

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

18 JANUARY 2022

CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

BUDGET MONITORING 2021-22 – QUARTER 3 REVENUE FORECAST

1. Purpose of report

- 1.1 The purpose of this report is to provide Cabinet with an update on the Council's revenue financial position as at 31st December 2021, and to seek approval for budget virements between £100,000 and £500,000, as required by the Council's Financial Procedure Rules.

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 31st December 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 31st December 2021

Directorate/Budget Area	Original Budget 2021-22 £'000	Revised Budget 2021-22 £'000	Projected Outturn Q3 2021-22 £'000	Projected Over / (Under) Spend 2021-22 £'000	Projected Over / (Under) Spend Qtr 2 2021-22 £'000
Directorate					
Education and Family Support	127,055	127,580	128,599	1,019	1,089
Social Services and Wellbeing Communities	74,043	74,536	73,443	(1,093)	471
Chief Executive's	28,137	28,317	28,407	90	(313)
	21,304	21,520	19,432	(2,088)	(1,417)
Total Directorate Budgets	250,539	251,953	249,881	(2,072)	(170)
Council Wide Budgets					
Capital Financing	7,329	7,329	8,329	1,000	1,000
Levies	7,783	7,797	7,775	(22)	(22)
Apprenticeship Levy	650	650	673	23	17
Council Tax Reduction Scheme	15,654	15,654	15,504	(150)	0
Insurance Premiums	1,363	1,363	1,425	62	67
Repairs & Maintenance	670	670	520	(150)	(100)
Pension Related Costs	430	430	430	0	2
Other Corporate Budgets	14,538	13,110	4,890	(8,220)	(6,882)
Total Council Wide Budgets	48,417	47,003	39,546	(7,457)	(5,918)
Appropriations to Earmarked Reserves			7,004	7,004	4,004
Total	298,956	298,956	296,431	(2,525)	(2,084)

4.1.2 The overall projected position at 31st December 2021 is a net under spend of £2.525 million comprising a £2.072 million net under spend on directorates and a £7.457 million net under spend on council wide budgets, offset by a net appropriation to earmarked reserves of £7.004 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 where reimbursement is not certain.

- Exclusion of Covid-19 expenditure/loss of income claims that have not yet been submitted as they relate to quarter 4 of 2021-22.

- 4.1.3 The projected under spend on the Council budget at quarter 3 significantly masks the underlying budget pressures in some service areas that were reported in 2020-21 and still persist in 2021-22, for the reasons outlined below. 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 MTFBS Budget Pressure of £1.210 million that was approved by Council in February 2021. The quarter 3 projections indicate further pressure of £755,000 on this budget, with additional procurement exercises due to conclude 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 3 is masked by grant funding of £2.916 million from the Social Care Recovery Fund, along with under spends on staffing budgets due to difficulties in recruitment, which subsequently impacts on the ability to meet demands for packages of care.
- 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 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 the Hardship Fund will not be in place beyond the 31st March 2022, the underlying budget pressure is likely to continue into 2022-23.
- 4.1.8 As a consequence of the projected one-off under spends, we have been able to create in-year earmarked reserves to support the capital programme and investment in our communities at this unprecedented time. Detailed movements in earmarked reserves can be found in section 4.4, and quarter 3 has seen a new £3 million addition to the unallocated capital reserve to be utilised against projected capital pressures.
- 4.1.9 In addition, given the significant funding required to meet pay and price costs in 2022-23, and potential pressures on Council Tax collection (see 4.1.20) and

increase in eligibility for council tax support through the Council Tax Reduction Scheme (see 4.1.21), any uncommitted funding from other council wide budgets in 2021-22 will be carried forward to meet those pressures in the new financial year.

