

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO THE CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

2 DECEMBER 2020

### REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

#### BUDGET MONITORING 2020-21 – QUARTER 2 REVENUE FORECAST

##### 1.0 Purpose of report

1.1 The purpose of this report is to provide the committee with an update on the Council's revenue financial position as at 30th September 2020, and virements between £100,000 and £500,000 as required by the Council's Financial Procedure Rules.

##### 2.0 Connections to corporate wellbeing objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-

1. **Supporting a successful economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** – taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

2.2 The allocation of budget determines the extent to which the Council's well-being objectives can be delivered.

##### 3.0 Background

3.1 On 26th February 2020, Council approved a net revenue budget of £286.885 million for 2020-21. 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 / proposal

### 4.1 Summary financial position at 30th September 2020

4.1.1 The Council's net revenue budget and projected outturn for 2020-21 is shown in Table 1 below.

**Table 1- Comparison of budget against projected outturn at 30th September 2020**

Directorate/Budget Area	Original Budget 2020-21 £'000	Revised Budget 2020-21 £'000	Projected Outturn Q2 2020-21 £'000	Projected Over / (Under) Spend 2020-21 £'000	Projected Over / (Under) Spend Qtr 1 2020-21 £'000
<b>Directorate</b>					
Education and Family Support	120,931	120,968	122,462	1,494	1,992
Social Services and Wellbeing	70,894	72,111	72,531	420	1,182
Communities	27,790	27,810	28,266	456	(1,048)
Chief Executive's	18,228	18,228	19,346	1,118	677
<b>Total Directorate Budgets</b>	<b>237,843</b>	<b>239,117</b>	<b>242,605</b>	<b>3,488</b>	<b>2,803</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,329	7,329	7,129	(200)	0
Levies	7,459	7,460	7,471	11	11
Apprenticeship Levy	650	650	636	(14)	(14)
Council Tax Reduction Scheme	15,254	15,254	15,255	1	317
Insurance Premiums	1,438	1,438	1,387	(51)	(66)
Repairs & Maintenance	870	790	790	0	0
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	15,612	13,917	10,651	(3,266)	0
<b>Total Council Wide Budgets</b>	<b>49,042</b>	<b>47,268</b>	<b>43,749</b>	<b>(3,519)</b>	<b>248</b>
<b>Earmarked Reserves</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>286,885</b>	<b>286,885</b>	<b>286,854</b>	<b>(31)</b>	<b>3,051</b>

4.1.2 The overall projected position at 30th September 2020 is a net under spend of £31,000, comprising £3.488 million net over spend on directorates and a £3.519 million net under spend on corporate budgets. The projected position is based on:-

- Inclusion of reimbursed expenditure/loss of income to date on areas impacted by COVID-19 received from Welsh Government (WG).
- Exclusion of COVID-19 expenditure/loss of income claims that are currently being reviewed by WG at the time of writing this report.
- Exclusion of COVID-19 expenditure/loss of income claims that have not yet been submitted as they relate to quarters 3 and 4 of 2020-21.

A detailed analysis of the more significant projected under and over spends is set out in section 4.3.

## **COVID-19**

- 4.1.3 The UK was put into lockdown on 23rd March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. The impact of the COVID-19 pandemic has had an inevitable impact on the Council's financial position in a number of ways:

Additional cost pressures	Some have been one-off and some recurrent. The majority of one-off cost pressures have been submitted for funding to the WG Hardship Fund, e.g. PPE, ICT, voids etc. It is unlikely that recurrent pressures will be met in the medium term.
Lost income	Again, some have been one-off losses, others will be deferred losses (e.g. potentially planning income), and others could be permanent recurrent losses. Claims have been submitted to WG covering loss of income for Quarter 1. Main areas claimed were car parking and school meals.
2020-21 MTFS savings not met	Total MTFS savings for the year of £2.413m which may not be achieved (e.g. staffing restructures, remodelling of services, income generation) or which may be achieved fortuitously due to circumstances, but will require decisions going forward on whether or not to proceed or revisit.
Unanticipated savings	For areas where service provision has reduced or stopped and subsequent savings have been made e.g. home to school transport, premises and fuel.
Council Tax	There is likely to be a shortfall in council tax collection, especially given the delay in starting recovery, and an increase in council tax benefits.

- 4.1.4 As reported to Cabinet on 30th June 2020, a COVID Earmarked Reserve of £3 million was created at the end of 2019-20. Also on 30th June Cabinet agreed a proposed approach to respond to the COVID-19 pandemic to allow the council to re-start, recover and renew its service provision. A Recovery Panel to help shape, inform and advise Cabinet on the Council's recovery planning has been established. Phase 1 findings were reported to Cabinet on 15th September 2020.
- 4.1.5 Cabinet and Corporate Management Board (CCMB) agreed to establish a COVID-19 Recovery Fund for 2020-21 on a 'one off' basis to provide funding for conscious and proactive decisions aimed at boosting recovery that were unlikely to be paid for by WG, with £500,000 being utilised from the 2020-21 Public Realm fund (see section 4.3.3) and a further £500,000 being ring-fenced from the COVID Earmarked Reserve to create a fund of £1 million.

