

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

1 DECEMBER 2021

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

#### BUDGET MONITORING 2021-22 – QUARTER 2 REVENUE FORECAST

#### 1. 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 2021.

#### 2. Connection to corporate well-being 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 sustainable 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 to 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. Background

3.1 On 24th February 2021, Council approved a net revenue budget of £298.956 million for 2021-22. 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. Current situation/proposal

##### 4.1 Summary financial position at 30th September 2021

4.1.1 The Council's net revenue budget and projected outturn for 2021-22 is shown in Table 1 below.

**Table 1 - Comparison of budget against projected outturn at 30th September 2021**

Directorate/Budget Area	Original Budget 2021-22 £'000	Revised Budget 2021-22 £'000	Projected Outturn Q2 2021-22 £'000	Projected Over / (Under) Spend 2021-22 £'000	Projected Over / (Under) Spend Qtr 1 2021-22 £'000
<b>Directorate</b>					
Education and Family Support	127,055	127,137	128,226	1,089	771
Social Services and Wellbeing Communities	74,043	74,053	74,524	471	(647)
Chief Executive's	28,137	28,321	28,008	(313)	624
	21,304	21,416	19,999	(1,417)	156
<b>Total Directorate Budgets</b>	<b>250,539</b>	<b>250,927</b>	<b>250,757</b>	<b>(170)</b>	<b>904</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,329	7,329	8,329	1,000	0
Levies	7,783	7,797	7,775	(22)	0
Apprenticeship Levy	650	650	667	17	0
Council Tax Reduction Scheme	15,654	15,654	15,654	0	0
Insurance Premiums	1,363	1,363	1,430	67	0
Repairs & Maintenance	670	670	570	(100)	0
Pension Related Costs	430	430	432	2	0
Other Council Wide Budgets	14,538	14,136	7,254	(6,882)	0
<b>Total Council Wide Budgets</b>	<b>48,417</b>	<b>48,029</b>	<b>42,111</b>	<b>(5,918)</b>	<b>0</b>
<b>Appropriations to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>4,004</b>	<b>4,004</b>	<b>0</b>
<b>Total</b>	<b>298,956</b>	<b>298,956</b>	<b>296,872</b>	<b>(2,084)</b>	<b>904</b>

4.1.2 The overall projected position at 30th September 2021 is a net under spend of £2.084 million comprising £170,000 net under spend on directorates and a £5.918 million net under spend on council wide budgets, offset by a net appropriation to earmarked reserves of £4.004 million. 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 on hold with 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 2021-22.

- 4.1.3 The projected under spend on the Council budget at quarter 2 significantly masks the underlying budget pressures in some service areas that were reported in 2020-21 and still persist in 2021-22. The main financial pressures are in Home to School Transport, Social Services and Wellbeing, Homelessness and Waste.
- 4.1.4 The Home to School Transport budget has been supported in 2021-22 by a one-off MTFB Budget Pressure of £1.210 million that was approved by Council in February 2021. The quarter 2 projections indicate further pressure of £577,000 on this budget, with additional procurement exercises due to commence shortly for taxis and minibuses which could put further pressure on the budget going into 2022-23, increasing the budget pressure to over £2 million.
- 4.1.5 It is forecast that the long-term impact of Covid-19, alongside the already known pressures of an ageing population, increasing dementia rates and more complex and challenging needs is going to result in increasing demands on already pressurised services in the Social Services and Wellbeing Directorate. The underlying pressure on the budget at quarter 2 is masked by grant funding of £1.777 million from the Social Care Recovery Fund which has been announced by Welsh Government (WG) since quarter 1, along with under spends on staffing budgets due to difficulties in recruitment.
- 4.1.6 Whilst budget growth of £2.192 million was approved by Council as part of the Medium Term Financial Strategy budget setting process in February 2021 to continue the commitment to focus support for homeless individuals, the Council has seen a significant increase in the provision of temporary accommodation. Secondly, further to the budget being approved for 2021-22, Welsh Government confirmed that the Covid Hardship Fund was to be extended into 2021-22, including support for temporary accommodation. Given the increase in provision and, as it is anticipated that the Hardship Fund will not be in place beyond 31st March 2022, the budget growth might be insufficient to meet the increase in demand going into 2022-23.
- 4.1.7 Waste tonnages increased in 2020-21, primarily due to lockdowns and more residents working from home in general and this trend is continuing into 2021-22. Support was received in 2020-21 and in the first half of 2021-22 from the WG Hardship Fund towards these increased costs. Support is continuing for the second half of 2021-22, albeit that funding is reduced to 50% of the increased costs. As it is anticipated that the Hardship Fund will not be in place beyond the 31st March 2022, the underlying budget pressure is likely to continue into 2022-23.

