

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

1 SEPTEMBER 2015

CORPORATE DIRECTOR RESOURCES

BUDGET MONITORING – QUARTER 1 2015-16

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 30th June 2015.

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 in February 2015. The allocation of budget determines the extent to which the corporate improvement priorities can be delivered.

3. Background

- 3.1 On 25th February 2015, Council approved a net revenue budget of £252.201 million for 2015-16, along with a capital programme for the year of £36.441 million, which was revised in July 2015 to £51.155 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 reductions is also kept under review and reported to Cabinet as part of this process.

4.0 Current Situation

4.1 Summary financial position at 30th June 2015.

- 4.1.1 The Council's net revenue budget and projected outturn for 2015-16 is shown in Table 1 below.

Table 1- Comparison of budget against projected outturn at 30th June 2015

Directorate/Divisions	Revised Budget	Projected Outturn	Projected Over / (Under) Spend	Projected Over / (Under) Spend
	2015-16	2015-16	Qtr 1 2015-16	Qtr 1 2014-15
	£'000	£'000	£'000	£'000
Directorate				
Education and Transformation	105,863	105,870	7	5
Social Services and Wellbeing	62,002	62,062	60	225
Communities	24,884	25,029	145	(75)
Resources	14,548	14,469	(79)	(28)
Legal & Regulatory Services	6,043	5,903	(140)	(206)
Total Directorate Budgets	213,340	213,333	(7)	(79)
Council Wide Budgets				
Capital Financing	10,315	10,315	0	0
Precepts and Levies	6,928	6,928	0	0
Repairs and Maintenance	1,100	1,000	(100)	0
Council Tax Reduction Scheme	14,254	14,254	0	0
Insurance Costs	1,637	1,637	0	0
Other Corporate Budgets	4,627	4,627	0	0
Total Council Wide Budgets	38,861	38,761	(100)	0
Total	252,201	252,094	(107)	(79)

- 4.1.2 The overall projected position as at 30th June 2015 is an under spend of £107,000, comprising £7,000 net under spend on directorates and £100,000 under spend on corporate budgets. A detailed analysis of the more significant projected under and over spends is set out in section 4.3, but the main contributors are projected under spends on the Resources and Legal and Regulatory Services directorates, a projected over spend on the Communities directorate, and a projected under spend on the central repairs and maintenance budget.
- 4.1.3 The projected outturn position assumes full implementation of the current year budget reduction requirements across the Council's budget which amount to £11.225 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals.
- 4.1.4 In February 2015 Council approved the Medium Term Financial Strategy (MTFS) for 2015-16 to 2018-19, and this was further updated in a report to Cabinet in July 2015 to include the 2019-20 financial year. This identified the need to develop recurrent budget reduction proposals amounting to around £49.6 million over the next four years. Against that background it is essential that expenditure is kept within the overall approved budget and that longer term proposals continue to be developed so that the Council has as much flexibility as possible to meet the challenges which lie ahead.

4.1.5 At year end consideration will be given to requests from directors to carry forward any planned directorate under spends for specific purposes into the following year, in line with the Council's Reserves and Balances Protocol, as long as these can be met from within the Council's cash limited budget for 2015-16. This is in line with the reports to Cabinet and Council on the MTFs, and the Council's Financial Procedure Rules. Similarly, consideration will be given to any over spends to determine whether these should be carried forward as a first call on the directorate budget for the following year. Finally, outstanding prudential borrowing will be repaid, where possible, to reduce future capital financing charges. However, a decision will not be made until towards the end of the financial year when the overall outturn position is more definite.

4.2 Monitoring of Budget Reduction Proposals

4.2.1 The budget approved for 2015-16 included budget reduction proposals of £11.225 million, which is broken down in Appendix 1 and summarised with a RAG status in Table 2 below. In comparison, the budget reduction requirement for 2014-15 was £11.274 million and at quarter 1, 72% of the proposals were green, 19% amber and 9% red. The percentages for Amber and Red for 2015-16 are quite low, and slightly lower than in 2014-15, but given the scale of budget reductions, any non-achievement will have a potentially greater impact on the outturn position.

Table 2 – Monitoring of Budget Reductions 2015-16

DIRECTORATE	GREEN		AMBER		RED		TOTAL	
	£'000	%	£'000	%	£'000	%	£'000	%
Education and Transformation	2,379	97.1%	72	2.9%	0	0.0%	2,451	21.8%
Social Services and Wellbeing	3,079	87.1%	50	1.4%	405	11.5%	3,534	31.5%
Communities	1,366	54.9%	712	28.6%	410	16.5%	2,488	22.2%
Resources	1,153	100.0%	0	0.0%	0	0.0%	1,153	10.3%
Legal and Regulatory Services	554	100.0%	0	0.0%	0	0.0%	554	4.9%
Corporate	1,045	100.0%	0	0.0%	0	0.0%	1,045	9.3%
TOTAL	9,576	85.3%	834	7.4%	815	7.3%	11,225	100.0%

4.2.2 Six of the proposals are currently RED, totalling £815,000. Three are in the Communities Directorate (total £410,000) and relate to the delay in the MREC project until April 2016-17 (£300,000), budget reductions in respect of car parking charges, pending a review of car parking provision (£60,000), and the budget reduction proposal in respect of black bags (£50,000). The other three proposals are in the Social Services and Wellbeing Directorate, relating to the delay in the Learning Disabilities Tender (£220,000), the Reprovision and Remodelling of Shared Lives (£135,000) and the reduction in the costs of sickness in the Wellbeing Directorate, totalling £50,000.

