

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

16 JUNE 2015

CORPORATE DIRECTOR - RESOURCES

FINANCIAL PERFORMANCE 2014-15

1.0 Purpose of this report

1.1 The purpose of this report is to provide Cabinet with information on the Council's financial performance as at 31st March 2015.

2.0 Connections to Corporate Improvement Objectives and Other Corporate Priorities

2.1 The financial performance of the Council budget determines the extent to which the corporate improvement priorities can be delivered.

3.0 Background

3.1 On 19th 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 February 2015 to £32.757 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

4.1 Summary financial position of Revenue Budget at 31st March 2015

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

Table 1- Comparison of budget against outturn at 31st March 2015

Directorate/Divisions	Revised Budget	Actual Outturn	Actual Over / (Under) Spend	Projected Over / (Under) Spend
	2014-15 £'000	2014-15 £'000	2014-15 £'000	Qtr 3 2014-15 £'000
Directorate				
Children	125,140	124,996	(144)	0
Wellbeing	43,478	43,259	(219)	97
Communities	26,686	26,382	(304)	86
Resources	15,144	14,758	(386)	10
Legal & Regulatory Services	6,516	5,773	(743)	(490)
Total Directorate Budgets	216,964	215,168	(1,796)	(297)
Council Wide Budgets:				
Capital Financing	10,515	10,607	92	
Precepts and Levies	7,030	6,974	(56)	
Repairs and Maintenance	890	674	(216)	
CTR Scheme	13,825	12,938	(887)	
Insurance Premiums	1,737	966	(771)	
Other Corporate Budgets	4,170	3,017	(1,153)	
Total Corporate Budgets	38,167	35,176	(2,991)	0
Accrued Council Tax Income		(1,697)	(1,697)	
Less Contributions to:				
Earmarked Reserves - Directorates		1,490	1,490	
Earmarked Reserves - Corporate		4,583	4,583	
Equalisation Fund Contribution		356	356	
Transfer to Council Fund		55	55	
Total	255,131	255,131	0	(297)

Overview

- 4.1.2 The overall outturn at 31st March 2015 shows a balanced position. Directorate budgets provided a net under spend of £1.796 million and corporate budgets a net under spend of £2.991 million.
- 4.1.3 The under spend on Directorate net budgets for the year is a result of a number of factors including the maximisation of grant and other income, strict vacancy and sickness management, increased productivity on trading accounts and savings resulting from improved systems and processes. £2.829 million was drawn down in year from approved earmarked reserves to meet specific one off pressures identified in previous years.
- 4.1.4 The under spend masks underlying budget pressures in some service budgets which were reported during the year and still persist. The main financial pressures are in the service areas of Looked After Children and

Adult Social Care. It should be noted that these budget areas can be volatile and small changes in demand can result in relatively high costs being incurred. As patterns of provision change within directorates, service budgets are reviewed and re-aligned accordingly.

- 4.1.5 In finalising the directorate outturn positions, where possible, directorate outstanding prudential borrowing has been repaid to reduce future capital financing charges.
- 4.1.6 The budget approved for 2014-15 included savings proposals of £11.274 million (5.2% of net service budgets). £573,000 of these proposals were not realised in 2014-15, but the expenditure associated with them has been offset by vacancy management, the use of one off Directorate Earmarked Reserves and the maximisation of grant income from the Welsh Government's Regional Collaboration Fund and other grants such as Intermediate Care Fund. As such there is still a recurrent £573,000 pressure on 2015-16 budgets which will need to be addressed by implementing the proposals in Table 2 below or identifying and delivering alternatives.

Table 2 – Budget Reduction Proposals 2014-15 not met in full

Directorate	Proposal	2014-15
Wellbeing	Reprovision and remodelling of Shared Lives	105
	Reduction in sickness absence	50
	Residential Resettlement	192
	Efficiencies in internal supported living service	75
	Review Continuing Health Care eligible cases	51
Communities	Anaerobic Digestion Facility	100
Total		573

- 4.1.7 A summary of the financial position for each main service area is attached as Appendix 1 to this report and comments on the most significant variations and issues are provided in section 4.2 below.

4.2 Detailed commentary on the financial position as at 31st March 2015

4.2.1 Children's Directorate

The net budget for the Directorate for 2014-15 was £125.140 million and the actual outturn was £124.996 million, resulting in an under spend of £144,000. An over spend of over £567,000 on Looked After Children has been offset by under spends across other services in the directorate. The under spends across the Directorate have negated the need for draw down of the Looked After Children earmarked reserves in 2014-15. However, there was £1.225 million drawn down from other earmarked reserves for specific pressures.

