

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

24 NOVEMBER 2015

CORPORATE DIRECTOR RESOURCES

BUDGET MONITORING – QUARTER 2 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 September 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 October 2015 to £40.223 million. As part of the Performance Management Framework, budget projections are reviewed regularly and reported to Cabinet on a quarterly basis. The drawdown of ear marked reserves and 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 September 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 September 2015

Directorate/Divisions	Revised Budget 2015-16 £'000	Projected Outturn 2015-16 £'000	Projected Over / (Under) Spend Qtr 2 2015-16 £'000	Projected Over / (Under) Spend Qtr 1 2015-16 £'000
Directorate				
Education and Transformation	105,860	105,639	(221)	7
Social Services and Wellbeing	61,944	61,937	(7)	60
Communities	24,988	25,092	104	145
Resources	14,510	14,177	(333)	(79)
Legal & Regulatory Services	6,065	5,951	(114)	(140)
Total Directorate Budgets	213,367	212,796	(571)	(7)
Council Wide Budgets				
Capital Financing	10,315	10,315	0	0
Precepts and Levies	6,913	6,913	0	0
Repairs and Maintenance	1,100	1,100	0	(100)
Council Tax Reduction Scheme	14,254	13,869	(385)	0
Insurance Costs	1,637	1,637	0	0
Other Corporate Budgets	4,615	4,225	(390)	0
Total Council Wide Budgets	38,834	38,059	(775)	(100)
Total	252,201	250,855	(1,346)	(107)

4.1.2 The overall projected position as at 30th September 2015 is an under spend of £1.346 million, comprising £571,000 net under spend on directorates and £775,000 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 Education and Transformation, Resources and Legal and Regulatory Services directorates, a projected over spend on the Communities directorate, and a projected under spend on the Council Tax Reduction Scheme (CTRS) and other corporate budgets.

4.1.3 The budget was set on the assumption of full implementation of the current year budget reduction requirements across the Council's budget which amount to £11.225 million. However, 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.
- 4.1.6 In previous years the Council's actual collection rate for council tax income has exceeded its assumed rate. Council tax is currently set on an assumed collection rate of 97%, so any additional income collected will generate further funding to contribute towards the options outlined in paragraph 4.1.5 above.

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. At the half year stage 83% of the proposals are green and 17% are either amber or red, which is an improvement on the position at same point in 2014-15.

Table 2 – Monitoring of Budget Reductions 2015-16

DIRECTORATE	GREEN		AMBER		RED		TOTAL	
	£'000	%	£'000	%	£'000	%	£'000	%
Education and Transformation	2,411	98.4%	40	1.6%	0	0.0%	2,451	21.8%
Social Services and Wellbeing	2,772	78.4%	357	10.1%	405	11.5%	3,534	31.5%
Communities	1,366	54.9%	497	20.0%	625	25.1%	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	9,301	82.9%	894	8.0%	1,030	9.2%	11,225	100.0%

- 4.2.2 Eight of the proposals are currently RED, totalling £1,030,000. Five are in the Communities Directorate (total £625,000) and relate to ongoing delays in the MREC project (£300,000), budget reductions in respect of car parking charges, pending a review of car parking provision (£60,000), review of public conveniences (£50,000), the introduction of charges for blue badge holders (£165,000) 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 Five of the savings proposals are AMBER, totalling £894,000. 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 consider alternative savings to meet the shortfall.
- Review of school crossing patrol service (£60,000) – due to the processes required to be undertaken to implement this saving, it is unlikely that the full saving will be achieved in 2015-16.
- Focus local authority homecare on specialist and complex care (£307,000) – this is unlikely to be achieved in full in 2015-16, so the directorate is considering alternative savings to meet 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 September 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, along with draw down on earmarked reserves to date.

4.3.1 Education and Transformation Directorate

The net budget for the Directorate for 2015-16 is £105.860 million. Current projections indicate an under spend of £221,000 at year end. The main variances are:

EDUCATION & TRANSFORMATION DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Local Authority Special Needs Services	644	542	(102)	-15.8%
Schools Based Special Educational Needs	2,558	2,379	(179)	-7.0%
Inter Authority Recoupment / OOC Placements	426	316	(110)	-25.8%
Strategic Management	272	348	76	27.9%

Local Authority Responsibility Special Educational Needs Services

- There is a projected under spend of £102,000 on the budget as a result of vacancies held in anticipation of budget reductions in 2016-17. These will not be reoccurrent under spends.

School Based Special Educational Needs

- The under spend of £179,000 is a combination of vacancies across specialist bases in schools and reduced spend on one-to-one support for pupils during

the summer term, as a result of higher than anticipated contributions from schools, in line with the Financial Scheme for Schools. The under spend arising from vacancies will not reoccur in 2016-17.

Inter-Authority Recoupment / Out of County (OOC) Placements

- There is currently an under spend of £78,000 projected on the education budget for out of county placements, due to a reduction in the number of placements from 32 in March 2015 to 28 currently. Alongside this, the authority is projecting an additional £32,000 income in respect of pupils from other local authorities attending this authority's schools.