## **Estimated costs of the Council's response to the COVID-19 pandemic**

- 4.1.6 In response to the pandemic, the Council, alongside other organisations, has providing direct support to its community / residents in a number of ways. Welsh Government has provided specific eligibility criteria for each of its funding streams, and all directorates have been made aware of them, and are capturing costs

accordingly. Any COVID-19 costs which are not identified and claimed will need to be funded from the normal service budgets. Claims submitted to WG covering expenditure to August 2020, and the outcome of these claims are shown in Table 2.

**Table 2 – COVID-19 expenditure claims up to August 2020**

Specific Hardship Fund	Claimed	Paid	On hold	Disallowed
	£'000	£'000	£'000	£'000
General	1,435	880	24	531
Homelessness	743	743	0	0
Free School Meals	1,328	605	617	106
Schools (including HUB costs)	609	546	33	30
Adult Social Services	2,230	2,194	17	18
<b>Total</b>	<b>6,345</b>	<b>4,969</b>	<b>691</b>	<b>685</b>

- 4.1.7 The majority of the disallowed expenditure (£461,000) relates to ICT costs incurred by the Council primarily to establish home working arrangements. The WG hardship panel agreed that these costs may be additional and not within the council's financial plans, however they also felt that having such assets in place provides longer term benefits to local authorities. A contribution of 50% was therefore agreed with the majority of the balance being funded from the annual ICT Capital budget. The majority of the £106,000 disallowed expenditure under the Free School Meals category relates to the delivery costs of the food parcels which took the cost of the provision over the funding threshold set by Welsh Government.
- 4.1.8 The majority of the £691,000 of claims that have been placed on hold relates to Free School Meal claims. A separate panel meets to determine the Free School Meal claims and at the time of writing this report, the outcome of the claims for July and August are not known. As there is no certainty at the time of writing this report in relation to the outcome of the items placed on hold, the reimbursement of costs has not been assumed in the quarter 2 projections (see 4.3.1).
- 4.1.9 The Council has also submitted claims for loss of income to the Welsh Government for the first quarter of 2020-21 totalling £2.507 million as shown in Table 3.

**Table 3 – COVID-19 loss of income for Quarter 1 2020-21**

Directorate	Claimed (covers to end of Qtr 1)	Paid	Delayed (50% paid)	On hold	Disallowed	Main areas
	£'000	£'000	£'000	£'000	£'000	
Education and Family Support Directorate	1,253	1,047	0	205	0	£1.047m - School meal income, £205K - recoupment income
Schools	188	188	0	0	0	£90K - school meal income, £98K - loss of income from hire of school premises
Social Services & Wellbeing Directorate	314	184	0	130	0	£154K – contribution to Council’s leisure service provider, £130K - Residential and non-residential client contribution income
Communities Directorate	600	577	1	22	0	£210K - Car Park Income, £160K - rental income from properties due to 3 month rent holiday, £53K – civil enforcement income, £72K Green/Bulky/Trade waste income
Chief Executive's Directorate	152	9	29	41	74	£117K – legal, democratic and regulatory services, £29K - registration fees
<b>Total</b>	<b>2,507</b>	<b>2,005</b>	<b>30</b>	<b>398</b>	<b>74</b>	

4.1.10 £2.005 million has been approved. £30,000 has been received as a 50% contribution towards some services areas as WG predict that income might catch up in these areas by 31st March 2021. £398,000 is currently on hold whilst we provide further evidence to WG (mostly £160,000 special school recoupment income and £130,000 for residential care home voids). The quarter 2 projections have excluded the ‘delayed’ or ‘on hold’ loss of income categories as there is no certainty at the time of writing this report in relation to the outcome of these claims. £74,000 has been disallowed – this mainly relates to court cost income that WG have indicated is related to Council Tax income and not eligible from the hardship fund (See 4.3.4).

4.1.11 Cabinet has also committed £306,000 from the COVID Recovery fund to support the free car parking offer for Town Centres, a phased rental income increase for its own premises, waived sports fees for the current season and wider economic resilience schemes. These have been built into the quarter 2 projections.

4.1.12 In addition to lost income from service provision, the Council is also likely to see a reduction in council tax income over the 2020-21 financial year as more people have suffered financial hardship through the pandemic. A number of measures were put in place to support those facing difficulty in paying their council tax, but it is estimated that there is still likely to be a lower collection rate than normal. A 1% reduction in the council tax income collection rate could result in an

additional pressure to the Council of around £1 million. Given the range of measures put in place to support council tax payers, it is too early to provide a realistic indication of projected council tax for this financial year, but it will be monitored continuously throughout the year and reported accordingly. Whilst no funding has been identified by WG for reduced council tax income, WG are monitoring this across all Welsh Local Authorities.

- 4.1.13 Alongside this, the impact of a significant increase in claims for universal credit is manifesting itself in an increase in eligibility for council tax reduction support, and the additional cost of this could be between £500,000 to £1 million over the 2020-21 financial year. Funding has been received from WG for the first quarter of 2020-21 (£133,000) and there is ongoing commitment from WG to support this area. However, it is difficult to predict the full year impact as we have yet to see the impact of the end of the furlough scheme/newly unemployed and a likely increase in the number of benefits claimants, but the cost will at least be partly mitigated.