4.2.3 Six of the savings proposals are AMBER, totalling £834,000. The most significant are:

- Review of Grounds Maintenance and Bereavement Services (£437,000) – a delay in the restructure of the service has led the Communities Directorate to

bring forward some of the budget reductions proposed for 2016-17 to meet the shortfall.

- Implementation of car parking charges for blue badge holders (£165,000) - following a delay in implementation. Again, the directorate will bring forward budget reductions proposed for 2016-17 to meet the shortfall.
- Review of public conveniences (£50,000) – there is a slight delay in implementing this project so other savings are being sought in this service area to offset the shortfall.

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

4.3 Commentary on the financial position as at 30th June 2015.

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 below. At this stage in the financial year there has been no draw down on earmarked reserves by any directorate, but the position will be reviewed at the half year stage.

4.3.1 Education and Transformation Directorate

The net budget for the Directorate for 2015-16 is £105.863 million. Current projections indicate an over spend of £7,000 at year end. The main variances are:

EDUCATION & TRANSFORMATION DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Early Years	586	602	16	2.7%
Support for Students	-	14	14	0.0%
Education Welfare	268	280	12	4.5%
Strategic Management	1,505	1,482	(23)	-1.5%

Early Years

- There is a projected over spend of £16,000 on the budget as a result of increased payments to private sector providers of early years provision. This budget is demand led and the final outturn will depend on take up of places in the autumn and spring terms.

Support for Students

- This over spend relates to residual redundancy costs incurred following the transfer of all local authority delivered student finance functions to the Student Loans Company by March 2015.

Education Welfare Service

- There is an over spend on the Education Welfare Service arising from redundancy costs anticipated to be met by the directorate.

Strategic Management

- The projected under spend on Strategic Management relates to vacancies in the service during the first quarter of the year.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2015-16 is £62.002 million. Current projections indicate an over spend of £60,000 at year end. The main variances are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,432	8,554	122	1.4%
Older People Home Care	7,781	7,518	(263)	-3.4%
Learning Disabilities Residential Care	1,351	1,635	284	21.0%
Learning Disabilities Direct Payments	1,634	1,514	(120)	-7.3%
Learning Disabilities Home Care	5,314	5,470	156	2.9%
Adult Mental Health Residential Care	1,182	1,068	(114)	-9.6%
Adult Mental Health Home Care	335	459	124	37.0%
Looked After Children (LAC)	10,995	10,740	(255)	-2.3%
Other Child and Family Support Services	725	941	216	29.8%

Older People Residential Care

- There is a projected over spend of £122,000 as a result of sickness within Local Authority homes. The Directorate has seen a projected overall increase in sickness from 2013-14, which has meant that the savings target for the overall directorate for 2015-16 of £50,000 is not likely to be 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.

Older People Home Care

- There is a projected net under spend of £263,000 on older people home care due to anticipated one-off grant income that was not known about at the time the budget was set. The Welsh Government announced an additional £20 million of funding for health and social care integration projects in January 2015, to be managed by the health service, and the local authority has now been allocated a share of this grant.

Learning Disabilities Residential Care

- A projected over spend of £284,000 is likely as a result of the provision of 3 additional residential placements in the first quarter of the financial year.

Learning Disabilities Direct Payments

- There is currently a projected under spend of £120,000 on direct payments for adults with learning disabilities. This is despite an increase in demand since 2014-15 anticipated currently at an extra cost of £160,000. This budget will be closely monitored during the year, particularly since the Social Services and Well-being (Wales) Act 2014 introduces measures designed to increase the use of direct payments.

Learning Disabilities Homecare

- An over spend of £156,000 is projected in relation to the learning disabilities Supported Living service as a result of unforeseen delays in implementing a staff restructure to meet a Medium Term Financial Strategy saving as well as short term staffing pressures within the service.

Adult Mental Health Services

- A projected under spend of £114,000 on residential care is likely as a result of reduced demand on the service. However, this is offset by increased demand on home care, which is projecting an over spend of £124,000.

Looked After Children

- There is a projected under spend of £255,000 on looked after children following a reduction in the number of independent fostering agency placements from 111 to 90, as compared to quarter 1 in 2014-15. The current number of LAC is 386 compared to 390 at the end of March 2015.

Other Child and Family Support Services

- There is a projected over spend of £216,000 on adoption following the establishment of the regional adoption service. A one-off budget pressure was agreed by Council to meet the needs of this service for 2015-16, but given the current overall forecast outturn for the directorate this is not currently required.