Strategic Management

- The projected over spend on Strategic Management relates to the apportionment of the Remodelling of the Children's Residential Care budget reduction (£200,000) between Education and Transformation and Social Services and Wellbeing directorates, following the transfer for Safeguarding and Family Support to the Social Services and Wellbeing directorate. The service will meet this reduction in 2015-16 through savings in other areas of the directorate budget and will find alternative reductions in 2016-17 to meet this on a reoccurring basis.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2015-16 is £61.944 million. Current projections indicate an under spend of £7,000 at year end, after draw down of £200,000 from earmarked reserves for remodelling of adult social care (£53,000), Looked After Children strategy (£47,000), Homecare and meals at home (£66,000) and residual job evaluation costs on safeguarding (£34,000). The main variances are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Learning Disabilities Residential Care	1,487	1,647	160	10.8%
Learning Disabilities Day Opportunities	3,389	3,276	(113)	-3.3%
Looked After Children	10,923	10,726	(197)	-1.8%
Family Support Services	978	836	(142)	-14.5%
Other Child and Family Support Services	725	941	216	29.8%

Learning Disabilities Residential Care

- A projected over spend of £160,000 is likely as a result of the provision of 3 additional residential placements in the first half of the financial year. These placements have since reduced to 2, and will continue into the new financial year. The directorate will re-align budgets in 2016-17 to meet this pressure.

Learning Disabilities Day Opportunities

- There is currently a projected under spend of £113,000 on the day opportunities budget as a consequence of staff vacancies within the service, part of which is held in anticipation of budget reductions in 2016-17. The under spend on these posts will not reoccur in 2016-17.

Looked After Children

- There is a projected under spend of £197,000 on looked after children following a reduction in the number of independent fostering agency placements, with 80 placements forecast by the end of the year, compared to 92 as at March 2015. The current number of LAC is 376 compared to 390 at the end of March 2015.

Family Support Services

- There is a projected under spend of £142,000, partly as a result of under-utilised direct payments (£77,000), which have been re-claimed, and partly due to under spends on salary budgets and residence orders, which have reduced from 26 in 2014-15 to 23 in this financial year. A reoccurrent budget pressure allocation of £400,000 for direct payments was approved by Council in February 2015 for 2015-16 onwards. As there is a projected under spend on this budget currently, the position will be reviewed at year end to determine future on-going requirement of this pressure.

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. The Business Case for the service highlighted that the cost of the service would reduce in year 2 on the assumption that the number of adoptions in Bridgend would be lower than in the other two authorities. If numbers of adoptions remain at the current level then the cost will not reduce and the budget will have to be re-aligned with the LAC budget, which should reduce accordingly.

4.3.3 Communities Directorate

The net budget for the Directorate for 2015-16 is £24.988 million and the current projection is an anticipated over spend of £104,000 after draw down of £192,000 from earmarked reserves. The earmarked reserve draw down relates to the Cultural Trust (£93,000), Car Parking Strategy (£2,000), redundancy costs (£69,000) and Depot feasibility spend (£28,000). This also takes into account draw down of the one-off budget pressure of £135,000 in respect of the costs of increased tonnage at the MREC. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Housing Options, Strategy & Homelessness	940	770	(170)	-18.1%
Waste Disposal	5,333	5,474	141	2.6%
Street Lighting	1,630	1,480	(150)	-9.2%
Transport and Engineering	861	982	121	14.1%

Housing Options, Strategy and Homelessness

- There is a projected under spend on this area of £170,000. This is as a result of a projected under spend on bed and breakfast costs, alongside vacancy management savings in the housing service (£130,000), in addition to a projected under spend of £40,000 relating to a non-staffing efficiency saving identified in advance of budget reductions in 2016-17.

Waste Disposal

- The MREC procurement is ongoing so the £300,000 budget reduction target in 2015-16 will not be achieved in 2016-17. There are also additional costs incurred at the MREC due to additional tonnage, but this has been mitigated by the one-off budget pressure (£135,000) agreed for 2015-16 and savings from the interim Anaerobic Digestion procurement project, which commenced in August 2015.

Street Lighting

- There is a projected under spend on street lighting of £150,000. This relates to a budget reduction proposal for 2016-17, which has been brought forward in order to offset non-achievement of 2015-16 budget reductions.

Transport and Engineering

- There is a projected overall over spend of £121,000 on transport and engineering due to delays in the implementation of car park budget reductions for 2015-16 (£225,000), such as charging blue badge holders, and staff car parking charges, which has been partly offset by higher income than anticipated on the engineering service. There will be a loss of income at the Rhiw car park during the Vibrant and Viable construction works, but an earmarked reserve has been established to meet this shortfall and will be drawn down when the actual cost is known.