### **Budget virements/technical adjustments**

- 4.1.14 There have been a number of budget virements and technical adjustments between budgets since the MTFS was approved by Council in February 2020. The budget position is reported on the assumption that these virements will be approved. The main virements and technical adjustments are outlined below:

#### Budget Virements

<b>Service vired from / to</b>	<b>Amount</b>
One-off contribution from Public Realm Fund (Communities Directorate) to fund in-year COVID-19 Recovery Fund (see paragraph 4.1.5).	£500,000
One-off contribution from Corporate Contingency to fund the shortfall on the Home to School Transport savings within the Education and Family Support Directorate (see paragraph 4.1.22)	£344,000

#### Technical Adjustments

<b>Service vired from / to</b>	<b>Amount</b>
Transfer of inflationary uplifts not confirmed when the MTFS is agreed that are held centrally until evidence of the uplift is provided by the service areas	£281,305
Transfer of National Living Wage uplifts on commissioned contracts within Social Services and Wellbeing. This was an agreed Budget Pressure when the MTFS was approved but had been held centrally until evidence of the uplift was provided by the service areas.	£1,037,157
Transfer of Real Living Wage uplifts to School Budgets that were held centrally until evidence of the uplift was provided.	£75,541
Transfer of prudential borrowing from centrally held funding to corporate landlord – borrowing costs for buildings managed by the corporate landlord service.	£80,000

## **Pay/Price Inflation**

- 4.1.15 When the budget for 2020-21 was set, directorates were provided with funding for known pay and price inflation. The remaining provision was retained centrally within Council wide budgets, to be allocated as further information was known about specific contractual price increases e.g. for energy. The technical adjustments table above presents the start of the release of these budgets as and when evidence is provided by the service areas.
- 4.1.16 Inflationary pressures include those arising from specific contractual commitments and significant increases in staffing costs arising not only from the above inflation increases in the national living wage, and the recent implementation of the real living wage by the Council, but also the recently agreed pay award of 2.75% for National Joint Council (NJC) workers. An estimated £2.6 million is due to be transferred shortly from centrally held budgets to individual directorates/schools to reflect the uplift required for the NJC award.
- 4.1.17 In addition, consultation has recently ended on the teachers' pay award and the estimated impact of the outcome of this is a further £1.2 million transfer from centrally held budgets to schools.
- 4.1.18 The specific amounts transferred for the NJC award and teachers' pay award will be reported in the Quarter 3 Revenue Forecast to Cabinet in January 2021.
- 4.1.19 Inflation rates have fluctuated since the budget was set (CPI was 1.7% in February 2020 and had reduced to 0.2% by August 2020). With the uncertainty around Brexit and COVID-19, and the possible economic fallout arising from these, the budget will need to be monitored closely during the remainder of the year.

## **Budget Reduction Proposals**

- 4.1.20 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget, which amount to £2.413 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.
- 4.1.21 In February 2020 Council approved the Medium Term Financial Strategy for 2020-21 to 2023-24. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £29.293 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.
- 4.1.22 On 15th September 2020 Cabinet considered the outcome of the consultation exercise regarding proposed changes to the local authority's Learner Travel Policy. It was resolved to defer the decision to amend the Local Authority's Learner Travel Policy until after the review of the current statutory distances by Welsh Government

in March 2021. For 2020-21 the overall shortfall of £344,000 on the Home to School Transport savings will need to be funded from the Council's contingency budget. For future financial years the Education and Family Support Directorate will be required to submit a budget pressure as part of the 2021-22 MTFs process to cover this shortfall along with the additional pressure on the Home to School Transport budget as set out in section 4.3.1.

4.1.23 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 2020-21. 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 budget over spends to determine how these will be funded, including whether or not they can be met from the Covid earmarked reserve, or 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

### Prior Year Budget Reductions

4.2.1 A report was presented to Cabinet on 30th June 2020 on Revenue Budget Outturn 2019-20. In the report it was highlighted that, for 2017-18 to 2018-19, there were £2.342 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £459,000. In addition, of the 2019-20 budget reduction proposals of £7.621 million, it was reported that there was a total outstanding balance to be met of £806,000. Directors have been asked to identify if any of these proposals are still not likely to be achieved in full during the 2020-21 financial year, and to identify mitigating actions that will be undertaken to achieve them. A summary of the latest position is attached as Appendix 1 with a summary per directorate provided in Table 4.