- 4.1.10 The Council received its provisional local government settlement for 2021-22 from Welsh Government on 21st December 2021. A report is being presented to Cabinet on 18th January 2022 on the draft Medium Term Financial Strategy 2022-23 to 2025-26 which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2022-26 and a detailed draft revenue budget for 2022-23. It is clear from the report that there will be difficult choices to make and pressures to meet going forward. In addition, there is still one quarter of the financial year remaining and there are a number of volatile budgets which could impact upon this position as well as the ongoing Covid-19 pandemic, particularly during the winter months.
- 4.1.11 A detailed analysis of the more significant projected under and over spends is set out in section 4.3. The position on directorate budgets has improved since quarter 2, with the projected under spend increasing by £1.9 million. This is primarily due to additional income relating to Homelessness accommodation costs from the Covid-19 Hardship Fund, with £1.313 being successfully claimed during quarter 3. Covid-19 Hardship claims will continue to be made to WG for the remainder of the 2021-22 financial year and, if successful, will further improve the financial position by the year end. In addition, WG awarded an additional £3,132,108 to the Local Authority Education Grant 2021-22 for Bridgend on the 21st December 2021. We are currently reviewing the allocation to determine if there is any impact on service budgets or school balance projections.

Covid-19

- 4.1.12 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.
- 4.1.13 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 subsequently 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. Three new allocations have been added to the Hardship Fund in quarter 3 - £38 million for winter fuel support, £600,000 for community hubs and £2 million for homelessness support. It is anticipated that the Hardship Fund will not be in place beyond 31st March 2022.
- 4.1.14 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.

4.1.15 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. These have been built into the quarter 3 projections.

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

4.1.16 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 November 2021

Specific Hardship Fund	Claimed £'000	Paid £'000	On hold/ pending review £'000	Disallowed £'000
General	511	472	29	10
Homelessness	2,616	2,586	30	0
Free School Meals	814	0	814	0
Schools	823	746	76	1
Adult Social Services	3,606	3,201	405	0
Visitor Economy	84	84	0	0
Self Isolation Payments (SIP)/ Statutory Sick Pay Enhancements (SSP)	858	671	187	0
Total	9,313	7,760	1,542	11

4.1.17 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 £1.542 million relate mostly to those pending review by the Free School Meal Panel (£814,000) and the latest submitted claim which is not due to be reviewed by WG until early in the New Year (£724,000). As there is no certainty at the time of writing this report in relation to the outcome of the items placed on hold (excluding FSM claims which have been fully funded by WG since the introduction of the Hardship grant), the reimbursement of costs has not been assumed in the quarter 3 projections and these are covered in detail in section 4.3 of the report.

4.1.18 The Council has also submitted a claim for loss of income to the Welsh Government for the first two quarters of 2021-22 totalling £1.154 million as shown in Table 3.

Table 3 – Covid-19 loss of income to Quarter 2 2021-22

Directorate	Claimed (covers to end of Qtr 2)	Paid	On hold	Main areas
	£'000	£'000	£'000	
Education and Family Support Directorate	48	48	0	£48k - School meal income
Schools	110	110	0	£65K - school meal income, £45K - loss of income from hire of school premises
Social Services & Wellbeing Directorate	655	655	0	£628k – contribution to Council's leisure service provider, £27k – dual use sites where facilities are managed for community use outside of school hours
Communities Directorate	159	159	0	£74k - Car Park Income, £45k pitch and pavilion hire, £27k – civil enforcement income
Chief Executive's Directorate	183	183	0	£48K – court cost income £103k – registrars, taxi licensing and licensing income,
Total	1,154	1,154	0	

4.1.19 All of the claims for the first half of 2021-22 have been approved and paid by WG. Future claims will be submitted to cover the loss of income for the second half of the financial year, the outcome of which will be reported in the outturn report to Cabinet.

4.1.20 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 along with the furlough scheme ending. 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 and reduced court time for debt recovery. 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, and whilst no funding has been identified by WG for reduced council tax income, WG are monitoring this across all Welsh Local Authorities.

4.1.21 Alongside the impact on Council Tax, the ending of the furlough scheme and the potential for new restrictions to address the Omicron variant could both 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 increased council tax support.

