

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

26 JULY 2016

REPORT OF THE SECTION 151 OFFICER

BUDGET MONITORING – QUARTER 1 2016-17

1.0 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 2016.

2.0 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 March 2016. The allocation of budget determines the extent to which the Council's corporate improvement priorities can be delivered.

3.0 Background

- 3.1 On 10th March 2016, Council approved a net revenue budget of £254.891 million for 2016-17, along with a capital programme for the year of £43.553 million, which was recently revised to £49.530 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 2016.

- 4.1.1 The Council's net revenue budget and projected outturn for 2016-17 is shown in Table 1 below.

Table 1- Comparison of budget against projected outturn at 30th June 2016

Directorate/Divisions	Revised Budget	Projected Outturn	Projected Over / (Under) Spend	Projected Over / (Under) Spend
	2016-17	2016-17	Qtr 1 2016-17	Qtr 1 2015-16
	£'000	£'000	£'000	£'000
Directorate				
Education and Family Support	108,202	108,489	287	7
Social Services and Wellbeing	59,650	59,899	249	60
Communities	24,677	25,083	406	145
Operational and Partnership Services	14,900	14,773	(127)	(79)
Chief Executives and Finance	4,318	4,067	(251)	(140)
Total Directorate Budgets	211,747	212,311	564	(7)
Council Wide Budgets				
Capital Financing	10,128	10,128	0	0
Precepts and Levies	6,959	6,959	0	0
Sleep Ins	800	800	0	0
Council Tax Reduction Scheme	14,304	13,904	(400)	0
Insurance Costs	1,559	1,559	0	0
Building Maintenance	900	900	0	(100)
Centrally held Budget Pressures	1,394	1,394	0	0
Other Corporate Budgets	7,100	7,100	0	0
Total Council Wide Budgets	43,144	42,744	(400)	(100)
Total	254,891	255,055	164	(107)

- 4.1.2 The overall projected position as at 30th June 2016 is a net over spend of £164,000, comprising £564,000 net over spend on directorates and £400,000 under spend on corporate budgets. A detailed analysis of the more significant projected under and over spends is set out in section 4.3.
- 4.1.3 The net budget for the financial year assumes full implementation of the current year budget reduction requirements across the Council's budget which amount to £7.477 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 March 2016 Council approved the Medium Term Financial Strategy (MTFS) for 2016-17 to 2019-20. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to around £35.5 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 2016-17. 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

Budget Reductions 2015-16

4.2.1 A report was presented to Cabinet on 5th July 2016 on Financial Performance 2015-16. In the report it was highlighted that, of the £11.225 million budget reduction proposals for 2015-16, £2.692 million were not met in full, with a shortfall in the financial year of £1.909 million. The report stated that these proposals would continue to be monitored alongside current year proposals, with mitigating action to achieve them identified. A summary of the latest position is attached as Appendix 1, which shows that while positive progress has been made, there remains an ongoing shortfall of £1.172 million in 2016-17 against these specific proposals.

4.2.2 As outlined in the Medium Term Financial Strategy reports to Cabinet and Council, MTFs Principle 12 states that *"Resources are allocated to deliver the Bridgend Change Programme based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFs and a MTFs Budget Reduction Contingency will be maintained"*. Corporate Management Board has agreed criteria for establishing the MTFs Budget Reduction Contingency as an earmarked reserve, to provide interim funding for reductions still not likely to be achieved in 2016-17 due to factors outside the Council's control, for example procurement issues and unforeseen consultation requirements. A current total of £333,000 has been transferred to the earmarked reserve in 2016-17 and will be used to partly mitigate the shortfalls on the following budget reduction proposals in this financial year.

COM 1	MREC	£150,000
COM 11	Blue Badges	£83,000
CH 9	School Transport	£100,000

Directorates are seeking to identify mitigating actions to meet the balance of the budget reduction shortfalls in this financial year. In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position. These will continue to be closely monitored and draw down from this contingency fund will be made as part of the period 6 review of earmarked reserves.

Budget Reductions 2016-17

4.2.3 The budget approved for 2016-17 included budget reduction proposals totalling £7.477 million, which is broken down in Appendix 2 and summarised with a RAG status in Table 2 below. In comparison, the budget reduction requirement for 2015-16 was £11.225 million and at quarter 1, 85% of the total value of proposals were green, 8% (£834,000) amber and 7% (£815,000) red. For 2016-17 Amber and Red proposals account for almost one quarter of overall proposals, and both the total and overall percentage of reductions is higher than for 2015-16. Given the scale of budget reductions, any non-achievement will have a significant impact on the outturn position.