**Table 4 – Outstanding Prior Year Budget Reductions**

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Likely to be Achieved</b>	<b>Shortfall</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education and Family Support	269	0	269
Social Services and Wellbeing	452	452	0
Communities	1,750	1,310	440
Chief Executive's	30	30	0
<b>TOTAL</b>	<b>2,501</b>	<b>1,792</b>	<b>709</b>



4.2.2 Table 4 shows that of the £2.501 million outstanding prior year reductions, £1.792 million is likely to be achieved in 2020-21 leaving a shortfall of £709,000. Proposals still not likely to be achieved include:

- Learner Transport Policy and Transport Route efficiencies (£194,000) and Review of Special Schools Home to School Transport (£75,000). As noted in paragraph 4.1.22, the shortfall will need to be funded from the Council's contingency budget in 2020-21.
- Permitting Scheme for Road Works (£100,000) due to delays in approval process with Welsh Government.
- Reductions to the budget for the MREC (£1.3 million). As reported to Cabinet on 21st July 2020 the shortfall will be funded from the Council's contingency budget in 2020-21, and for future years the Communities Directorate will be required to submit a budget pressure request as part of the 2021-22 MTFS process.

4.2.3 As outlined in the MTFS reports to Cabinet and Council, MTFS Principle 7 states that *"Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays"*. An MTFS Budget Reduction Contingency reserve was established in 2016-17. This reserve has been used to meet specific budget reduction proposals in previous years on a one-off basis pending alternative measures. During the financial year, the Section 151 Officer will consider applications from Directorates to the MTFS Budget Reduction Contingency reserve to mitigate some of the shortfalls.

### **Budget Reductions 2020-21**

4.2.4 The budget approved for 2020-21 included budget reduction proposals totalling £2.413 million, which is broken down in Appendix 2 and summarised in Table 5 below. The current position is a projected shortfall on the savings target of £451,000, or 18.6% of the overall reduction target.

**Table 5 – Monitoring of Budget Reductions 2020-21**

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Likely to be Achieved</b>	<b>Shortfall</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education and Family Support	239	139	100
Schools	0	0	0
Social Services and Wellbeing	820	537	283
Communities	646	578	68
Chief Executive's	508	508	0
Council Wide Budgets	200	200	0
<b>TOTAL</b>	<b>2,413</b>	<b>1,962</b>	<b>451</b>

4.2.5 The most significant budget reduction proposals unlikely to be achieved in full include:

- EFS1 - Phased Implementation of Learner Transport Policy (£75,000). As noted in paragraph 4.1.22, the shortfall will be funded from the Council's contingency budget in 2020-21.
- SSW20 – Further savings from leisure centres and swimming pools (£70,000)
- SSW27 – Increase income generation from mobile response and telecare charging (£75,000)
- SSW29 – Further review of staffing structures across Adults' and Children's Services (£175,000)

4.2.6 Appendix 2 identifies the projected amount of saving against these proposals in detail and action to be taken by the directorate to mitigate the shortfall. Directors continue to work with their staff to deliver their proposals or alternatives and this is reflected in the forecast outturn for the year. During the financial year the Section 151 Officer will also consider applications from directorates to the MTFs Budget Reduction Contingency reserve to mitigate some of the shortfalls.

4.2.7 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 further draw down from the MTFs Budget Reduction Contingency reserve will be made as part of the overall review of earmarked reserves during quarter 3.

### 4.3 Commentary on the financial position at 30th September 2020

#### Financial position at 30th September 2020

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. The main impact of COVID-19 on the budget, if we assumed that no further funding was forthcoming from WG, is summarised in Table 6 below. This outlines the areas where there would be over spends as a result of the pandemic, alongside areas where we would make savings from reduced provision of services. If funding was received for all our additional cost pressures, the net position could improve by £2.7 million:-

**Table 6 – Net impact of COVID-19 on the financial position at 30th September 2020**

Directorate	Covid Related Over spends £'000	Covid Related Under spends £'000	Net Over spend £'000	Comments
Education and Family Support	1,020	-337	683	Net loss on the provision of school meals and shortfall in special school recoupment income, offset by reduced payments to bus contractors.
Social Services and Wellbeing	170	0	170	Level of voids in Local Authority Residential Care Settings.
Communities	125	-262	(137)	Reduced income from car parks and civil parking enforcement, and costs of providing rent free holidays, offset by net reduction in seasonal staff costs for parks and playing fields.
Chief Executive's	1,442	0	1,442	Additional costs of facilities for homeless plus lower income from registrars, licensing and public health.
<b>Total</b>	<b>2,757</b>	<b>-599</b>	<b>2,158</b>	

### 4.3.1 Education and Family Support Directorate

The net budget for the Directorate for 2020-21 is £120.968 million. Current projections indicate an over spend of £1.494 million at year end. COVID-19 expenditure and loss of income included in this projection amount to £1.020 million - if these were to be successfully claimed from WG, the projection would improve to an over spend of £474,000. The main variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>	<b>Over/ (under) specifically COVID-19 related</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
Inclusion	2,314	2,832	518	22.4%	160
Home to School Transport	5,509	5,948	439	7.97%	(337)
Catering Services	896	1756	860	96.0%	860
Integrated Working and Family Support	1,472	1,378	(94)	-6.4%	-
Health & Safety	379	313	(66)	-17.4%	-
Youth Justice Service	350	300	(50)	-14.3%	-

#### Schools' Delegated Budgets

Total funding delegated to schools in 2020-21 is £99.686 million.

The schools' delegated budget is reported as balanced as any under or over spend is automatically carried forward into the new financial year before being considered by the Corporate Director - Education and Family Support in line with the 'Guidance and Procedures on Managing Surplus School Balances'.