Budget virements/technical adjustments

4.1.22 There have been a number of budget virements and technical adjustments between budgets since the quarter 2 Revenue Forecast was presented to Cabinet in October. The budget position is reported on the assumption that these virements will be approved. The main virements and technical adjustments in quarter 3 are outlined below:

Budget Virements

Service vired from / to	Amount
Transfer of funding from Directorate Print budgets to ICT to reflect reduced print activity due to staff working from home and ICT being unable to recover the fixed costs of printers and photocopiers through the re-charge to service departments.	£150,000

Technical Adjustments

Service vired from / to	Amount
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	£563,047
Allocation of funding retained centrally in respect of teachers' pay award 2021-22, net of grant received	£463,260

Pay/Price Inflation

4.1.23 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 further release of these budgets as and when evidence is provided by the service areas.

4.1.24 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 agreed pay award of 1.75% for Teachers, but also the ongoing discussions regarding the pay claim for National Joint Council (NJC) workers.

4.1.25 Inflation rates have fluctuated since the budget was set - CPI was 0.7% in February 2021, had increased to 3.2% in August and has further increased to 5.1% in November. With the uncertainty around Brexit and Covid-19 and the possible economic fallout arising from these, along with the projected and rising energy costs, it is likely that the provision set aside in the MTFS for 2022-23 will need to be supplemented by any funding not committed from the council wide budgets this financial year.

Budget Reduction Proposals

- 4.1.26 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.
- 4.1.27 The draft Medium Term Financial Strategy for 2022-23 to 2025-26 which is being presented to Cabinet on 18th January 2022 includes a number of pressures facing Bridgend County Borough Council over the life of the MTFs. The report reiterates the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £21.029 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.
- 4.1.28 At year end consideration will be given to requests from directors to carry forward any planned directorate under spends for specific purposes, as earmarked reserves, 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. If over spends are due to budget reduction proposals not being achieved, Directors will be asked to identify if any of these proposals are still not likely to be achieved in full during the 2022-23 financial year, and to identify mitigating actions that will be undertaken to achieve them. 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

	Total Budget Reductions Required	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Education and Family Support	344	344	0
Social Services and Wellbeing	185	185	0
Communities	1,847	1,726	121
TOTAL	2,376	2,255	121

4.2.2 Table 4 shows that of the £2.376 million outstanding reductions, £2.255 million is likely to be achieved by 2021-22 leaving a shortfall of £121,000. The main proposal still not likely to be achieved is:

- COM19 – Streetworks review (£100,000) – the business case was submitted to WG in quarter 3 and the service area are awaiting final comments back for approval before steps can be taken towards implementation. 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

	Total Budget Reductions Required	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
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
TOTAL	1,760	1,695	65

- 4.2.4 The main budget reduction proposal unlikely to be achieved in full is COM 2 – Relocation of Community Recycling Centre from Tythegston to Pyle resulting in cessation of lease payments at existing site (£60,000). The new site in Pyle is anticipated to open in the final quarter of 2021-22, 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 savings 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 considers applications from Directorates to the MTFS Budget Reduction Contingency reserve to mitigate some of the shortfalls, however it is unlikely any applications will be made in the 2021-22 financial year.
- 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 4 if required, however it is unlikely to be utilised in the 2021-22 financial year.

4.3 Commentary on the financial position at 31st December 2021

Financial position at 31st December 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 £127.580 million. Current projections indicate an over spend of £1.019 million. WG awarded an additional £3,132,108 to the Local Authority Education Grant 2021-22 for Bridgend on the 21st December. The majority of the funding is additional Recruit, Recover, Raise Standards funding for schools and non-maintained settings (£1.535 million), with the other main categories being an ALN Covid recovery grant and new system funding (£706,000), Attendance support and community schools funding (£335,000), Winter of Wellbeing (£253,000) and PDG Access extension funding (£158,000). We are currently reviewing the allocation to determine if there is any impact on service budgets or school balance projections and will provide further updates in the outturn report.