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

### **Covid-19**

- 4.1.8 The UK was put into lockdown on 23rd March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. A Covid-19 Hardship Fund was set up at an early stage by the Welsh Government to the value of £188.5 million which the Council was able to draw on for financial support. Bridgend successfully claimed over £15 million in expenditure claims and over £5.5 million in loss of income claims in 2020-21.

- 4.1.9 The Welsh Government allocated £206.6 million in its budget to the Hardship Fund to support local government for the first six months of 2021-22. In addition, £23.3 million was allocated to support free school meals during the school holidays. WG have recently confirmed a further allocation of £97.5 million for the remainder of the 2021-22 financial year with revised principles for claims and tapering of support for social care uplifts and void payments. It is anticipated that the Hardship Fund will not be in place beyond 31st March 2022.
- 4.1.10 The Authority will continue to claim from the Hardship Fund against the eligible criteria and directorates will continue to capture costs incurred as a result of the ongoing impact of the Covid-19 pandemic. Updates will continue to be provided to Cabinet through the quarterly revenue budget monitoring reports throughout 2021-22.
- 4.1.11 Cabinet and Corporate Management Board (CCMB) agreed to establish a £1 million Covid-19 Recovery Fund in 2020-21 to provide funding for conscious and proactive decisions aimed at boosting recovery that were unlikely to be paid for by WG. The balance on this fund has been carried into 2021-22 and CCMB have approved the use of this fund to support the free car parking offer for town centres to the end of January, a phased rental income increase for Bridgend County Borough Council (BCBC) owned premises and the waiver of sports fees for the remainder of the 2020-21 season. Further proposals will be considered by CCMB during the remainder of 2021-22.

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

- 4.1.12 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 or established earmarked reserves. Claims submitted to date to Welsh Government, and the outcome of these claims, are shown in Table 2.

**Table 2 – Covid-19 expenditure claims up to end of August 2021**

<b>Specific Hardship Fund</b>	<b>Claimed £'000</b>	<b>Paid £'000</b>	<b>On hold/ pending review £'000</b>	<b>Disallowed £'000</b>
General	253	236	7	10
Homelessness	1,273	1,273	0	0
Free School Meals	99	0	99	0
Schools	498	496	0	1
Adult Social Services	2,600	1,789	811	0
Visitor Economy	24	24	0	0
Self Isolation Payments (SIP)/ Statutory Sick Pay Enhancements (SSP)	337	337	0	0
<b>Total</b>	<b>5,084</b>	<b>4,155</b>	<b>918</b>	<b>11</b>

4.1.13 The disallowed expenditure relates primarily to reimbursement of costs incurred by the Council in relation to ongoing home working arrangements and the provision of temporary outdoor structures at schools. Whilst the WG Hardship panel agreed that these costs may be additional and not within the Council's financial plans, they also felt that having such assets in place provides longer term benefits to local authorities. A contribution of 50% has therefore been agreed across Wales toward these costs for the first six months of 2021-22. WG have confirmed that these are no longer eligible to be claimed for the remainder of the 2021-22 financial year. The claims not paid to date of £918,000 are mostly those pending review by the Social Care Panel (£811,000) and Free School Meal Panel (£99,000). 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. Of the Adult Social Services claims pending review, £294,000 relates to reimbursement for Bridgend internal social care services, with the balance of £517,000 support for external providers. If the claims for internal social care provision and free school meals are successful, this would improve the quarter 2 projections by £393,000.

4.1.14 The Council has also submitted a claim for loss of income to the Welsh Government for the first quarter of 2021-22 totalling £567,000 as shown in Table 3.

**Table 3 – Covid-19 loss of income for Quarter 1 2021-22**

Directorate	Claimed (covers to end of Qtr 1)	Paid	On hold	Main areas
	£'000	£'000	£'000	
Education and Family Support Directorate	48	48	0	£48k - School meal income
Schools	83	83	0	£52K - school meal income, £31K - loss of income from hire of school premises
Social Services & Wellbeing Directorate	303	303	0	£282k – contribution to Council's leisure service provider, £21k – dual use sites where facilities are managed for community use outside of school hours
Communities Directorate	129	129	0	£74k - Car Park Income, £36k pitch and pavilion hire, £10k – civil enforcement income
Chief Executive's Directorate	4	1	3	£3k – housing income, £1k – environmental health income
<b>Total</b>	<b>567</b>	<b>564</b>	<b>3</b>	

4.1.15 Of the total claim, £564,000 has been approved. £3,000 is currently on hold as WG have requested an updated position as part of the quarter 2 claim to see if this income has simply been delayed in being received. The quarter 2 loss of income claim is due to be submitted on the 22 October. As there is no certainty at the time of writing this report in relation to the outcome of this claim, the quarter 2 projections have excluded the estimates for this claim. There are two specific areas where loss of income is clearly identifiable at this stage of 2021-22 and will be included in future claims – Chief Executive’s loss of court cost income and registrars, land charges, licencing fees and public health fees (£384,000) and Social Services loss of dual use income (£48,000). If these claims are successful, the quarter 2 projections will improve by £432,000.