At the start of 2020-21, projections indicated an overall deficit balance for school delegated budgets of £1.146 million at year end. At quarter 2 this has improved to a projected deficit of £848,700. There are 25 primary schools, 4 secondary schools and 1 special school (51% of all schools) projecting a deficit balance at year end.

#### Central Education and Family Support Budgets

##### Inclusion

- There is a projected over spend of £518,000 for Inclusion which primarily relates to the shortfall in recoupment income for other Local Authority (LA) placements at Heronsbridge School and Ysgol Bryn Castell. £160,000 has been included in our claim to WG for 'loss of income' for the first quarter of 2020-21 which is currently on hold, hence the income has not been included in the above projection. If the claim is successful the projected over spend will reduce accordingly. The balance of the projected over spend is due to a reduction in the number of other LA pupils in Bridgend schools from 20 in the summer term 2020 compared with 13 currently projected for the Autumn term. It should be noted that some places can result in income in excess of £100,000.

##### Home to School Transport (HTST)

- There is a projected over spend on Home to School Transport of £439,000 in 2020-21. Whilst the schools were closed for the majority of the first quarter of 2020-21 due to COVID-19, the Minister for Economy, Transport and North

Wales recommended that local authorities continue to pay a minimum of 75% of the contract value for school and other contracted local passenger services in order for them to remain viable whilst longer-term measures were developed. It is estimated that £337,000 was saved during this period. However, at quarter 2 the projections still indicate a projected overspend of £439,000 illustrating the significant ongoing pressure on the Home to School Transport budget.

- In September 2015, Cabinet agreed changes to the local authority's Home to School/College Transport Policy in order to meet MTFS savings identified from 2016-17 to 2019-20. The policy change was implemented in September 2016 and Cabinet resolved to protect the entitlement of all pupils currently benefitting from home to school transport at the former distances until they moved schools or moved from one phase of education to another. Furthermore protection was provided for siblings of children already in receipt at the former distances, where they too would benefit from free transport at the same distance. Parents who were aggrieved that their child was at detriment in comparison with their peers challenged the safety of walked routes to schools. Therefore, the local authority agreed in August 2017 to progress the formal assessments of walking routes to schools. It was then proposed to seek the views of the public on a number of policy proposals, not least the implementation of available walked route assessments. In July 2019, Cabinet agreed to undertake a full 12-week public consultation on a new set of proposals that would provide sufficient savings to support the MTFS.
- On 15 September 2020 Cabinet were updated on the outcomes of the consultation exercise and resolved to defer the decision to amend the Local Authority's Learner Travel Policy until after the review of the current statutory distances by Welsh Government in March 2021. It is unlikely that any change to the statutory distances by Welsh Government will follow until 2022 at the earliest and therefore even if the statutory distances reduce as a result of this review, the RSG would unlikely reflect this until 2022-23 at the earliest. In the meantime there are ongoing historic pressures associated with budget reductions that have not been supported by a policy change of £269,000 and an in year MTFS savings target of £75,000 which remains undeliverable. As noted in paragraph 4.1.22, for 2020-21 the overall shortfall of £344,000 on the HTST savings will be funded from the Council's contingency budget.
- By combining the £337,000 in-year saving, the £344,000 funding from the Council's contingency budget and the projected overspend of £439,000, the underlying budget pressure on the HTST budget amounts to £1.120 million.

### Catering Services

- The projected over spend of £860,000 has primarily arisen as a result of the COVID-19 pandemic. The projection includes the claim for provision of free school meals (FSM) of £617,000 that is currently on-hold by WG until further supporting evidence is received and therefore not included in our projections (see Table 2).
- The remaining over spend relates to an early projection on a reduction in forecast levels of school meal income due to reduced take up of schools meals since the return to school in September. It is anticipated that claims for shortfalls in school meal income will be included in our future claims to WG, however the income is not assumed in our current projections. The impact of reduced take up will require close monitoring for the remainder of 2020-21.

### Integrated Working and Family Support

- The projected under spend of £94,000 relates primarily to staff vacancies within the service and maximising grant income. The vacant posts are expected to be filled during the year and this is built into the current projection.

### Health & Safety

- The projected under spend of £66,000 relates to staff vacancies within the service. The vacant posts are expected to be filled during the year and this is built into the current projection.

### Youth Justice Service

- There is a projected under spend of £50,000 within the Youth Offending Service. This is primarily due to current staff vacancies within the service. A planned re-structure this calendar year will result in the full budget being committed moving forward.