The main variances at quarter 3 are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance	Over/ (under) specifically Covid-19 related
	£'000	£'000	£'000		
Support for Learners with Additional Learning Needs	2,578	3,140	562	21.8%	
Home to School Transport	6,737	7,492	755	11.2%	
Health and Safety	384	278	(106)	-27.7%	

Schools' Delegated Budgets

Total funding delegated to schools in 2021-22 is £104.012 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 3 this has reduced to a projected surplus of £3.93 million due primarily to schools utilising the grant funding awarded at the end of last financial year, in line with the terms and conditions of the grant to be spent by the end of the 2021-22 academic year. There are 8 primary schools (13.6% 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 £562,000 which primarily relates to the shortfall in recoupment income for other Local Authority (LA) placements at Heronsbridge School and Ysgol Bryn Castell. A budget pressure of £500,000 was agreed by Council as part of the MTFs in February 2021, but there has been a further reduction in the number of other LA pupils in Bridgend schools. Whilst there were 20 pupils at the end of 2020-21 this has reduced to 13 due to increased demand from BCBC pupils.

Home to School Transport

- There is a projected over spend of £755,000 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 also determined in 2020-21 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 been undertaken for special taxis, taxis, and minibus contracts which could put further pressure on the HTST budget going into 2022-23.

Health and Safety

- There is a projected under spend of £106,000 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 £74.536 million. Current projections indicate an under spend of £1.093 million at year end. Covid-19 expenditure and loss of income included in this projection amount to £197,000 – if these were to be successfully claimed from WG, the projection would improve to an under spend of £1.290 million.

As noted in the quarter 2 budget monitoring report, the directorate had been notified of £1.777 million in grant funding from the WG Social Care Recovery Fund. A further allocation of £1.139 million has been received since quarter 2, increasing the overall 2021-22 Social Care Recovery Fund to £2.916 million. A spend plan for this funding has been finalised and any impact on service budgets has been included in the quarter 3 projections. A significant amount of the grant is planned to be used on staffing to provide additional support in key areas throughout the directorate, for example, Front Door, Network teams, Fostering and Behavioural Therapy. Due to difficulties in recruitment currently being experienced, the allocation of the grant is constantly under review and will continue to be maximised in the final quarter of 2021-22.

The directorate has submitted a bid for Winter Pressures funding via the local Health Board. The Directorate received £522,000 in 2020-21. The outcome of the bid is not known at the time of writing this report therefore the impact on the service budgets has not been built into the quarter 3 projections.

The main variances at quarter 3 are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance	Over/ (under) specifically COVID-19 related
	£'000	£'000	£'000		£'000
Adult Social Care	49,903	48,418	(1,485)	-3.0%	145
Prevention & Wellbeing	5,229	5,116	(113)	-2.2%	
Childrens Social Care	19,404	19,909	505	2.6%	52

Adult Social Care

There is projected net under spend of £1.485 million on the Adult Social Care budget. This has improved from the quarter 2 projected under spend of £101,000. The main reasons for the movement are:-

- Reimbursement of direct payments - £530,000. The local authority undertook a procurement exercise during 2021-22 which resulted in a change of provider for payroll/managed accounts services and advisor support as part of the Direct Payments service. Managed direct payment accounts are constantly under review and reimbursements actioned periodically in line with contract requirements where accounts are under spent due, for example, to under-utilisation of hours or no cover arrangements being required. These circumstances have been more prevalent during the pandemic, due primarily to social distancing requirements. During quarter 3 a one-off transfer of reimbursements was actioned upon the cessation of the contract with the previous provider.

- Reduction in staffing costs due to drawing on the Recovery Fund to support additional posts and also due to continued difficulty in recruitment being experienced - £128,000.
- Reduced placements – £242,000. Independent Domiciliary Care is encountering capacity issues in terms of staffing shortages and inability to recruit, impacting on the ability to meet demands for packages of care. Short break placements have been reduced due to the impact of the social distancing guidance.