4.1.16 In addition to lost income from service provision, the Council is also likely to see a reduction in council tax income over the 2021-22 financial year as more people have suffered financial hardship through the pandemic and the furlough scheme comes to an end. Bridgend received £1.261 million from WG in 2020-21 in recognition of the reduced collection rates experienced by councils as a consequence of the Covid-19 pandemic. Recognising that recovery may be slow the Council reduced its own budgeted collection rate by 0.5% when it approved the council tax base in November 2020. A 1% reduction in the council tax income collection rate could result in an additional pressure to the Council of around £1 million. 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.

4.1.17 Alongside the impact on Council Tax, the ending of the furlough scheme could also manifest itself in an increase in eligibility for council tax support. Support of £325,469 from WG was provided in 2020-21 towards the increased demand on the council tax reduction scheme due to the impact of Covid-19 on personal financial circumstances, however, no additional funding has yet been identified by Welsh Government for either reduced council tax income or increased council tax support.

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

4.1.18 There have been a small number of budget virements and technical adjustments between budgets since the quarter 1 Revenue Forecast was presented to Cabinet in July. The budget position is reported on the assumption that these virements will be approved. The main virements and technical adjustments in quarter 2 are outlined below:

#### **Budget Virements**

<b>Service vired from / to</b>	<b>Amount</b>
Transfer of funding from Parking Services (Communities Directorate) to CCTV Services (Chief Executive’s Directorate) to enable ongoing support at the Council car parks.	£11,916

## 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	£287,998

## Pay/Price Inflation

4.1.19 When the budget for 2021-22 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. The technical adjustments table above presents the start of the release of these budgets as and when evidence is provided by the service areas.

4.1.20 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, the recently agreed pay award of 1.75% for Teachers, but also the ongoing discussions regarding the pay claim for National Joint Council (NJC) workers. Funding is due to be transferred shortly from centrally held budgets to reflect the uplift required for the confirmed Teachers' pay increase.

4.1.21 Inflation rates have fluctuated since the budget was set (CPI was 0.7% in February 2021, had increased to 2.1% by May 2021 and further increased to 3.2% in August). The Bank of England Monetary Policy Committee has forecast inflation to rise slightly above 4% before Christmas, higher than earlier predictions, owing largely to developments in energy and goods prices. 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

4.1.22 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 £1.760 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.

4.1.23 In February 2021 Council approved the Medium Term Financial Strategy for 2021-22 to 2024-25. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £22.095 million over the next four years. An update MTFS report was presented to Cabinet in September 2021, outlining a number of financial pressures that the Council is still facing going forward, and the uncertainty over the financial settlement for 2022-23. 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.

4.1.24 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 2021-22. 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 whether these should be carried forward as a first call on the directorate budget for the following year. 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 22nd June 2021 on the Revenue Budget Outturn 2020-21. In the report it was highlighted that, for 2017-18 to 2019-20, there were £2.501 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £709,000. In addition, of the 2020-21 budget reduction proposals of £2.413 million, it was reported that there was a total outstanding balance to be met of £342,000. Directors have been asked to identify if any of these proposals are still not likely to be achieved in full during the 2021-22 financial year, and to identify mitigating actions that will be undertaken to achieve them. All remaining outstanding prior year budget reductions are summarised in **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	344	344	0
Social Services and Wellbeing	185	40	145
Communities	1,847	1,772	125
<b>TOTAL</b>	<b>2,376</b>	<b>2,106</b>	<b>270</b>



4.2.2 Table 4 shows that of the £2.376 million outstanding reductions, £2.106 million is likely to be achieved by 2021-22 leaving a shortfall of £270,000. Proposals still not likely to be achieved include:

- SSW20 – savings from library and cultural facilities (£70,000). Covid-19 has impacted on the delivery of this saving and there is an ongoing impact on these budgets in relation to income levels achieved. Under spends are being held across the service area to mitigate any shortfall in the short term.
- SSW27 – income generation from mobile response and telecare charging (£75,000). Income levels have not increased to the level required to meet the budget reduction therefore the service area continues to seek to identify efficiencies to meet the shortfall in 2021-22.
- COM19 – Streetworks review (£100,000) due to delays in approval process with Welsh Government. The Highways network budget area is committed to stay within budget through the implementation phase.