4.3.3 Communities Directorate

The net budget for the Directorate for 2015-16 is £24.884 million and the current projection is an anticipated over spend of £145,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Streetworks	7,868	8,200	332	4.2%
Highways and Fleet	6,278	5,862	(416)	-6.6%
Transport and Engineering	865	935	70	8.1%
Parks and Open Spaces	1,978	2,138	160	8.1%

Streetworks

- There is a projected over spend on this area of £332,000. The MREC project is not due to become operational until April 2016, so the £300,000 budget reduction target in 2015-16 will not be met. In addition, there will be additional costs incurred at the MREC due to additional tonnage, but this will be offset by savings from the interim Anaerobic Digestion procurement project, which is due to commence in August 2015.

Highways and Fleet

- There is a projected under spend on Highways and Fleet of £416,000. This has partly arisen from savings generated through the repayment of prudential borrowing in 2014-15 (£101,000), the capitalisation of salaries incurred on the

Local Government Borrowing Initiative (LGBI), and budget reductions originally planned for 2016-17 being brought forward to offset budgetary pressures elsewhere within the directorate, as part of the overall highways and DLO review.

Transport and Engineering

- There is a projected over spend of £70,000 on transport and engineering due to delays in the implementation of car park budget reductions for 2015-16, which has been partly offset by bringing forward some of the 2016-17 budget reductions.

Parks and Open Spaces

- There is a projected over spend across the service of £160,000 due to a delay in implementing the new staffing structure, which will result in the full years saving (£437,000) not being achieved.

4.3.4 Resources Directorate

The net budget for the Directorate for 2015-16 is £14.548 million and current projections anticipate an under spend against this budget of £79,000. The main variance is:

RESOURCES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
ICT	4,110	4,030	(80)	-1.9%

ICT

- The under spend relates to vacancy management in preparation for future MTFS savings.

4.3.5 Legal and Regulatory Services Directorate

The net budget for the Directorate for 2015-16 is £6.043 million and current projections anticipate an under spend against this budget of £140,000. The main variances are:

LEGAL AND REGULATORY SERVICES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Registration Service	29	(31)	(60)	-206.9%
Legal Services	1,993	1,913	(80)	-4.0%

Registration Service

- The registration service is projecting an additional £60,000 income over and above the budget set. This is due to an increase in fees for weddings and priority fees for archived records.

Legal Services

- The remaining £80,000 under spend relates to vacancies in legal services which will be held to meet future MTFS budget reduction targets.

4.3.6 **Council Wide budgets**

This section of the accounts includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The budget is £38.861 million and the projected outturn is £38.761 million, resulting in a projected under spend of £100,000. The main variance is detailed below:

CORPORATE BUDGETS	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Building Maintenance / Feasibility	1,100	1,000	(100)	-9.1%

Building Maintenance

- The projected under spend of £100,000 on the corporate building maintenance budget is a result of projected lower spend on repairs and maintenance of corporate buildings following the sale of Sunnyside and other corporate buildings.

It should be noted that this projection could change significantly during the financial year, depending on the total cost of redundancies incurred during the financial year, the extent of inclement weather, inflationary changes, and demands on the Council Tax Reduction Scheme. At this point in the financial year it is prudent to assume that these budgets will be fully spent by year end.

These budgets are currently being reviewed as part of the MTFS 2016-17 to 2019-20 and will be subject to significant reductions over the life of the MTFS.

4.4 Capital programme monitoring

4.4.1 This section of the report provides Members with an update of the Council's capital programme for 2015-16. The original budget approved by Council on 25th February 2015 was revised and approved by Council in July to incorporate budgets carried forward from 2014-15 and any new schemes and grant approvals. The revised programme totalled £51.155 million. The current capital programme budget for 2015-16 totals £51.300 million of which £35.481 million is BCBC resources with the remaining £15.819 million coming from external grants. The main reasons for the difference between the July programme and the current programme are:

- Additional approval of £246,000 in respect of Flying Start provision in Garth.
- Additional fleet vehicles totalling £79,000, funded from revenue.

- Adjustments in respect of a number of Welsh Government funded schemes e.g. Rural Development Plan

4.4.2 Appendix 3 provides details of the larger schemes within the capital programme, showing the budget available in 2015-16 compared to the projected spend. Commentary is provided detailing any issues associated with these projects.

4.4.3 As at quarter 1 there is projected slippage against the revised budget of £12.305 million which will be carried forward into 2016-17. The main schemes affected are:

- Garw Valley South Primary, following changes to the scheme, resulting in slippage of £2 million.
- Refurbishment of Parks Pavilions, linking in with Community Asset Transfer, leading to slippage of £977,000.
- £2.4 million in respect of the Llynfi Valley Development Programme, with activity due to commence in 2016-17.
- Porthcawl infrastructure, following withdrawal of Morrisons supermarket. The budget of £5.507 million has been carried forward into 2016-17 until a decision is made on the way forward.

4.4.4 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 2015-16.

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Background Papers

Individual Directorate Monitoring Reports
Report to Council 15th July 2015