The most significant variances are detailed below:

CHILDREN'S DIRECTORATE	Net Budget	Outturn	Variance Over/ (Under) budget	% Variance
	£'000	£'000	£'000	
Schools Special Needs	2,529	2,240	(289)	-11.4%
Youth Service	730	604	(126)	-17.3%
Education Otherwise Than At School (EOTAS)	324	451	127	39.2%
Catering Services	881	449	(432)	-49.0%
Integrated Working	561	383	(178)	-31.7%
Looked After Children	11,154	11,721	567	5.1%
Other Child and Family Services	767	1,064	297	38.7%
Commissioning and Social Work	4,265	4,609	344	8.1%

School Special Needs

- There is an under spend of £289,000 in relation to support for special educational needs services for schools following the restructuring of the service to deliver 2015-16 budget reduction proposals. As such the under spend is not expected to recur in 2015-16.

Youth Service

- There is a total under spend of £126,000 on youth services following restructure of the service and receipt of additional grant income at year end.

Education Otherwise Than At School

- The over spend of £127,000 has arisen due to increased demand on the service and an increased provision for pupils outside of school settings, including individual training packages at College or at other settings.

Catering Service

- The under spend on the catering service was £432,000. A substantial amount of this was due to the higher number of trading days for the service, arising from the lack of inclement weather and its usual impact on school opening days. In addition, savings were generated through vacancy management and lower than anticipated costs of repairs and maintenance.

Integrated Working

- The under spend of £178,000 on the Integrated Working teams was as a result of strict vacancy management in anticipation of budget reductions in 2015-16.

Looked After Children (LAC)

- The over spend of £567,000 is due to the number and costs of placements being higher than forecast. As at the end of March the Council had 390 looked after children. While this is 22 less children than as at 31st March 2014 and shows LAC numbers on a downward trajectory it is 17 more than the target of 373.

Other Child and Family Services

- The over spend of £297,000 is a combination of an over spend on the adoption service of £379,000 due to higher numbers of children being placed for adoption, partly offset by savings on the Leaving Care service. The target number of adoptions for 2014-15 was 15, but the actual number of placements made was 24, which has had a positive impact on the number of LAC in the County Borough. From April 2015 a joint adoption service has been provided across the Western Bay region.

Commissioning and Social Work

- The over spend of £344,000 is mainly due to the high costs associated with the temporary backfilling of social worker posts through employment agencies to cover vacancies. At the year end there were 5 agency workers being employed in the service.

Schools' Delegated Budgets

- School balances reduced from £2.467 million at the end of 2013-14 to £2.410 million at the end of March 2015 (a reduction of £57,000), representing 2.67% of the funding available. Total deficit budgets equate to £735,000 and total surplus budgets equate to £3.145 million.
- There are 7 schools (5 primary, 2 secondary) with deficit budgets and 20 schools (13 primary, 5 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 Transformation, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

4.2.2 Wellbeing Directorate

The Directorate's net budget for 2014-15 was £43.478 million and the actual outturn was £43.259 million resulting in an under spend of £219,000. This is made up of an under spend of £142,000 on Adult Social Care and an under spend of £77,000 on Sport, Play and Active Wellbeing services. The Adult Social Care outturn has reduced by approximately £316,000 compared to the projection at quarter 3 reflecting increased income from residential placements and service user charges and maximisation of grant and other funding. There were specific earmarked reserves set aside to offset some of

the costs associated with integrating health and social care, and this is reflected in the outturn position. There was £0.123 million drawn down from earmarked reserves throughout the year for specific pressures.

The most significant variances are detailed below:

WELLBEING DIRECTORATE	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,269	8,062	(207)	-2.5%
Physical Disabilities Residential Care	501	416	(85)	-17.0%
Learning Disabilities Residential Care	1,990	2,346	356	17.9%
Learning Disabilities Home Care	4,471	4,575	104	2.3%
Mental Health Residential Care	1,169	1,074	(95)	-8.1%
Sports Centres and Swimming Pools	2,606	2,549	(57)	-2.2%

Older People Residential Care

- During the financial year, expenditure on residential clients has remained fairly constant however additional income has been generated from service user charges, offset in part by additional staffing cost pressures, such as sickness cover, resulting in a net under spend of £207,000.
- More generally the full year effect of the changes in the Fairer Charging policy, as well as the increase in the Fairer Charging cap from £55 to £60 per week and increased demand for domiciliary care, resulted in higher than anticipated income across this client group.

