not be carried forward. However, a decision will not be made until towards the end of the financial year when the overall outturn position is more definite.

4.1.6 **Budget Reduction Proposals Monitoring**

The budget approved for 2014-15 included budget reduction proposals of £11.274 million, which is broken down in Appendix 1 and summarised with a RAG status in the table below. In comparison, the budget reduction requirement for 2013-14 was

£3.706 million and at quarter 3, 90% of the proposals were green, 5% amber and 5% red. Whilst the proportions are similar due to the significantly increased level of savings for 2014-15 the risk of non-achievement and potential overspend is significantly greater.

	Red		Amber		Green		Total
	£'000	%	£'000	%	£'000	%	£'000
Children's	0	0	0	0	3,048	100.0	3,048
Wellbeing	50	1.4	1,379	39.4	2,071	59.2	3,500
Communities	372	20.2	75	4.1	1,396	75.7	1,843
Resources	0	0	0	0	1,374	100	1,374
LARS	0	0	0	0	474	100	474
Corporate	0	0	35	3.4	1,000	96.6	1,035
Total	422	3.7	1,489	13.2	9,363	83.1	11,274

Three of the proposals are currently RED, totalling £422,000. Two are in Communities Directorate (total £372,000) and relate to the shortfall in identifying additional savings to replace the original MREC savings proposal (£272,000), and the Anaerobic Digestion collaboration (£100,000) due to continued delays; the other is in relation to reducing the costs of sickness in the Wellbeing Directorate and totals £50,000.

In the last Cabinet budget monitoring report (November 2014) the £780,000 relating to the MREC procurement was shown as RED. £508,000 worth of alternative recurrent proposals have been planned to offset this resulting in a GREEN RAG status. The £272,000 shortfall has been added to the savings target for the Directorate for 2015-16 and in the interim has been funded corporately for 2014-15 only. For this reason £272,000 still has a red RAG status, but it is expected to be delivered in full in 2015-16. In addition the proposal associated with a shared CCTV facility was previously marked as RED but this has now been implemented and while the budget savings will not be realised until 2015-16 in-year savings within Customer Services have been found to meet the 2014-15 shortfall. This proposal has therefore now been given a GREEN status.

Eight of the savings proposals are AMBER, totalling £1.489 million. The most significant are:

- Implementation of the new Assessment Framework, £152,000 – a new framework is expected to be in place by April 2015;
- Residential resettlement, £350,000 – there has been a delay in the two schemes by approximately 7 and 11 months, which will delay the savings in 2014-15, but they should be fully achieved in 2015-16;
- Maximisation of use of residential provision, £300,000 – may not be achieved in full so alternative proposals will be developed as appropriate; and
- Implementation of 7.5% reduction across Adult Social Care services, £500,000 – currently £80,000 has not been allocated to services and the directorate is continuing to seek efficiencies to meet this.

Directors continue to work with their staff to deliver their proposals or alternatives and this is reflected in the forecast outturn for the year.

4.1.7 A summary of the financial position for each main service area is attached as Appendix 2 to this report and comments on the most significant variances are provided in section 4.2 below.

4.2 Commentary on the financial position as at 31 December 2014.

4.2.1 Children's Directorate

The net budget for the Directorate for 2014-15 is £125.109 million. At this point in the year a transfer of £208,000 has been made from the LAC earmarked reserve to meet pressures on that budget as the Directorate did not have resources elsewhere in its budget to offset this pressure in full. Taking account of the reserve the directorate budget is currently projected to breakeven despite a number of significant budget variances including:

CHILDREN'S DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/(under) budget £'000	% Variance
Schools Special Needs	2,529	2,325	(204)	-8.1%
Catering Services	880	705	(175)	-19.9%
Integrated Working	561	447	(114)	-20.3%
Looked After Children	11,154	11,384	230	2.1%
Other Child and Family Services	767	975	208	27.1%
Commissioning and Social Work	4,265	4,605	340	8.0%

School Special Needs

- There is a projected underspend of £204,000 in relation to support for special educational needs services for schools because the service has recently been restructured to deliver 2015-16 budget reduction proposals. As such the underspend is not expected to recur in 2015-16.

Catering Services

- The catering service is projecting an underspend of £175,000 as a result of lower sickness levels than expected, and consequently, lower spend on staff cover than budgeted for. The service is required to meet a £200,000 budget reduction in 2015-16.

Integrated Working

- The Integrated Working team, which comprises family support services, integrated family support services and connecting families, is projecting an underspend of £114,000 due to a number of vacant posts being held pending a restructure of the service. Again this is not expected to recur in future years.