4.3.4 Resources Directorate

The net budget for the Directorate for 2015-16 is £14.510 million and current projections anticipate an under spend against this budget of £333,000 after draw down of £34,000 from earmarked reserves in respect of Change Fund projects. The main variances are:

RESOURCES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Property Services	1,677	1,655	(22)	-1.3%
HR & Organisational Development	3,918	3,740	(178)	-4.5%
Finance: Bank Charges and Audit Fees	899	735	(164)	-18.2%
ICT	4,150	4,139	(11)	-0.3%

Property Services

- The under spend relates to a combination of an under spend on staffing (£122,000), due to vacancy management in preparation for future MTFS budget reductions, partly offset by an over spend relating to voids on non-operational assets (£136,000). The under spend arising from vacancies will not reoccur in 2016-17.

HR and Organisational Development

- The under spend of £178,000 relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

Finance: Bank Charges and Audit Fees

- The under spend of £164,000 comprises an underspend of £50,000 on internal audit fees, as a result of staffing vacancies, £35,000 relating to lower than anticipated bank charges under the new banking contract, and £95,000 relating to reduced external audit fees, based on current spend profile. This is partially offset by lower than anticipated income from re-charged bank fees.

ICT

- The under spend relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

4.3.5 Legal and Regulatory Services Directorate

The net budget for the Directorate for 2015-16 is £6.065 million and current projections anticipate an under spend against this budget of £114,000, after draw down of £34,000 from earmarked reserves in respect of legal and administrative support from the Change Fund, and £100,000 in respect of land litigation charges. The main variances are:

LEGAL AND REGULATORY SERVICES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Regulatory Services	1,631	1,573	(58)	-3.6%
Procurement	288	277	(11)	-3.8%
Partnerships	353	323	(30)	-8.5%

Regulatory Services

- The Joint Regulatory Service, which came into existence in May, is currently projecting an under spend, as a result of vacancies held whilst the new structure is being populated. The new structure is expected to be implemented from November.

Procurement

- The under spend relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

Partnerships

- The under spend relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

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 £38.834 million and the projected outturn is £38.059 million, resulting in a projected under spend of £775,000. The main variances are detailed below:

CORPORATE BUDGETS	Net Budget	Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Council Tax Reduction Scheme	14,254	13,869	(385)	-2.7%
Other Corporate Budgets	4,615	4,225	(390)	-8.5%

Council Tax Reduction Scheme

- The under spend of £385,000 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.

Other Corporate Budgets

- The under spend of £390,000 is a combination of:
 - o Less demand from Directorates to meet in year pay pressures, including superannuation and National Insurance increases, as staff numbers reduce.
 - o 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.

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.

These budgets have been 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, and again in October to incorporate budgets carried forward from 2014-15 and any new schemes and grant approvals. The revised programme totalled £40.223 million. The current capital programme budget for 2015-16 totals £40.252 million of which £23.967 million is BCBC resources with the remaining £16.285 million coming from external grants. The main reasons for the difference between the October programme and the current programme are:

- £30,000 Transfer of minor works scheme from capital programme to revenue, which is reported outside the capital programme.
- £59,000 Additional Welsh Government funding for Coity By-Pass Land compensation scheme.

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 2 there is projected under spend of £70,000 against budget and slippage against the revised budget of £1.659 million which will be carried forward into 2016-17. The main schemes affected are:

- Vibrant and Viable Places scheme, following a revised financial profile on the scheme from contractors. Approval from Welsh Government will be required.
- Tondu Primary Temporary Accommodation, following completion of the scheme, resulting in slippage of £29,000 transferring to future school modernisation projects.

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 two quarters, which may place additional pressure on project timescales.

4.5 Review of Earmarked reserves

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. A quarter 2 review of the particular pressures that were to be covered by earmarked reserves was undertaken, but earmarked reserves were not drawn down if the Directorate could absorb these pressures from forecast under spends elsewhere within their budgets. This will again be reviewed at quarter 3 as per the Protocol.

During the first half of 2015-16, Directorates drew down £236,000 of funding from their Directorate specific earmarked reserves that were created as part of the 2014-15 year-end process and £1.793 million from Corporate Reserves including the Major Claims Reserve. These are detailed in the table below:

Opening Balance 1st April 2015	Reserve	Movement as at Qtr 2	Closing Balance 30th Sept 2015
£'000		£'000	£'000
	Corporate Reserves:-		
	Communities	(124)	
	Education & Transformation	-	
	LARS	(34)	
	Resources	(34)	
	Social Services & Wellbeing	(133)	
	Non-Directorate	(1,468)	
31,709	Total Corporate Reserve	(1,793)	29,916
	Directorate Earmarked Reserves:-		
978	Communities	(69)	909
995	Education & Transformation	-	995
692	LARS	(100)	592
360	Resources	-	360
600	Social Services & Wellbeing	(67)	533
3,625	Total Directorate Reserves	(236)	3,389
35,334	Total Usable Reserves	(2,029)	33,305

A full breakdown of total movement on earmarked reserves at 30th September is provided in Appendix 4.

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.

**Ness Young
Corporate Director Resources
November 2015**

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Background Papers

Individual Directorate Monitoring Reports

Report to Council 15th July 2015

Report to Council 7th October 2015