Physical Disabilities Residential Care

- The under spend of £85,000 has arisen as a result of a reduction in the number of residential placements during the year. The service overall generated an under spend of £176,000, with staff vacancies in-year contributing to this total.

Learning Disabilities Residential Care

- The over spend of £356,000 relates in the main to the delays in implementing the resettlement programme for residents at Bryneithin and Maesglas into independent homes, which has led to delays in securing new accommodation for service users. The service also met the costs of redundancy associated with the restructuring of the service.

Learning Disabilities Home Care

- The over spend of £104,000 on home care is as a direct result of the increased number of service users accessing the service, which places additional costs on the service. The directorate continues to work closely with its independent providers to ensure that services

provided meet the needs of clients. Provision for this budget pressure has been recognised within the 2015-16 budget.

Mental Health Residential Care

- The under spend of £95,000 results from increased contributions from health to client costs, and increased contributions from clients via Fairer Charging. This additional income offset increased service costs resulting from additional placements.

Sports Centres and Swimming Pools

- The service generated an under spend of £57,000 as a result of savings realised in relation to the HALO partnership arrangement and client side efficiencies.

4.2.3 Communities Directorate

The net budget for the Directorate for 2014-15 was £26.686 million and the actual outturn is £26.382 million resulting in an under spend of £304,000. There was £0.531 million from earmarked reserves for specific pressures.

The most significant variances are detailed below:

COMMUNITIES DIRECTORATE	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Development	461	328	(133)	-28.9%
Housing and Community Regeneration	1,379	1,209	(170)	-12.3%
Regeneration	1,887	1,814	(73)	-3.9%
Waste Collection and Disposal	6,500	6,687	187	2.9%
Highways and Fleet	6,536	6,814	278	4.3%
Transport and Engineering	1,048	1,067	19	1.8%
Culture	3,391	3,140	(251)	-7.4%

Development

- There is an under spend of £133,000 on the Development budget. This mainly consists of an increase in planning application fees over and above budgeted income. The Bridgend Local Development Plan (LDP) was adopted in late 2013 and a number of allocated housing sites (including some in Council ownership) have been submitted as major planning applications. In addition plans have been submitted for a number of infrastructure projects including two large solar farms at Court Colman and Caerau and a major extension to the existing Pant-y-Wal wind farm. These applications attract a high fee although some of this income is offset against the need to seek external expert advice.

Housing and Community Regeneration

- There is an under spend of £170,000 on the Housing & Community Regeneration service. This comprises an under spend of £70,000 relating to the ongoing improved management of demand for temporary accommodation, with the balance from staff vacancy management. There is a risk that demand for Bed & Breakfast accommodation will increase once the full impact of the Housing Act is felt, so close on-going budget monitoring will be required in 2015-16.

Regeneration

- There is an under spend of £73,000 on the Regeneration budget. This is a combination of staff vacancy management and under spends within other budget headings.

Waste Collection and Disposal

- The over spend on the Waste budget of £187,000 primarily relates to waste disposal costs resulting from a higher than predicted tonnage of black bag waste presented at the kerbside. This increase in tonnage has also attracted a higher unit charge per tonne for its disposal through the Council's waste treatment partnership with Neath Port Talbot County Borough Council (NPT). The disposal arrangements with NPT are currently under review and it is anticipated that unit rates for the treatment and disposal of the Council's residual black bag waste will reduce from 2016-17, though further budget pressures may be experienced during the current 2015-16 financial year.

Highways and Fleet

- The £278,000 over spend on this budget is partly attributable to the repayment of £225,000 of prudential borrowing to generate reduced finance charges which will contribute to the MTFS budget reduction realisation in 2015-16 and beyond. The remaining £51,000 over spend is mainly due to additional expenditure on highways maintenance borne by the directorate, which was partly offset by reduced energy costs on street lighting. This position is unlikely to continue into 2015-16 as energy costs are predicted to steadily increase. To offset the increase, and also to meet the Council's MTFS budget reductions, significant energy savings targets have been set for street lighting energy consumption in the current and future years, to be achieved through a programme of street lighting replacement to LED units, to deliver significant savings on energy usage.

Transport & Engineering

- There is an over spend of £19,000 against the Transport & Engineering budget. Part of the over spend has arisen as a result of a number of health and safety issues which have had to be resolved within our car parks and the bus station. In addition there was a shortfall on staff car parking income. Whilst the one off costs in respect of the health and

safety issues have now been addressed the directorate will need to address the income target for staff car parking.