Looked After Children

- LAC numbers have decreased from 412 as at 1 April 2014 to 399 as at the end of December. However, the Director is still projecting an overspend of £438,000 against budget due to a higher than expected cost of out of county placements (£221,000) and the need to pay resolutions' carers a protected rate until 31 March 2015 following the disbanding of the joint Resolutions Fostering Service and the transfer of the carers to the in-house team (£211,000). However, the forecast overspend has been reduced to a net position of £230,000 following a transfer from the LAC reserve of £208,000. On the assumption that the LAC strategy will deliver as planned an overspend is not expected to recur in 2015-16.

Other Child and Family Services

- The Directorate has been actively seeking to increase the number of adoptions this year because they provide a more permanent solution for children as well as reducing the number of LAC. The service was aiming to deliver 15 adoptions in the current financial year, but as at 31 December 21 children have been successfully placed and 6 more are expected to be placed by the year end. This, plus increased fees for independent agency placements, is anticipated to create a £208,000 overspend by year end. From 1 April the Council will be part of the regional adoption service and a recurrent overspend is not anticipated in 2015-16.

Commissioning and Social Work

- The projected overspend of £340,000 on this budget relates to the additional costs arising from the need to employ agency social workers across the service. The use of agency staff has declined from 9 at the end of September 2014 to 5 as at 17 January and the Directorate is working closely with HR to recruit permanent social workers. Assuming that posts can be filled by non-agency staff there is an expectation that an overspend will not recur in 2015-16.

4.2.2 Wellbeing Directorate

The Directorate's net budget for 2014-15 is £43.416 million. Current projections indicate an overspend of £97,000 at year end. The main variances are:

WELLBEING DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/(under) budget £'000	% Variance
Older People Residential Care	8,236	8,366	130	1.6%
Older People Home Care	8,182	7,726	(456)	-5.6%
Learning Disabilities Residential Care	1,990	2,121	131	6.6%
Learning Disabilities Home Care	4,471	4,755	284	6.4%

Older People Residential Care

- There is a projected overspend of £130,000 as a result of sickness within Local Authority homes (£60,000) and a reduction in anticipated residential fees income (£70,000). The Directorate has seen a projected overall increase in sickness from 2013-14, which has meant that the savings target for 2014-15 has not been achieved. The directorate is working closely with

the HR department to monitor and manage sickness rigorously with a view to achieving the budget reductions in this area in 2015-16.

Older People Home Care

- There is a projected net underspend of £456,000 on older people home care due to an anticipated increase in client contributions arising from the increase in Fairer Charging Cap from £50 to £55 (£139,000) and an overall increase in income year-on-year above anticipated levels. This is currently projected to be £450,000, but is partially offset by an increase in homecare costs both in-house and in the independent sector (£118,000). The 2014-15 MTFS included the generation of additional income of £320,000 as a result of implementing a change to the Bridgend Fairer Charging Policy. However the actual additional income is projected to be in excess of this and this is anticipated to be recurrent in 2015-16, and will contribute towards the MTFS savings for 2015-16. There is provision within the MTFS for 2015-16 for anticipated demographic increases to meet the increasing demand for the service.

Learning Disabilities Residential Care

- A projected overspend of £131,000 is likely due to delays in implementing the £350,000 budget reduction proposal in respect of residential resettlement which was due to be implemented from April 2014. One hostel closed in October and the other is likely to close towards the end of the financial year. As such the overspend will not recur in 2015-16.

Learning Disabilities Homecare

- An overspend of £284,000 is projected in relation to learning disabilities home care as a result of increased needs and additional support for a number of service users. Provision has been made for this pressure in the 2015-16 MTFS.

4.2.3 Communities Directorate

The net budget for the Directorate for 2014-15 is £26.570 million and current projections anticipate an overspend against this budget of £86,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/(under) budget £'000	% Variance
Regeneration Projects	1,887	1,767	(120)	-6.4%
Waste Collection and Disposal	6,501	6,721	220	3.4%
Engineering Services	(126)	-	126	-100.0%
Arts and Entertainment	842	774	(68)	-8.1%

Regeneration Projects

- There is a projected underspend of £120,000 in relation to regeneration projects arising from staff vacancies which will be used to meet 2015-16 budget reduction proposals. This underspend will not be recurrent.

Waste Collection and Disposal

- There is a projected overspend of £220,000 in relation to increased waste tonnage being disposed of at the MREC (£90,000), increased costs for disposal of street sweepings due to new legislative requirements (£30,000), and delays in the Anaerobic Digestion project (£100,000), for which there was an agreed saving of £100,000 in the MTFs for 2014-15. One-off growth (£135,000) has been allocated through the MTFs for 2015-16 in respect of increased tonnage at the MREC whilst the procurement exercise with NPTCBC progresses.
- In relation to the AD project, discussions are still on-going with the Hub and Welsh Government to determine a suitable option going forward. Should the project be delayed into 2015-16 the directorate will find suitable offsetting savings to mitigate the potential overspend. Finally, a review of the disposal of street sweepings has been undertaken by the service area and a balanced budget is anticipated in 2015-16.