Table 2 – Monitoring of Budget Reductions 2016-17

DIRECTORATE	GREEN		AMBER		RED		TOTAL	
	£'000	%	£'000	%	£'000	%	£'000	%
Education and Family Support	482	49%	44	5%	450	46%	976	13%
Social Services and Wellbeing	1,717	58%	710	24%	557	19%	2,984	40%
Communities	1,092	79%	285	21%	0	0%	1,377	18%
Operational and Partnership Services	969	98%	16	2%	0	0%	985	13%
Chief Executive	157	72%	60	28%	0	0%	217	3%
Council Wide Budgets	938	100%	0	0%	0	0%	938	13%
TOTAL	5,355	72%	1,115	15%	1,007	13%	7,477	100%

4.2.4 Five of the proposals are currently RED, totalling £1.007 million. Three are in the Education and Family Support Directorate (total £450,000) and relate to the over spends on home to school / college transport, particularly in respect of school transport route efficiencies and rationalisation of special educational needs transport. The remaining two proposals are in the Social Services and Wellbeing Directorate, relating to the reduction in numbers of Looked After Children (£357,000), and the Remodelling of Children's Respite Care (£200,000).

4.2.5 Thirteen of the savings proposals are AMBER, totalling £1.115 million. The most significant are:

- To develop a delivery model for Bridgend Resource Centre (£108,000) – unlikely to be achieved in 2016-17 but plans still being developed for consideration.
- Transfer of Family Care Service to Community Hubs (£210,000) – full year saving unlikely, but plans progressing to achieve part year saving.
- Changes to Social Services workforce (£100,000) – still requires permanent staff restructuring to meet savings target, but some will be met in year through vacancies.
- Lease of Raven's Court building (£195,000) – tenant still to be secured for the building. There is a risk that this could become red if a tenant is not secured within the next few months.
- Put some aspects of Council Tax and Housing Benefits on line (£60,000) – delay in implementing Channel Shift will prevent full savings being achieved in this financial year.

4.2.6 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 2016.

A summary of the financial position for each main service area is attached as Appendix 3 to this report and comments on the most significant variances are provided below. 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 Family Support Directorate

The net budget for the Directorate for 2016-17 is £108.202 million. Current projections indicate an over spend of £287,000 at year end. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Inter Authority Recoupment	126	(216)	(342)	-271.4%
School Improvement	948	852	(96)	-10.1%
Home to School / College Transport	3,860	4,568	708	18.3%

Inter Authority Recoupment

- There is currently an under spend of £302,000 projected on the education budget for out of county placements, due to a reduction in the number of placements, from 28 in March 2016 to 25 currently, as pupils are brought back in-County to be educated. Alongside this, the authority is projecting an additional £39,000 income in respect of pupils from other local authorities attending this authority's schools.

School Improvement

- This under spend relates to a delay in appointments to the Development Team, which will support the strategic review of schools. The process is currently underway and appointments should be made shortly.

Home to School / College Transport

- There is a projected over spend on the Home to School Transport budget of £708,000, of which £258,000 relates to over spends in 2015-16. The 2015-16 MTFS savings were not fully achieved partly from the limited rationalisation of contracts because of increases in the number of pupils eligible for transport, which is outside of the control of the local authority and difficult to predict with accuracy. In addition, route efficiencies were not fully realised as the agreed change to the Learner Travel policy by Cabinet will not be implemented until September 2016 and this will not bring the same level of savings as were originally identified.
- Further efficiencies to SEN and Looked After Children (LAC) transport have been pursued but have been impacted by some increased demand for individual transport due to the needs of individual children and our duty as a

Local Authority to ensure that they are transported in line with our statutory responsibilities and our current Learner Travel policy. Additional MTFS proposals for 2016-17 of £450,000 have added to this pressure. The over spend has been partly mitigated by a contribution of £100,000 from the MTFS Budget Reduction Contingency reserve, as outlined in 4.2.2.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2016-17 is £59.650 million. Current projections indicate an over spend of £249,000 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	8,040	7,761	(279)	-3.5%
Assessment & Care Mgt – Older People and Physical Disabilities	3,468	2,966	(502)	-14.5%
Learning Disabilities Residential Care	1,383	1,953	570	41.2%
Learning Disabilities Day Opportunities	3,078	2,783	(295)	-9.6%
Mental Health Residential Care	1,065	877	(188)	-17.7%
Administrative and Central Services	763	980	217	28.4%
Looked After Children	10,440	11,307	867	8.3%

Older People Residential Care

- There is a projected under spend of £279,000 as a result of staffing vacancies and an anticipated reduction in the number of nursing placements over the coming year, for which the Council pays the care element. These placements are also reducing as trends suggest a greater demand for homecare.

Assessment and Care Management

- There is a projected under spend of £363,000 on assessment and care management for older people, and £139,000 on assessment and care management for people with physical disabilities, arising mainly from staff vacancies pending new appointments and corresponding under spends on car allowances.

Learning Disabilities Residential Care

- A projected over spend of £570,000 is likely as a result of the transfer of clients from children to adults services. It is currently estimated that by the end of the financial year there will be an additional 5 clients transferred from children's services. However, given the existing pressures on the Looked After Children budget, it is not feasible to reduce that budget to offset these costs.

Learning Disabilities Day Opportunities

- There is currently a projected under spend of £295,000 arising from staff vacancies pending new appointments. It is anticipated that most of these vacancies will be appointed to going forward.

Adult Mental Health Services

- A projected under spend of £188,000 on residential care is likely as a result of higher income than anticipated both from client contributions and the Health authority, where provision is made under section 117 of the Mental Health Act 1983.