The most significant variances contributing to the £1.485 million projected under spend are:-

ADULT SOCIAL CARE	Projected Variance Over/(under) budget
	£'000
Residential Care for Older People	(320)
Homecare	168
Direct Payments	(424)
Residential Care – Physical Disability/Sensory Impairment	(115)
Supported and Other Accommodation – Mental Health	(175)
Assessment and Care Management	(432)

- Residential Care for Older People – the projected under spend of £320,000 is mainly due to reduced residential/nursing placements (£180,000) and an increase in personal contributions (£62,000). While residential/nursing are recovering from their lowest vacancy rate of around 19% earlier in the pandemic (currently around 12%), increases are still at a slow rate. Nursing placements have limited capacity due to nursing staff shortages.
- Homecare – the projected over spend of £168,000 within the homecare service in Adult Social Care is mainly due to an increase in the number of people receiving domiciliary care within a home setting or supported accommodation within Learning Disabilities and an increasing number of placements requiring complex packages of support within Mental Health Services.
- Direct Payments – the projected under spend of £424,000 within the direct payments service in Adult Social Care is mainly due to the one-off reimbursement received from the previous provider as previously noted.
- Residential Care – Physical Disability/Sensory Impairment – the projected under spend of £115,000 is mainly due to a reduction in placements compared to those budgeted for. 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
- Supported and Other Accommodation – Mental Health – the projected under spend of £175,000 is primarily due to maximisation of grant funding available.
- Assessment and Care Management – there is a projected under spend of £432,000 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 £113,000 has improved from the £40,000 projected under spend at quarter 2 due primarily to successful claims from the WG Loss of Income grant (£27,000) and an improvement in hire charge income as groups start to use facilities again (£39,000). 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. Successful claims of £628,000 have made for quarter 1 and quarter 2 through the WG Hardship loss of income fund (see Table 3) and claims will continue to be made for the remainder of 2021-22.

Childrens' Social Care

- There is projected net over spend of £505,000 on the Children's Social Care budget, an improvement on the quarter 2 projection of £612,000.
- The main reason relates to a projected over spend on the Care Experienced Children budget of £362,000 which has improved from the quarter 2 projected over spend of £442,000. 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 2 budget monitoring report, this budget area can be volatile and small changes in demand can result in relatively high costs being incurred.
- The Care Experienced population at the end of 2020-21 was 390. Movements in year has resulted in there being 385 at quarter 1, 388 at quarter 2 and 377 at quarter 3.
- At the end of quarter 2 there were 10 children in independent residential placements (in and out of authority) and 2 in BCBC 39 week local authority education provision. At the end of quarter 3 the numbers have increased to 11 children in independent residential placements and 3 in BCBC local authority education provision. However, as one high cost placement has now ended, despite the increase in numbers there has been a slight reduction in the overall projected over spend for Children's Social Care.

4.3.3 Communities Directorate

The net budget for the Directorate for 2021-22 is £28.317 million. The current projection is an anticipated over spend of £90,000. 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 over spend of £10,000.

The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance	Over/ (under) specifically COVID-19 related
	£'000	£'000	£'000		£'000
Development Control	-231	-16	215	-93.1%	
Waste Disposal & Collection	9,002	9,389	387	4.3%	80
Street Lighting	1,616	1,379	(237)	-14.7%	
Highways Services (DSO)	2,936	2,855	(81)	-2.8%	
Parking Services	-295	-436	(141)	47.8%	
Engineering Services	81	-52	(133)	-164.2%	
Parks, Playing Fields and Open Spaces	2,004	1,886	(118)	-5.9%	
Corporate Landlord	2,684	2,792	108	4.0%	

Development Control

- The projected over spend in Development of £215,000 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 £387,000 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 in Pyle is anticipated to open in the final quarter of 2021-22, with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2022-23.
- 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 £211,828 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 £237,000 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. This budget area will be closely monitored with a view to determining the element of under spend that is recurring, with potential re-alignment to other budgets facing projected over spends within the Communities Directorate as part of the 2022-23 budget setting process. The project demonstrates a successful outcome of an invest to save programme within the Council.