## 4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2020-21 is £72.111 million. Current projections indicate an over spend of £420,000 at year end. Loss of income included in this projection amounts to £170,000 – if these were successfully claimed from WG, the projection would improve to an over spend of £250,000. The main variances are:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>	<b>Over/ (under) specifically COVID-19 related</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
Adult Social Care	47,977	48,499	522	1.1%	170
Prevention and Wellbeing	5,180	5,151	(29)	-0.6%	-
Childrens Social Care	18,954	18,881	(73)	-0.4%	-

### Adult Social Care

There is a projected over spend of £522,000 on the Adult Social Care budget. The main areas contributing to this over spend are:-

- Residential Care – there is projected over spend of £530,000 due to increased placement costs and reduction in personal contributions. £130,000 has been included in the claim to WG for 'loss of income' for the first quarter of 2020-21, and a further £40,000 is estimated for the quarter 2 claim.
- Care at Home for Older People – this includes domiciliary care services, local authority homecare services and the provision of direct payments. The under spend of £271,000 is a combination of an over spend on the Direct Payments budget (£227,000) due to an increase in the number of cases, offset by an under spend on the homecare budget primarily due to staffing vacancies and delays implementing a reorganisation due to Covid-19.
- Physical Disability/Sensory Impairment - there is a projected under spend of £108,000 which due to a combination of an under spend on the Residential Care budget (£146,000) due to increases in client contributions and a reduction

in placements, and an under spend due to staff vacancies on Assessment & Care Management (£30,000), offsetting an over spend on Care at Home (£76,000) - mainly due to an increase in Direct Payment costs.

- Mental Health – there is a projected over spend of £251,000. This is mainly due to increased homecare costs due to additional placements relating to independent domiciliary care and high cost supported living placements.
- Management and Central Services – there is a projected over spend of £107,000 primarily due to the delay in the implementation of the staffing MTFs proposal linked to staffing structures across Adults' and Children's services.

#### Prevention and Wellbeing

- The projected outturn for Prevention and Wellbeing has improved from quarter 1, from an over spend of £982,000 to an under spend of £29,000. The Council has received WG funding to compensate for the quarter 1 loss of income (£153,000), however there is deficit for the remainder of 2020-21 due to COVID-19. If no further funding is received from WG towards the net loss of running the leisure services for the remainder of 2020-2, a contribution will be made from the Public Realm budget within the Communities Directorate towards this (see section 4.3.3). At quarter 1, the full net loss for running the leisure services was included within the Social Services and Wellbeing projections.

#### Childrens Social Care

There is a projected net under spend of £73,000 on Children's Social Care. The main areas contributing to this under spend are:-

- The Looked After Children (LAC) budget is projected to over spend by £79,000. Average LAC numbers were 376 in 2018-19, 384 in 2019-20 and are currently 395. However, the average number of children in independent residential placements has reduced from an average of 9 placements in 2019-20 to 5 at quarter 2. Some individual placements can cost around £300,000 per annum, therefore the reduction in numbers has seen a positive impact on the projected year end position. Number can fluctuate month to month so will require close ongoing monitoring for the remainder of the financial year.
- Family Support Services is projected to over spend by £131,000 primarily due to the increased demand for Direct Payments (DP). There are currently 112 Direct Payment clients compared with 114 at the end of 2019-20 however the projected overspend is primarily because of increased costs due to complexity of cases.
- The above over spends have been offset by a projected under spend of £220,000 on staffing vacancies within Commissioning and Social work due to a challenging recruitment environment and maximising grant income to offset staffing costs.

### 4.3.3 Communities Directorate

The net budget for the Directorate for 2020-21 is £27.810 million. The current projection is an anticipated over spend of £456,000. Loss of income included in this projection amounts to £125,000 - if this were successfully claimed from WG, the projection would improve to an under spend of £331,000. The main variances are:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>	<b>Over/ (under) specifically COVID-19 related</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
Parks & Open Spaces	2,228	1,966	(262)	-11.8%	(262)
Parking Services	-296	2	298	-100.7%	50
Corporate Landlord	2,863	3,352	489	17.1%	75

#### Parks and Open Spaces

- There is a projected under spend of £262,000 on the parks and open spaces budget. This is primarily due to a reduction in the use of seasonal staff due directly to COVID-19.

#### Parking Services

- There is a projected over spend on the parking services budget of £298,000. This is an improved position compared with the projection at quarter 1 of £355,000, due to the successful claims from WG for 'loss of income' for the first quarter of 2020-21 (Table 3) and funding confirmed from the COVID recovery fund as noted in 4.1.11. However, the shortfall still appears to be significant as it was hoped that by quarter 2 more staff would have returned to work in council offices and lockdown would have been completely lifted encouraging more footfall in the town centres. The ongoing restrictions have placed additional pressures in this service area. There are also reduced levels of civil enforcement income.

#### Corporate Landlord

- There is a projected over spend on the corporate landlord budget of £489,000. Again, this is despite successful claims to Welsh Government of £160,000 (Table 3) and support from the COVID Recovery Fund towards rental holidays (See 4.1.11). It is anticipated that a further £75,000 will be claimed from WG but this has not been built into the projections.
- There are other shortfalls in income generated from properties run by the Council that are not necessarily COVID-19 related, but relate to occupancy shortfall. These include:-
  - Science Park                      £28,000
  - Watersports Centre              £15,000
  - Bridgend Market                  £60,000
  - Maesteg Market                  £24,000
  - Village Farm                        £28,000



- The balance of the shortfall in Corporate Landlord is primarily due to a reduction in productivity levels in the Facilities Management team in the first quarter of 2020-21, due to social distancing requirements in the workplace, and staff being re-deployed to support COVID-19 related activities – e.g. supporting FSM deliveries.