### **Budget Reductions 2021-22**

4.2.3 The budget approved for 2021-22 included budget reduction proposals totalling £1.760 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 £65,000, or 3.7% of the overall reduction target.

**Table 5 – Monitoring of Budget Reductions 2021-22**

	<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	116	116	0
Schools	0	0	0
Social Services and Wellbeing	315	315	0
Communities	823	758	65
Chief Executive's	130	130	0
Council Wide Budgets	376	376	0
<b>TOTAL</b>	<b>1,760</b>	<b>1,695</b>	<b>65</b>

4.2.4 The most significant budget reduction proposal unlikely to be achieved in full is COM 2 – Re-location of Community Recycling Centre from Tythegston to Pyle resulting in cessation of lease payments at existing site (£60,000). The new site in Pyle will be opening once related junction and road improvement works have been completed with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2022-23.

- 4.2.5 **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.
- 4.2.6 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.
- 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 draw down from the MTFS Budget Reduction Contingency reserve will be made as part of the overall review of earmarked reserves during quarter 3 if required.

### 4.3 **Commentary on the financial position at 30th September 2021**

#### **Financial position at 30th September 2021**

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.

#### 4.3.1 **Education and Family Support Directorate**

The net budget for the Directorate for 2021-22 is £127.137 million. Current projections indicate an over spend of £1.089 million at year end. Covid-19 expenditure included in this projection amounts to £99,000 – if this were to be successfully claimed from WG, the projection would improve to an over spend of £990,000. 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>		
Support for Learners with Additional Learning Needs	2,575	3,190	615	23.9%	
Home to School Transport	6,728	7,305	577	8.6%	
Integrated Working and Family Support	1,385	1,329	(56)	-4.0%	
Health and Safety	388	326	(62)	-16.0%	

## **Schools' Delegated Budgets**

Total funding delegated to schools in 2021-22 is £103.574 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 2021-22, projections indicated an overall surplus balance for school delegated budgets of £5.241 million at year end. At quarter 2 this has reduced to a projected surplus of £4.18 million. There are 8 primary schools (13.5% of all schools) projecting a deficit balance at year end.

## **Central Education and Family Support Budgets**

### **Support for Learners with Additional Learning Needs**

- There is a projected over spend of £615,000 for Inclusion which primarily relates to the shortfall in recoupment income for other Local Authority (LA) placements at Heronsbridge School and Ysgol Bryn Castell. Whilst a budget pressure of £500,000 was agreed by Council as part of the MTFS in February 2021, there has been a further reduction in the number of other LA pupils in Bridgend schools. Whilst there were 20 at the end of 2020-21 this has reduced to 16 with an expectation this will reduce further to 13 from the Autumn Term due to increased demand from BCBC pupils.

### **Home to School Transport**

- There is a projected over spend of £577,000 for Home to School Transport (HTST). This is on top of the underlying pressure on the HTST budget which has been supported by a one-off MTFS Budget Pressure of £1.210 million that was approved by Council in February 2021 to support the increased costs of HTST and the increased provision of taxis and minibuses for those pupils with additional learning needs.
- In addition to the historic pressures, Cabinet and Corporate Management Board has recently determined that in order to ensure the safety of nursery pupils on school transport vehicles, those previously transported on big buses should be transported in either dedicated minibuses or taxis or in existing taxis and minibuses. This is an additional requirement for the 2021-22 school year onwards, and has increased costs annually by an estimated £170,000.
- School transport operators have been significantly impacted by the pandemic and have passed many of the risks associated with continuing to operate including for example, driver retention, relatively low paid jobs and ongoing insecurity in the market, on to the local authority. For example, the cost of drivers and escorts has increased significantly.
- A retendering exercise has also been completed on home to school transport contracts, principally big buses and minibuses with an annual increase of £752,000.
- A further procurement exercise has recently commenced for special taxis, taxis, and minibus contracts which could put further pressure on the HTST budget going into 2022-23.

### Integrated Working and Family Support

- The projected under spend of £56,000 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 and Safety

- There is a projected under spend of £62,000 within the corporate Health and Safety service which is due to staff vacancy management. The service are actively recruiting to fill the vacant posts.