Highways Services

- The projected under spend of £81,000 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 of £141,000 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 £133,000 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.

Parks, Playing Fields and Bereavement Services

- The projected under spend of £118,000 is primarily due to a projected increase in income within Bereavement Services compared with pre-pandemic income and budgeted income levels. 2020-21 saw an increase in burials of 34% and whilst it was anticipated that income levels would have returned to normal levels in 2021-22, this has not materialised.

Corporate Landlord

- There is a projected over spend on the Corporate Landlord budget of £108,000. This partly relates to shortfalls in income generated from properties run by the Council that are not necessarily Covid-19 related but relate to occupancy shortfalls – e.g. Bridgend Market, Innovation Centre. The balance of the shortfall is primarily due to a reduction in productivity levels in the Facilities Management team due to social distancing requirements in the workplace.

4.3.4 Chief Executive's

The net budget for the Directorate for 2021-22 is £21.520 million. Current projections anticipate an under spend against this budget of £2.088 million. The projections have improved since the quarter 2 projected under spend of £1.417 million due primarily to additional income relating to Homelessness Accommodation costs from the Covid-19 Hardship Fund. £1.273 million had been approved as at quarter 2 which has increased to £2.586 million at quarter 3 (Table 2), an increase of £1.313 million.

The projections do not include loss of income claims that WG will be considering in the final quarters of 2021-22 which are estimated to be in the region of £132,000. There are further anticipated housing costs to be reclaimed from the Covid-19 Hardship fund of £58,000. If all these claims are approved, the projections could further improve to an under spend position of £2.278 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	3,683	3,565	(118)	-3.2%	96
HR and Organisational Development	1,911	1,813	(98)	-5.1%	
Partnerships	2,045	1,985	(60)	-2.9%	
Legal, Democratic & Regulatory	4,919	5,208	289	5.9%	33
ICT	3,928	4,068	140	3.6%	
Housing & Homelessness	3,354	1,060	(2,294)	-68.4%	61

Finance

- Whilst there is a projected under spend of £118,000 in Finance, included in this projection is a shortfall in income levels of £96,000, the largest of which is for court cost income (£78,000). Claims will continue to be made to WG for the remainder of the financial year to support the identified shortfall in income. 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 final quarter of the 2021-22 financial year.

HR and Organisational Development

- There is a projected under spend of £98,000. 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 £60,000 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 £289,000 within Legal, Democratic and Regulatory services. This is primarily due to the projected over spend of £448,000 on Childcare Legal costs. There has been an unprecedented increase in public and private law childcare cases. The volume has increased considerably since the start of the pandemic, along with an increase in volume of complex cases that have required Senior Counsel.
- The projections also include a rebate of £102,000 relating to Shared Regulatory Services as anticipated service level delivery has been impacted by the pandemic resulting in an under spend.
- Included in the projections are successful claims of £120,000 from the WG Loss of Income fund to support lower levels of income being experienced for registrars, land charges, licencing fees and public health fees. A further £33,000 is anticipated to be claimed from WG relating to the final two quarters of 2021-22, therefore the projections could improve by the year end if the future claims prove to be successful.

ICT

- There is a projected net over spend of £140,000 across ICT budgets. 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 continuing working from home principle for the remainder of the 2021-22 financial year, an exercise was undertaken in quarter 3 to re-align budgets and the position in ICT reflects a £150,000 realignment from service area budgets as referred to in 4.1.22. The remaining over spend is due to increased postage costs due to staff working from home and an increased spend on IT infrastructure.