#### Public Realm Infrastructure

- Council approved a £2 million public realm budget pressure for 2020-21 as part of the MTFS in February 2020. At quarter 1 there was a projected under spend of £1.716 million against this budget heading. As reported in para 4.1.5 CCMB agreed to establish a COVID-19 Recovery Panel with £500,000 being utilised as a one-off from the Public Realm fund. In addition, unless further funding is received from WG towards the net loss of running the leisure services due to COVID-19, the Public Realm budget will be used to contribute towards this. CCMB have also approved a list of schemes to be funded from this budget in 2020-21, hence a break even position is projected at quarter 2.

#### 4.3.4 Chief Executive's

The net budget for the Directorate for 2020-21 is £18.228 million. Current projections anticipate an over spend against this budget of £1.118 million. COVID expenditure and loss of income included in this projection amount to £1.442 million - if these were to be successfully claimed from WG then the projection would improve to an under spend of £324,000. The main variances are:

CHIEF EXECUTIVE'S	Net Budget £'000	Projected Outturn £'000	Projected Variance Over/(under) budget £'000	% Variance	Over/ (under) specifically COVID-19 related £'000
Housing & Homelessness	1,126	2,316	1,190	105.7%	1,225
Finance	3,579	3,575	(4)	-0.1%	192
HR and Organisational Development	1,790	1,614	(176)	-9.8%	-
ICT	3,316	3,461	145	4.4%	-
Legal, Democratic & Regulatory	4,867	4,991	124	2.5%	217
Customer Services & Engagement	1,585	1,430	(155)	-9.8%	-

#### Housing & Homelessness

- The projected over spend of £1.190 million on Housing & Homelessness is primarily due to the additional costs due to COVID-19 – e.g. provision of facilities to isolate homeless individuals (B&B, hotels etc) and provision of essential supplies. As shown in Table 2, £743,000 has been successfully claimed for COVID-19 homelessness costs incurred to August 2020. The current projection does not include the value of future claims to WG to cover COVID-19 costs for the remainder of 2020-21. The final claim is estimated to be an additional £1.225 million and if the claims are successful, the projections would improve by this amount.

## Finance

- Whilst there is only a projected under spend of £4,000 on Finance, included in this projection is a shortfall of £192,000 relating to court cost income. As noted in paragraph 4.1.10, WG have indicated this shortfall is related to the impact on Council Tax income and not eligible to be claimed from the hardship fund. The shortfall has been offset by staffing vacancies across Finance and Housing Benefits.

## HR and Organisational Development

- There is a projected under spend of £176,000. This primarily relates to staffing vacancies (£115,000) which HR are actively recruiting to fill, or have already filled. In addition, whilst Council approved a £200,000 Council Wide Apprenticeship Programme budget pressure for 2020-21 as part of the MTFs in February 2020, the pandemic has impacted on the ability to appoint to the apprenticeship posts resulting in a projected £57,000 under spend.

## ICT

- The projected over spend of £145,000 is primarily due to a shortfall in re-charge income due to reduced ICT day to day activities, such as printing, as there are more staff working from home as a result of the pandemic whilst the fixed costs remain the same – e.g long term lease costs.

## Legal, Democratic & Regulatory

- There is a projected over spend of £124,000. This is primarily due to lower than forecast levels of income received for registrars, land charges, licencing fees and public health fees - £217,000. £68,000 has been included in our claim to WG for 'loss of income' for the first quarter of 2020-21 and is currently on hold so has not been included in the quarter 2 projections. The balance for anticipated loss of income (£149,000) for the remaining quarters of 2020-21 will be included in our future claims to WG. These shortfalls in income have been offset by staff vacancies.

## Customer Services & Engagement

- The projected under spend of £155,000 is predominantly in customer services and is due to staff vacancies, changes in staffing hours, staff opting out of pension and annual leave purchases. Various recruitment activities have been actioned in order to fill vacant posts but appointments have been affected by COVID-19.

### 4.3.5 Council Wide budgets

This section includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The budget for 2020-21 is £47.268 million. The projected outturn is £43.749 million, resulting in a projected under spend of £3.519 million. The main variances are detailed below:

<b>COUNCIL WIDE BUDGETS</b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>	<b>Over/ (under) specifically COVID -19 related</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
Capital Financing	7,329	7,129	(200)	-2.73%	-
Other Corporate Budgets	13,917	10,651	(3,266)	-23.5%	-

### Capital Financing

- There is a projected under spend of £200,000 on interest paid/received due to a combination of lower borrowing than anticipated as the Council uses its own internal resources to finance schemes, and additional interest from current investments.