## 4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2021-22 is £74.053 million. Current projections indicate an over spend of £471,000 at year end. Covid-19 expenditure and loss of income included in this projection amount to £342,000 – if these were to be successfully claimed from WG, the projection would improve to an over spend of £129,000. In addition, since quarter 1, the directorate has been notified of £1.777 million in grant funding from the WG Social Care Recovery Fund. A spend plan for this funding is currently being finalised and any impact on budget projections are not yet included in this plan. 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	49,452	49,351	(101)	-0.2%	294
Prevention & Wellbeing	5,230	5,190	(40)	-0.8%	48
Childrens Social Care	19,371	19,983	612	3.2%	

### Adult Social Care

- There is projected net under spend of £101,000 on the Adult Social Care budget. The most significant variances contributing to this projected under spend are:-

<b>ADULT SOCIAL CARE</b>	<b>Projected Variance Over/(under) budget</b>
	<b>£'000</b>
Care at Home for Older People	(792)
Care at Home for Physical Disabilities/Sensory Impairment	199
Residential Care - Physical Disability/Sensory Impairment	(107)
Care at Home for Learning Disabilities	716
Care at Home for Mental Health	317
Assessment and Care Management	(346)

- Care at Home for Older People – this includes domiciliary care services, local authority homecare services and the provision of direct payments. The projected under spend of £792,000 is primarily on the homecare budget due to staffing vacancies and delays in implementing a restructure due to Covid-19. The service has reviewed the contacts available within the service in an aim to improve workforce capacity.
- Care at Home for Physical Disabilities/Sensory Impairment – there is a projected net over spend of £199,000. This is primarily due to the projected over spend on Independent Domiciliary Care of £137,000 due to increased costs of packages of care. In addition, placements have increased from 72 at quarter 1 to 86 at quarter 2.
- Residential Care – Physical Disability/Sensory Impairment – the projected under spend of £107,000 is mainly due to a reduction in placements. This budget area will be closely monitored with a view to determining whether the under spend is recurring, with potential re-alignment to other budgets facing projected over spends within Physical Disability/Sensory Impairment service areas
- Care at Home for Learning Disabilities – there is a projected over spend of £716,000 mainly due to increased complexity of needs and the increase in the number of people receiving domiciliary care within a home setting or supported accommodation. External homecare saw an increase of 9 people receiving a service since quarter 1. Internal homecare has also seen an increase in staffing costs to cover sickness and shielding.
- Care at Home for Mental Health – the projected over spend of £317,000 is based on 37 current placements with an increasing number of placements requiring complex packages of support.
- Assessment and Care Management – there is a projected under spend of £346,000 across all service areas due to a continuing challenging recruitment environment for qualified social workers. Various recruitment activities have been actioned in order to fill vacant posts.

#### Prevention and Wellbeing

- The projected under spend of £40,000 is primarily due to maximisation of grant funding opportunities. The projection does not include any estimate for a contribution to the Council's leisure provider for the gross net loss of running the leisure services in 2021-22 due to Covid-19. A successful claim of £282,000 was made for quarter 1 through the WG Hardship loss of income fund (see Table 3) and claims will continue to be made for the remainder of 2021-22. Close monitoring of the impact of Covid-19 on leisure services beyond this point will be required and updates provided to Cabinet in future monitoring reports.
- Future claims of £48,000 are anticipated to the WG Hardship Fund relating to Dual-use income and if these are successful, will improve the position for prevention and wellbeing in 2021-22.

#### Childrens' Social Care

- There is projected net over spend of £612,000 on the Children's Social Care budget. This primarily relates to a projected over spend on the Care Experienced Children budget of £442,000. The Care Experienced population was 388 at the end of August compared with 391 at quarter 2
- At the end of quarter 1 there were 6 children in independent residential placements (in and out of authority) and 2 in BCBC 39 week local authority

education provision. The quarter 1 budget monitoring report indicated that additional places were being made after 30th June with searches underway due to the need to secure the right specialist provision to safely meet the needs children whose needs are increasing. At the end of quarter 2 the numbers have increased to 10 children in independent residential placements and 2 in BCBC local authority education provision. It is important to note that decisions on the accommodation, care and support needed for a child is always made in their best interest and that, overall, the number of residential placements made by BCBC remains low when benchmarked with other comparable authorities. As noted in the quarter 1 budget monitoring report, this budget area can be volatile and small changes in demand can result in relatively high costs being incurred. This has been realised in the last quarter with the projected under spend of £310,000 at quarter 1 changing to a projected over spend of £442,000.