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 £2.586 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.
- The Council has seen a significant increase in the provision of temporary accommodation. At quarter 3, the service are providing temporary accommodation for 348 people from 204 households, compared with 74 households in temporary accommodation in March 2020. As 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 £47.003 million. The projected outturn is £39.546 million, resulting in a projected under spend of £7.457 million. The main variances are detailed below:-

COUNCIL WIDE BUDGETS	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing	7,329	8,329	1,000	13.6%
Other Council wide Budgets	13,110	4,890	(8,220)	-62.7%

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 4.1.24 the Teachers' pay award has been agreed at 1.75%. As WG have provided 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 3.2% in August and has further increased to 5.1% in November. 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 around Brexit and Covid-19 and the possible economic fallout arising from these, along with the projected and rising energy costs, this will require close monitoring for the remainder of the financial year.
- The Covid-19 pandemic has also impacted on projected spend on other Council wide budgets, for example, there has been reduced spend on feasibility as projects have been delayed and reduced corporate support required to enable restructures to be undertaken as these have also been delayed by the pandemic.

Council Tax Reduction Scheme

- There is currently a projected under spend of £150,000 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 4.1.20, the ending of the furlough scheme could also manifest itself in an increase in eligibility for council tax support, although this has not been evidenced to date. 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.

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 3 a review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding. The review also examined:-

- Commitments against existing reserves and whether these were still valid;
- Earmarked reserve requests from directorates as a result of emerging issues, and;
- Emerging risks for the Council as a whole.

4.4.2 Table 6 below details the creation of new earmarked reserves, increases to existing earmarked reserves and amounts that have been unwound from reserves since the beginning of the financial year. There have been net additions of £7.498 million, the cumulative draw down by directorates is £2.872 million and £494,000 has been unwound.

Table 6 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 3

Opening Balance 01 Apr 21	Reserve	Movement as at Quarter 3			Closing Balance 31 Dec 21
		Net Additions/ Reclassification	Unwound	Draw-down	
£'000		£'000	£'000	£'000	£'000
	Corporate Reserves:				
34,118	Capital Programme Contribution	7,295	(18)	-	41,396
6,103	Asset Management Reserves	157	(118)	(550)	5,591
7,556	Major Claims & Insurance Reserves	4	-	-	7,559
4,993	Service Reconfiguration	-	-	-	4,993
3,050	Change Management/Digital Transformation	-	(163)	(249)	2,638
2,000	Economic and Future Resilience Fund	-		-	2,000
57,819	Total Corporate Reserves	7,456	(299)	(799)	64,176
	Directorate Reserves:				
502	Education & Family Support	-	(12)	(18)	472
3,349	Social Services & Wellbeing	-	(42)	(92)	3,215
3,657	Communities	-	(141)	(89)	3,427
2,716	Chief Executives	42		(176)	2,582
10,224	Total Directorate Reserves	42	(195)	(375)	9,696
	Equalisation & Grant Reserves:				
1,961	Education & Family Support	(68)	-	(775)	1,118
594	Social Services & Wellbeing	(243)	-	-	350
2,532	Communities	-	-	(185)	2,347
1,228	Chief Executives	(544)	-	(170)	513
-	Cross Directorate	856	-	(567)	289
6,315	Equalisation & Grant Reserves:	-	-	(1,698)	4,617
8,490	School Balances	-		-	8,490
82,848	TOTAL RESERVES	7,498	(494)	(2,872)	86,979

4.4.3 The net appropriation to earmarked reserves as at quarter 3 is £7.004 million (£7.498 million additions offset by £0.494 million that have been unwound). This net addition has been funded from the projected under spend on non-Directorate budgets at the end of quarter 3 as shown in Table 1.

4.4.4 The main addition in quarter 3 was a £3 million addition 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. No further reserves have been unwound in quarter 3.

- 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 £41 million of funding in this reserve which constitutes 47% 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 3 projections indicate a projected overall surplus balance for school delegated budgets of £3.93 million at year end as this grant funding gets utilised in-year. This will reduce this reserve accordingly by year end.

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 Cabinet is recommended to:

- note the projected revenue position for 2021-22
- recommend that Council approve the virements between £100,000 and £500,000 as outlined in paragraph 4.1.22

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Background documents: Individual Directorate Monitoring Reports