Administrative and Central Services

- There is a projected over spend of £217,000 on administrative and central services relating to MTFs budget reductions not achieved to date. This is in respect of both 2015-16 and 2016-17 budget reductions, and is currently being mitigated in the main from vacancies held across the rest of the directorate.

Looked After Children (LAC)

- There is a projected over spend of £867,000 on looked after children. The number of LAC at the end of May was 394 compared to 382 at the end of March 2016. In addition there are currently 5 pupils educated out of county in specialist establishments for whom there is a care element that is funded by the Safeguarding and Family Support service, although they are not classed as LAC. These costs are built into the projected over spend.

4.3.3 Communities Directorate

The net budget for the Directorate for 2016-17 is £24.677 million and the current projection is an anticipated over spend of £406,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Facilities Management	1,210	1,310	100	8.3%
Waste Disposal	5,120	5,432	312	6.1%
Waste Collection	1,214	1,154	(60)	-4.9%
Transport and Engineering (Client and Business)	(439)	(276)	163	-37.1%
Adult Education	182	107	(75)	-41.2%

Facilities Management

- There is a projected over spend of £100,000 in relation to MTFs savings to be generated from the lease of Raven's Court. A tenant has still to be secured for the building, and the projection assumes only half year occupancy. If a tenant is not secured in the next quarter, the over spend will increase.

Waste Disposal

- The MREC saving of £300,000 for 2015-16 was not achieved and is unlikely to be achieved in 2016-17. This has been partly mitigated by a contribution of £150,000 from the MTFs Budget Reduction Contingency reserve, as outlined in 4.2.2. In addition there are additional tonnage costs of £382,000 offset by savings from the interim Anaerobic Digestion (AD) procurement project of £220,000.

Waste Collection

- The 2015-16 MTFS saving of £50,000 relating to the public purchasing their own black bags is not achievable, but has been offset by a full year saving generated by the closure of the Household Waste and Recycling Centre (HWRC) site in Ogmore.

Transport and Engineering

- There is a projected over spend of £163,000 on transport and engineering due to delays in the implementation of car park budget reductions for 2015-16, in particular the proposal to charge for blue badges (£165,000). Whilst this has been partly mitigated by a contribution of £83,000 from the MTFS Budget Reduction Contingency reserve, there are also over spends relating to historical staff car park income shortfalls (£50,000) and internal fee shortfalls (£20,000).

Adult Education

- There is a projected under spend across the service of £75,000 due to staff vacancy management.

4.3.4 Operational and Partnership Services Directorate

The net budget for the Directorate for 2016-17 is £14.900 million and current projections anticipate an under spend against this budget of £127,000. The main variances are:

OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Human Resources and Organisational Development	2,139	2,034	(105)	-4.9%
Transformation Team	239	217	(22)	-9.2%

Human Resources and Organisational Development

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

Transformation Team

- The under spend is as a result of vacancies within the team.

4.3.5 Chief Executive's Directorate

The net budget for the Directorate for 2016-17 is £4.318 million and current projections anticipate an under spend against this budget of £251,000. The main variances are:

CHIEF EXECUTIVES	Net Budget	Projected Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Chief Officers	645	505	(140)	-21.7%
Accountancy	1,443	1,406	(37)	-2.6%
Housing Benefits Administration	695	648	(47)	-6.8%

Chief Officers

- The under spend of £140,000 relates to the vacant staffing budget following the departure of the Corporate Director Resources. This is being held in preparation for future MTFS savings.

Accountancy

- The under spend of £37,000 relates to staffing vacancies which are being held in preparation for future MTFS savings.

Housing Benefits Administration

- The under spend of £47,000 relates to staffing vacancies which are being held in preparation for future MTFS savings

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 £43.144 million and the projected outturn is £42.744 million, resulting in a projected under spend of £400,000. The main variance is detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Council Tax Reduction Scheme	14,304	13,904	(400)	-2.8%

Council Tax Reduction Scheme

- The projected under spend of £400,000 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. The projection is based on take up at the end of June 2016. Budget reductions are planned for future years.

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 early in the financial year it is prudent to assume that all other budgets will be fully spent by year end.

These budgets are currently being reviewed as part of the MTFS 2017-18 to 2020-21 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 2016-17. The original budget approved by Council on 10th March 2016 was revised and approved by Council in May and again in July to incorporate budgets brought forward from 2015-16, budgets carried forward into 2017-18, and any new schemes and grant approvals. The revised programme totalled £49.530 million, of which £35.378 million is met from BCBC resources with the remaining £14.152 million coming from external grants.
- 4.4.2 Appendix 4 provides details of the individual schemes within the capital programme, showing the budget available in 2016-17 compared to the projected spend. Commentary is provided detailing any issues associated with these projects.
- 4.4.3 Following approval of the revised capital programme by Council on 6th July 2016, no further revisions are necessary at this stage. 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 budget as set out in Appendix 4. However, this will depend upon scheme progress during the financial year and any inclement weather experienced, 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 2016-17.

Randal Hemingway
Head of Finance & Section 151 Officer
July 2016

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
Report to Council 10th March 2016
Report to Council 6 May 2016