#### 4.3.3 Communities Directorate

The net budget for the Directorate for 2021-22 is £28.321 million. The current projection is an anticipated under spend of £313,000. Covid-19 expenditure included in this projection amounts to £80,000 – if this were to be successfully claimed from WG, the projection would improve to an under spend of £393,000. 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>
Development Control	-230	-10	220	-95.7%	
Waste Disposal & Collection	9,002	9,398	396	4.4%	80
Street Lighting	1,616	1,256	(360)	-22.3%	
Highways Services (DSO)	2,854	2,754	(100)	-3.5%	
Parking Services	(295)	(363)	(68)	-23.1%	
Engineering Services	85	-12	(97)	-114.1%	
Corporate Landlord	2691	2539	(152)	-5.6%	

##### Development Control

- The projected over spend in Development of £220,000 is primarily due to a forecast downturn in planning application income based on income to date and comparison with the 2020-21 outturn. Fee income is subject to considerable fluctuations between years, depending on number and types of applications and will require close monitoring for the remainder of the 2021-22 financial year.

##### Waste Disposal and Collection

- There is a projected over spend of £396,000 on the Waste Disposal and Collection budget. £60,000 of this is due to the delay in the achievement of COM 2 - Re-location of Community Recycling Centre from Tythegston to Pyle resulting in cessation of lease payments at the existing site. The new site will be opening once related junction and road improvement works have been completed with both sites being maintained until the new site is fully operational.
- The balance of the over spend is due to continued increased tonnages of residual waste being experienced by the service. Tonnages increased in 2020-21, primarily due to lockdowns and more residents working from home in

general and this trend is continuing into 2021-22. We have successfully claimed £71,233 from the WG Hardship fund to date and WG have indicated continuing support for increased tonnage as a result of homeworking, albeit that funding will be reduced to 50% of the increased costs for the second half of 2021-22. Claims will continue to be submitted, and if successful could improve the projections by up to £80,000.

#### Street Lighting

- There is a projected under spend of £360,000 on Street Lighting. Due to a change in energy providers in 2021-22, the kilowatt per hour charge decreased by 7% which, based specifically on the energy budget for street lighting, would lead to a reduction in costs of circa £63,000. £73,000 of the projected under spend is one-off due to financial profiling of the annual loan repayments. Finally, the LED replacement programme has generated the balance of the saving due to reduced energy consumption. Consideration will be given towards utilising some of this saving towards the 2022-23 MTFS budget reduction target and demonstrates a successful outcome of an invest to save programme within the Council.

#### Highways Services

- The projected under spend of £100,000 within Highways Services is primarily due to members of staff working on, and hence charging their time to, the SALIX capital scheme to enable the replacement of street lighting with new energy efficient LED units. This is not a recurring saving and is a reduced projection from the 2020-21 outturn of £244,000 as the SALIX Scheme completed in quarter 2 of 2021-22.

#### Parking Services

- The projected under spend on Parking Services is primarily due to a fortuitous upturn in car park income experienced during quarter 2 as a direct result of the popularity of the 'staycation' and a significant improvement on the income received in quarter 2 in 2020-21 when the country was in lockdown. The current under spend masks a pressure on the service area of £180,000 due to the current shortfall in staff car pass income due to the ongoing working from home principle. There is a potential for this to be a long term budget pressure for the service area.

#### Engineering Services

- The projected under spend of £97,000 within Engineering Services is primarily due to an increase in the level of fee earning jobs (grant funded/non grant funded projects) and the differing chargeable rates allowed on the schemes.

#### Corporate Landlord

- There is a projected under spend on the Corporate Landlord budget of £152,000. This primarily relates to staffing vacancies within the Strategic Asset Management team, however Corporate Landlord are actively recruiting to fill, or have already filled these vacancies.

#### **4.3.4 Chief Executive's**

The net budget for the Directorate for 2021-22 is £21.416 million. Current projections anticipate an under spend against this budget of £1.417 million. The

projections have improved since quarter 1 due to the successful claim of £1.273 million from the WG Hardship Fund within Housing and Homelessness. A further £1 million is anticipated to be spent on homelessness in the final two quarters of 2021-22 and claims will be made to support this expenditure. In addition, the projections do not include loss of income claims for other Chief Executive service areas that WG will be considering in the final quarters of 2021-22 which are estimated to be in the region of £384,000. If all of these claims are approved, the projections could further improve by £1.384 million.

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
Finance	3,696	3,576	(120)	-0.4%	184
HR and Organisational Development	1,912	1,810	(102)	-5.3%	
Partnerships	2,046	1,946	(100)	-4.9%	
Legal, Democratic & Regulatory	4,938	5,136	198	4.0%	200
ICT	3,778	3,894	116	3.1%	
Housing & Homelessness	3,354	1,908	(1,446)	-43.1%	(1,273)

#### Finance

- Whilst there is a projected under spend of £120,000 in Finance, included in this projection is a shortfall of £184,000 relating to court cost income. WG have indicated that it is very difficult to assess accurately what might be recoverable for the whole year so they will review the data as part of the quarter 4 return and assess actual losses. The shortfall has been offset by staffing vacancies across Finance and Housing Benefits as the service is currently going through a restructure. The structure is anticipated to be populated in the second half of the 2021-22 financial year.