Culture

- The under spend of £251,000 within cultural services is attributable to the reduction in salary and activity expenditure in advance of the 2015-16 MTFS budget reduction, along with deliberate measures to restrict spend to off-set any potential over spend risk posed by the historical position at Bryngarw House. In the event, the transformation project at Bryngarw House was completed to schedule with a favourable financial outcome. The under spend was also generated from the management of vacancies, in particular within the library service, along with the realisation of additional income across service other areas.

4.2.4 Resources Directorate

The net budget for the Directorate for 2014-15 was £15.144 million and the actual outturn was £14.758 million resulting in an under spend of £386,000. There was £0.822 million from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

RESOURCES DIRECTORATE	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Financial Services	3,616	3,430	(186)	-5.2%
Human Resources & OD	4,389	4,041	(348)	-7.9%
ICT	4,096	4,163	67	1.6%
Property (Estates)	1,732	1,843	111	6.4%
Property (Built Environment)	592	571	(21)	-3.5%

Financial Services

- The under spend of £186,000 arises from strict vacancy management and staff restructures linked to 2015-16 budget reductions as well as in year reductions in external and internal audit fees which will contribute to the MTFS in future years.

Human Resources & Organisational Development

- The under spend of £348,000 in this service is primarily due to vacancy management to deliver 2015-16 budget reduction requirements as well as anticipated DBS/CRB checks, lower than anticipated learning and development activities and earlier than expected changes from paper to electronic communication techniques.

ICT

- The over spend of £67,000 is attributable to the repayment of £353,000 of prudential borrowing as outlined in paragraph 4.1.5, off set by under spends resulting from vacancies held and a team restructure to deliver 2015-16 budget reductions and under spends on ICT Supplies and Services as a result of delivery delays by a supplier.

Property Estates and Built Environment

- There is an over spend of £111,000 primarily due to under-recovery of income at the Innovation Centre following the temporary re-location of Legal Services during the refurbishment of the Civic Offices.
- Despite a forecast over spend in respect of changes to CIPFA rules on capital charging, the service has achieved an under spend of £21,000 as a result of challenging productivity rates and a full workbook for the whole year in relation to the design functions. As part of the ongoing process of developing this service model, targets and structures will be reviewed annually.

4.2.5 Legal and Regulatory Services

The net budget for the Directorate for 2014-15 was £6.516 million and the actual outturn was £5.773 million resulting in an under spend of £743,000. There was £0.128 million drawn down from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

LEGAL & REGULATORY SERVICES	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Legal Services	2,184	1,890	(294)	-13.5%
Regulatory Services	1,930	1,771	(159)	-8.2%
Partnership Services	406	254	(152)	-37.4%

- The majority of the under spend has arisen due to strict vacancy management across all services in anticipation of budget reduction savings in 2015-16 and the planned joint regulatory service with Cardiff and the Vale of Glamorgan Councils. A further £40,000 of the under spend relates to the reversal of a provision made in 2013-14 in respect of a complex fraud case, which was not required in full in 2014-15. There was also additional income raised by the registrars and regulatory services of £113,000.

4.2.6 Council Wide Budgets

The net budget for council wide services and budgets was £38.167 million and the actual outturn was £35.176 million, resulting in an under spend of £2.991 million. The most significant variances are detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Building Maintenance / Feasibility	890	674	(216)	-24.3%
Council Tax Reduction Scheme	13,825	12,938	(887)	-6.4%
Insurance Costs	1,737	966	(771)	-44.4%
Other Corporate Budgets	4,170	3,017	(1,153)	-27.6%

Building Maintenance/Feasibility

- There was an under spend of £216,000 on the corporate budget for feasibility work and minor works, due to slippage in some building works. This funding has therefore been transferred into an earmarked reserve for 2015-16.

Council Tax Reduction Scheme

- The under spend of £887,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This a demand led budget which is based on full take up, but actual take up is not known until year end.

Insurance Costs

- The under spend of £771,000 on insurance costs is primarily due to £479,000 in fortuitous and unexpected rebates in respect of the Maesteg PFI scheme and lower than anticipated payments made by the Council's claim handlers. The balance is attributable to a reduction in premiums following an in-year assessment of liabilities and is an MTFS budget reduction proposal for 2015-16 and beyond.

Other Corporate Budgets

- The under spend of £1.153 million on other corporate budgets has arisen as a result of:
 - Less demand from Directorates to meet in year pay and price inflationary pressures such as energy costs and job evaluation;
 - Later than anticipated introduction of the removal of employers' national insurance rebate;
 - Lower than expected in-year cost of implementing auto enrolment for new entrants. This cost is due to increase incrementally as the Council works towards September 2017 by which time all eligible employees must be enrolled in the Local Government Pension Scheme; and

- A mild winter resulting in no call for contingency funding for winter maintenance.