Engineering Services

- There is a projected overspend of £126,000 arising from an inability to meet historical income targets following receipt of new guidance on capital charging. This is recognised as a budget pressure in future years so the overspend will not recur in the future.

Arts and Entertainment

- There is a projected underspend across the service of £68,000 arising from staff vacancies in arts development and service management which will be used to meet 2015-16 budget reduction proposals. This underspend will not be recurrent.

4.2.4 Resources

The net budget for the Directorate for 2014-15 is £14.973 million and current projections anticipate an overspend against this budget of £10,000. The main variances are:

RESOURCES DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/(under) budget £'000	% Variance
HR & Organisational Development	2,332	2,169	(163)	-7.0%
Architects	(102)	2	104	-102.0%

HR and Organisational Development

- The projected underspend of £163,000 is due to vacancies held across the service in anticipation of delivering budget reduction proposals in the MTFs. As such the forecast underspend is not expected to recur in 2015-16.

Architects

- There is a projected net overspend of £104,000 for the service, arising as a result of an inability to meet historical income targets following receipt of new guidance on capital accounting. £268,000 of spend previously charged to the capital programme is now no longer deemed to be eligible and so must score against the revenue budget. It has been recognised as a budget pressure in the

draft MTFS for 2015-16. In 2014-15 this has been partly offset by staff vacancies, resulting in the net overspend of £104,000.

4.2.5 Legal and Regulatory Services

The projected overall underspend on this service is £490,000. £440,000 is due to a restructure of the department in anticipation of delivering the budget reduction proposals for 2015-16, including the proposed regulatory services collaboration. The remaining £50,000 is anticipated to result from an increase in income generated from registration fees, licensing and land charges.

4.2.6 Council wide budgets

Council wide budgets include £10.5 million for the financing of debt repayments and interest and £7 million for precepts along with centrally held contingencies and provisions to meet the costs of the proposed pay award, building related costs and the Council Tax Reduction Scheme (£13.8 million). At this point in the financial year it is prudent to assume that these budgets will be fully spent by year end.

4.2.7 Capital programme monitoring

This section of the report provides Members with an update of the Council's capital programme for 2014-15. The original budget approved by Council on 19 February 2014 was revised and approved by Council in July and then again in December 2014 to incorporate budgets carried forward from 2013-14 and any new schemes and grant approvals. The revised programme totalled £31.350 million. The current capital programme budget for 2014-15 currently totals £31.372 million of which £21.860 million is BCBC resources with the remaining £9.512 million coming from external grants. The main reasons for the difference between the December programme and the current programme are:

- Additional funding of £137,000 from earmarked reserves to meet the final settlement on Bridgend Day Centre;
- Additional European funding of £148,000 on the South East Wales Local Investment Project following extension of the project until June 2015;
- Funding of £170,000 from the Coychurch Crematorium Joint Committee to meet the cost of new cremators.
- Additional funding approved of £449,000 for transport related schemes e.g. safe routes to schools.

Appendix 3 provides details of the larger schemes within the capital programme, showing the budget available in 2014-15 compared to the projected spend. Commentary is provided detailing any issues associated with these projects.

As at quarter 3 there is projected slippage against the revised budget of £303,000 which will be carried forward into 2015-16. This relates to:

- Children's capital minor works of £60,000 carried forward into 2015-16 due to the potential of obtaining external funding for the scheme.
- Rhiw Gateway Vibrant and Viable Places, potential slippage of £183,000 on the project due to late approval from Welsh Government.

- £60,000 slippage in implementing residents parking in Bridgend due to need to undertake consultation.

At this point in the financial year, and following discussions with directorates, it is assumed that all other projects will be in line with the revised budget as set out in Appendix 3. However, this will depend upon any inclement weather experienced during the last quarter, which may place additional pressure on project timescales.

5.0 Effect upon policy framework & procedural 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 Equality Impact Assessment

- 6.1 There are no implications in this report.

7.0 Financial implications

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

8.0 Recommendations

Cabinet is requested to note the projected revenue and capital outturn position for 2014-15.

Ness Young
Corporate Director Resources
January 2015

Contact Officer

Deborah Exton – Group Manager – Financial Planning and Budget Management ext 3604

e-mail: deborah.exton@bridgend.gov.uk

Background Papers

Individual Directorate Monitoring Reports