#### HR and Organisational Development

- There is a projected under spend of £102,000. This primarily relates to staffing and apprenticeship vacancies, however HR are actively recruiting to fill, or have already filled these vacancies.

#### Partnerships

- This service areas includes Transformation, Partnerships and Customer Services & Engagement. The projected under spend of £100,000 is primarily due to staff vacancies. Various recruitment activities have been actioned in order to fill vacant posts but appointments have been affected by Covid-19.

#### Legal, Democratic & Regulatory

- There is a projected over spend of £198,000. This is primarily due to lower than forecast levels of income received for registrars, land charges, licencing fees and public health fees. WG have indicated that it is very difficult to assess accurately what might be recoverable for the whole year so they will review the data as part of the quarter 4 return and assess actual losses. The projections could therefore improve at year end if future claims prove to be successful.



## ICT

- There is a projected net over spend of £116,000 across ICT budgets. This has improved from the £340,000 projected over spend reported at quarter 1. Due to reduced printing activity ICT have been unable to recover the fixed costs of printers and photocopiers through the recharge to service departments. Consequently, reduced spend has been incurred on printing budgets across the service departments. Given the ongoing working from home principle for the remainder of the 2021-22 financial year, an exercise will be undertaken to re-align budgets before the end of quarter 3 and the improved position in ICT reflects a proposed £150,000 realignment from service area budgets.

## Housing & Homelessness

- Budget growth of £2.192 million was approved by Council as part of the MTFs budget setting process in February 2021 to continue the commitment to focus support for homeless individuals, providing them with accommodation. The budget was approved prior to confirmation from WG that the Covid Hardship Fund was to be extended for the first six months of 2021-22. Table 2 sets out that successful claims of £1.273 million have been made to the WG Hardship Fund and these claims are the major contributor to the projected under spend within Housing and Homelessness. Anticipated spend for the second half of 2021-22 is circa £1 million. If future claims are successful, this will further significantly improve the projections for Housing in this financial year.
- The Council has seen a significant increase in the provision of temporary accommodation. At quarter 2, the service are providing temporary accommodation for 326 people from 196 households, compared with 74 households in temporary accommodation in March 2020. As it is anticipated that the Hardship Fund will not be in place beyond 31st March 2022, and given the significant increase in provision of temporary accommodation, the budget growth will be needed in full in 2022-23 to continue to provide support for homeless individuals, providing them with accommodation.

### 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 2021-22 is £48.029 million. The projected outturn is £42.111 million, resulting in a projected under spend of £5.918 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>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Capital Financing	7,329	8,329	1,000	13.6%
Other Council wide Budgets	14,136	7,254	(6,882)	-48.7%

## Capital Financing

- The projected over spend on capital financing costs is due to utilising the budget in 2021-22 to pay off historic prudential borrowing costs, where feasible, which will have a long term revenue cost saving benefit for the Council.

### Other Council wide Budgets

- Other Council wide budgets includes funding for pay, price and pension increases along with funding to deal with unexpected costs unforeseen when the budget was set.
- When the MTFS was approved in February 2021, the pay increases for NJC employees and teachers had not been finalised. Provision was made in the budget with an element of contingency built in. As noted in 4.1.20 the Teachers' pay award has recently been agreed. As WG have indicated that they will be providing a grant to contribute to this increase, this has been built into the projected under spend for 2021-22.
- There are ongoing discussions regarding the pay claim for National Joint Council (NJC) workers. Even a variance of 1% on the pay settlement of NJC staff alone can result in a swing of required funding of over £1 million per annum.
- Inflation rates have fluctuated since the budget was set (CPI was 0.7% in February 2021, had increased to 2.1% by May 2021 and further increased to 3.2% in August). 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. Part of the under spend relates to projected reductions in requirements to allocate price budgets to service areas in-year as the Council has not seen the estimated increases in CPI impact on contractual arrangements to date in 2021-22. However, given the uncertainty of Brexit and Covid-19 at this point in the financial year, and the Bank of England Monetary Policy Committee forecast for inflation referenced in 4.1.21 this will require close monitoring for the remainder of the financial year.
- A thorough review of the other Council wide budgets was undertaken during quarter 2 to assess the requirement for both historic and in-year allocations for pay and price increases, taking into account known pay increases, grant contributions received towards these pressures, and the known impact of inflationary uplifts on contractual arrangements, current negotiations on NJC pay claims and the uncertainty of inflationary uplifts in the short to medium term. Consequently, it is felt reasonable to assume that an element of this budget could be used to mitigate shortfalls in funding, or higher council tax increases in the MTFS 2022-23 and work will continue on identifying such an amount.