4.3 Capital Programme Outturn

4.3.1 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 19th February 2014 was revised and approved by Council in July and December 2014, and then again in February 2015 to incorporate budgets carried forward from 2013-14, slippage into 2015-16 and any new schemes and grant approvals. The revised programme totalled £32.757 million.

4.3.2 Appendix 2 provides a breakdown of the schemes within the capital programme, showing the budget available compared to the actual expenditure in the year. Commentary is provided explaining reasons for any major variations in expenditure against budget. The total budget as at 31st March 2015 is £30.813 million, which takes account of additional approvals of £5.477 million and slippage of £7.421 million into 2015-16 identified in the last quarter. The main reasons for the difference between the programme approved by Council in February and the current programme are:

- Additional funding of £6.584 million from Welsh Government (£3.840 million in 2015-16) in respect of the Community Care Information Solution project (CCIS).
- Slippage of £1.628 million in respect of the depot rationalisation into 2015-16.
- Slippage of £277,000 in respect of the Maximising Space and Technology Programme into 2015-16.
- Slippage on 21st Century School projects, including Additional Learning Needs at the former Ogmore Comprehensive, and the Mynydd Cynffig School amalgamation.

4.3.3 The total expenditure at 31st March 2015 is £28.230 million, resulting in an under spend of £167,000 on BCBC resources, once further requests for slippage into 2015-16 of £2.416 million have been taken into account. Some of the schemes for which funding has slipped into 2015-16 include Bridgend Townscape Heritage, Private Sector Housing grants, Carriage reconstruction and street lighting and the Maximising Space and Technology Programme.

4.4 Identification and allocation of 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 2014-15, Directorates drew down funding from specific earmarked reserves and these were reported to Cabinet through the Monitoring Reports. At year end, the Protocol requires that the Chief Finance Officer will review existing earmarked reserves, requests from Directorates for new reserves or additional corporate reserves based on new risks or pressures.

- 4.4.2 A review of the Council's existing earmarked reserves has been undertaken together with an assessment of the risks and pressures that are sufficiently 'known' or 'probable' over the MTFS period and for which an earmarked reserve is therefore required. This review has identified the need for £4.583 million to create new or enhance existing corporate reserves to meet the cost of future service reconfigurations (including severance payments), the Council's transformation programme, potential costs arising from recent case law and inescapable capital investment works required to mitigate against health and safety risks.
- 4.4.3 In addition in accordance with the Council's Reserves and Balances Protocol, Directorates were able to submit applications for new Earmarked Reserves. In determining what directorate earmarked reserves are required priority has been given to those demonstrating significant risk, those which are sufficiently 'known' or 'probable' and those for which funding needs to be set aside as a priority, with consideration given to any existing reserve balances. Requests have also been evaluated in the context of Directorate under spends and an understanding of the distinction between fortuitous and planned under spends. Total directorate earmarked reserves including carry forward reserves amount to £4.486 million of which new Directorates' reserves total £1.490 million.
- 4.4.4 There are also 'Equalisation of Spend' earmarked reserves which spread expenditure that is incurred in a particular future year over the period of the MTFS. These include the costs of elections and the preparation of the Local Development Plan and have increased by £52,000 in 2014-15 amounting to £0.303 million.
- 4.4.5 A breakdown of total movement on earmarked reserves is provided in Appendix 3, and a summary of movements on total usable reserves is shown in Table 3 below. The remaining under spend of £55,000 will be transferred to the Council Fund.

Table 3 – Movements on General Fund and Usable Earmarked Reserves during 2014-15

Opening Balance 1st April 2014	Reserve	Movement 2014-15	Closing Balance 31st March 2015
£'000		£'000	£'000
7,395	Council Fund Balance	55	7,450
	Earmarked Reserves:-		
27,961	Corporate Reserves	2,887	30,848
4,169	Directorate Reserves	317	4,486
251	Equalisation of Spend Reserves	52	303
39,776	Total Usable Reserves	3,311	43,087

5.0 Effect upon policy framework and 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

8.1 Cabinet is requested to note:

- The final revenue and capital outturn position for 2014-15;
- The impact of the underlying budget pressures on the Medium Term Financial Strategy and in particular the revenue budget for 2015-16; and
- The earmarked reserves position in Appendix 3.

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June 2015

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Background Papers

Individual Directorate Monitoring Reports