### Other Corporate Budgets

- Other corporate budgets includes funding for pay, price and pensions increases along with funding to deal with unexpected costs unforeseen when the budget was set. When the MTFs was approved in February 2020, the pay increases for NJC employees and teacher had not been finalised, but a claim for NJC staff had been submitted for an increase of 10% and whilst provision was made in the budget based on previous years' increases, an element of contingency was built in given that. Even a variance of 1% on the pay settlement for NJC staff alone can result in a swing of required funding of over £1 million per annum.
- In addition, inflation rates have fluctuated since the budget was set (CPI was 1.7% in February 2020 and had reduced to 0.2% by August 2020). The majority of the budget estimated for price inflation is retained centrally within Council wide budgets and allocated to directorates/schools as further information is known about specific contractual price increases e.g. for energy. Therefore, part of the under spend relates to the movement on inflation rates since budget setting, and the reduced requirement to allocate budget to service areas in-year.
- It is anticipated that when the detailed review of earmarked reserves is undertaken in the next quarter, that £700,000 of this under spend will be utilised to establish an earmarked reserve to meet the one-off pressures that have been identified for the 2021-22 financial year. In addition, based on the latest information available and the level of increase in recently agreed pay awards and the national living wage, it is likely that the provision currently set aside in the MTFs for 2021-22 will need to be supplemented by any funding not committed from the Council wide budgets this financial year.
- The decision to utilise the Corporate contingency reserve to fund the HTST and MREC budget pressures on a one-off basis has resulted in this budget being fully allocated for 2020-21 financial year.
- Given the uncertainty of Brexit and Covid-19 at this point in the financial year, it is prudent to assume that all other Council wide budgets will be fully spent by the year end.

### Council Tax Reduction Scheme

- There is currently a projected break even position on the Council Tax Reduction Scheme based on spend to date, funding from WG for quarter 1 of £133,000 and comparison against 2019-20 outturn. This is a demand led budget and take-up is difficult to predict. As noted in paragraph 4.1.13, the Covid pandemic has resulted in a significant increase in claims for universal credit, with a subsequent increase in eligibility for the council tax reduction scheme. The final additional cost of this is difficult to predict as we have yet to see the impact of

the end of the furlough scheme/newly unemployed and a likely increase in the benefits claimants. This budget will require close monitoring during 2020-21.

#### 4.4 Review of Earmarked 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. At quarter 2 a review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding.

4.4.2 There have been net additions of £850,000, the cumulative draw down by directorates is £681,000 and £350,000 has been unwound, as shown in Table 7 below.

**Table 7 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 2**

Opening Balance 01-Apr-20	Reserve	Net Additions/Re classification	Draw-down	Unwound	Closing Balance 30-Sep-20
£'000		£'000	£'000	£'000	£'000
	<b>Corporate Reserves:</b>				
(9,555)	Education & Family Support	(650)	-	-	(10,205)
(410)	Social Services & Wellbeing	-	35	-	(375)
(11,289)	Communities	-	48	-	(11,241)
(8,031)	Chief Executives	300	224	-	(7,507)
(14,004)	Non-Directorate	(500)	-	-	(14,504)
<b>(43,289)</b>	<b>Total Corporate Reserves</b>	<b>(850)</b>	<b>307</b>	<b>-</b>	<b>(43,832)</b>
	<b>Directorate Earmarked Reserves:</b>				
(289)	Education & Family Support	-	-	-	(289)
(2,027)	Social Services & Wellbeing	-	115	350	(1,562)
(4,991)	Communities	-	-	-	(4,991)
(824)	Chief Executives	-	98	-	(726)
<b>(8,131)</b>	<b>Total Directorate Reserves</b>	<b>-</b>	<b>213</b>	<b>350</b>	<b>(7,568)</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:</b>				
(961)	Education & Family Support	-	143	-	(818)
(65)	Social Services & Wellbeing	-	-	-	(65)
(1,902)	Communities	-	-	-	(1,902)
(767)	Chief Executives	-	18	-	(749)
<b>(3,695)</b>	<b>Total Equalisation Reserves</b>	<b>-</b>	<b>161</b>	<b>-</b>	<b>(3,534)</b>
<b>(108)</b>	<b>School Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(108)</b>
<b>(55,223)</b>	<b>Total Usable Reserves</b>	<b>(850)</b>	<b>681</b>	<b>350</b>	<b>(55,042)</b>

- 4.4.3 The net appropriation to earmarked reserves during Quarter 2 is £500,000 (£850,000 additions offset by £350,000 that have been unwound).
- 4.4.4 The main additions are £350,000 for the Children's Residential Accommodation Hub and £500,000 for the COVID Recovery Fund (See 4.1.5). The main reserve that was unwound related to Looked After Children which was then used to create the reserve for the Accommodation Hub in its place.
- 4.4.5 A more thorough review will be undertaken at quarter 3 when there is a clearer picture on pressures and projected year end balances.

## **5.0 Effect upon policy framework & procedure 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 Equalities Impact Assessment**

- 6.1 There are no equality implications arising from this report.

## **7.0 Well-being of Future Generations (Wales) Act 2015 implications**

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information it is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

## **8.0 Financial implications**

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

## **9.0 Recommendation**

- 9.1 That the Corporate Overview and Scrutiny Committee is requested to:
- note the projected revenue position for 2020-21
  - note the virements between £100,000 and £500,000 as outlined in paragraph 4.1.14.

**Gill Lewis**  
**Interim Chief Officer – Finance, Performance and Change**  
**October 2020**

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**Background documents:** Individual Directorate Monitoring Reports  
MTFS Report to Council – 26 February 2020