### Council Tax Reduction Scheme

- There is currently a projected break even position on the Council Tax Reduction Scheme based on spend to date, however this is a demand led budget and take-up is difficult to predict. As noted in paragraph 4.1.17, the ending of the furlough scheme could also manifest itself in an increase in eligibility for council tax support. 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 number of benefit claimants. This budget will require close monitoring during 2021-22.

## **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 £4.341 million, the cumulative draw down by directorates is £1.166 million and £337,326 has been unwound, as shown in Table 6 below.

**Table 6 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 2**

Opening Balance 01 Apr 21	Reserve	Movement as at Quarter 2			Closing Balance 30 Sep 21
		Net Additions/ Reclassification	Unwound	Draw-down	
£'000		£'000	£'000	£'000	£'000
	<b>Corporate Reserves:</b>				
34,118	Capital Programme Contribution	4,295	(18)		38,396
6,103	Asset Management Reserves	-	(118)	(203)	5,782
7,556	Major Claims & Insurance Reserves	4		-	7,559
4,993	Service Reconfiguration	-		-	4,993
3,050	Change Management/Digital Transformation	-	(6)	(142)	2,902
2,000	Economic and Future Resilience Fund	-		-	2,000
<b>57,819</b>	<b>Total Corporate Reserves</b>	<b>4,299</b>	<b>(143)</b>	<b>(344)</b>	<b>61,631</b>
	<b>Directorate Reserves:</b>				
502	Education & Family Support	-	(12)		490
3,349	Social Services & Wellbeing	-	(42)	(90)	3,217
3,657	Communities	-	(141)	(96)	3,420
2,716	Chief Executives	42		(84)	2,674
<b>10,224</b>	<b>Total Directorate Reserves</b>	<b>42</b>	<b>(195)</b>	<b>(270)</b>	<b>9,801</b>
	<b>Equalisation &amp; Grant Reserves:</b>				
1,961	Education & Family Support	-		(472)	1,490
594	Social Services & Wellbeing	-		-	594
2,532	Communities	-		(51)	2,481
1,228	Chief Executives	-		(30)	1,198
<b>6,315</b>	<b>Equalisation &amp; Grant Reserves:</b>	<b>-</b>	<b>-</b>	<b>(552)</b>	<b>5,763</b>
8,490	School Balances	-		-	8,490
<b>82,848</b>	<b>TOTAL RESERVES</b>	<b>4,341</b>	<b>(337)</b>	<b>(1,166)</b>	<b>85,685</b>

4.4.3 The net appropriation to earmarked reserves during quarter 2 is £4.004 million (£4.341 million additions offset by £0.337 million that have been unwound).

4.4.4 Additions mainly relate to the Capital Programme Contribution reserve which was established to avoid the Council needing to borrow, which would result in consequential borrowing costs on the revenue budget, and will be used to fund schemes within the capital programme, both current and future capital pressures.

The main reserve that was unwound related to a balance of £100,000 included within a demolition reserve, specifically to be re-allocated to the Childrens Residential Accommodation Hub Capital project.

- 4.4.5 The capital programme contribution reserve supplements the funding we receive from WG and via capital receipts to fund our capital programme. Currently we have a balance of £38 million of funding in this reserve which constitutes 45% of our overall earmarked reserves balance. This will be used to fund a wide range of schemes in the capital programme.
- 4.4.6 The School balances reserve increased significantly to £8.490 million at the end of 2020-21 due to additional school grant funding announced late in 2020-21. As noted in paragraph 4.3.1 the quarter 2 projections indicate a projected overall surplus balance for school delegated budgets of £4.18 million at year end as this grant funding gets utilised in-year. This will reduce this reserve accordingly by year end.
- 4.4.7 A further review will be undertaken at quarter 3 when there is a clearer picture on pressures and projected year end balances.

## **5. Effect upon policy framework and 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. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act 2010, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **7. 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 well-being goals/objectives as a result of this report.

## **8. Financial implications**

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

## **9. Recommendation**

- 9.1 The Committee is recommended to:
- note the projected revenue position for 2021-22.

**Gill Lewis**  
**Interim Chief Officer – Finance, Performance and Change**  
**October 2021**

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**Background documents:** Individual Directorate Monitoring Reports