

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

27 OCTOBER 2022

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

BUDGET MONITORING 2022-23 – QUARTER 2 REVENUE FORECAST

1. Purpose of report

- 1.1 The purpose of this report is to provide Committee with an update on the Council's revenue financial position as at 30 September 2022.

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 23 February 2022, Council approved a net revenue budget of £319.510 million for 2022-23 based on the provisional local government settlement received from Welsh Government on 21 December 2021. The Welsh Government announced its final settlement on the 1 March 2022 and as a result of a technical adjustment, there was an increase in the Revenue Support Grant (RSG) for the Council of £4,336, increasing the net revenue budget for 2022-23 to £319.514 million. As part of the Performance Management Framework, budget projections are reviewed regularly and reported to Cabinet on a quarterly basis. The delivery of agreed budget reductions is also kept under review and reported to Cabinet as part of this process.

4. Current situation/proposal

4.1 Summary financial position at 30 September 2022

4.1.1 The Council's net revenue budget and projected year end spend for 2022-23 is shown in Table 1 below.

Table 1- Comparison of budget against projected year end spend at 30 September 2022

Directorate/Budget Area	Original Budget 2022-23 £'000	Revised Budget 2022-23 £'000	Projected Year end spend Q2 2022-23 £'000	Projected Over / (Under) Spend 2022-23 £'000	Projected Over / (Under) Spend Qtr 1 2022-23 £'000
Directorate					
Education and Family Support	131,430	132,319	132,102	(217)	407
Social Services and Wellbeing	78,434	82,327	89,826	7,499	1,548
Communities	28,995	29,851	29,325	(526)	(459)
Chief Executive's	21,895	22,515	21,857	(658)	(607)
Total Directorate Budgets	260,754	267,012	273,110	6,098	889
Council Wide Budgets					
Capital Financing	7,329	7,291	6,853	(438)	0
Levies	8,177	8,210	8,210	0	0
Apprenticeship Levy	650	650	650	0	0
Council Tax Reduction Scheme	16,054	16,054	15,154	(900)	(754)
Insurance Premiums	1,363	1,363	1,225	(138)	0
Repairs & Maintenance	670	670	470	(200)	0
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	24,087	17,834	16,845	(989)	(880)
Total Council Wide Budgets	58,760	52,502	49,837	(2,665)	(1,634)
Total	319,514	319,514	322,947	3,433	(745)

4.1.2 The overall projected position at 30 September 2022 is a net over spend of £3.433 million comprising £6.098 million net over spend on directorates and a net under spend of £2.665 million on Council wide budgets. As the projected position is currently an overall over spend position, there have been no appropriations to earmarked reserves. A detailed analysis of the more significant projected under and over spends is set out in section 4.3.

4.1.3 It is too early in the financial year to provide a realistic indication of projected council tax for this financial year, and whether the Council is likely to see a reduction in council tax income over the 2022-23 financial year as more people are facing financial hardship as a result of the current cost of living crisis. A 1% reduction in the council tax income collection rate could result in an additional pressure to the Council of around £1 million. Council tax collection rates will be monitored continuously throughout the year and reported accordingly.

Covid-19

- 4.1.4 Following the UK going into lockdown in March 2020, to limit the spread of coronavirus, the Welsh Government established a Covid-19 Hardship Fund to enable the Council to draw on for financial support. Some additional funding has been made available to support the Council in 2022-23, including for homelessness (£1.479 million) and to cover free school meals during holiday periods. With the WG Hardship Fund ending on 31 March 2022, a budget pressure of £1 million was approved by Council for 2022-23 as part of the Medium Term Financial Strategy (MTFS) to meet ongoing budget pressures, both in respect of additional cost pressures and ongoing loss of income. Updates will continue to be provided to Cabinet through the quarterly revenue budget monitoring reports throughout 2022-23.
- 4.1.5 Cabinet and Corporate Management Board (CCMB) agreed to establish a one-off £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 through the Hardship Fund. The balance on this fund has been carried into 2022-23 and CCMB have approved the use of this fund to support the free car parking offer for town centres to the end of 2022-23. Further proposals will be considered by CCMB during 2022-23.
- 4.1.6 Whilst the WG Hardship Fund ended on the 31 March 2022, local authorities continue to administer four elements that were paid through the Hardship Fund on behalf of WG – self isolation payments (to end of June 2022), statutory sick pay enhancement scheme (to end of August 2022), free school meal payments (to end of February half term 2023) and the winter fuel support scheme. Table 2 summarises the amounts claimed to date in 2022-23. The £184,000 reflects the latest claim that is pending review by WG with no issues anticipated in the settlement of the claim.

Table 2 – Covid related claims to Welsh Government - Quarter 2 2022-23

Specific Hardship fund	Claimed £'000	Pending review £'000
Self Isolation Payments (SIP)	635	3
Statutory Sick Pay Enhancements (SSP)	114	20
Free School Meals	1,047	161
TOTAL	1,795	184

Budget virements/technical adjustments

- 4.1.7 There have been a 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

Service vired from / to	Amount
Transfer of funding from Corporate Covid-19 budget to Chief Executive's Directorate to provide additional support to meet increased channel shift pressures as a result of the Covid-19 pandemic	£73,824
One-off contribution from Corporate Contingency to fund transport and air quality monitoring within the Park Street AQMA	£8,863

Technical Adjustments

Service vired from / to	Amount
Transfer of inflationary uplifts not confirmed when the Medium Term Financial Strategy was agreed that are held centrally until evidence of the uplift is provided by the service areas	£892,777

Pay/Price Inflation

- 4.1.8 When the budget for 2022-23 was set, very little funding was allocated to directorates for pay and price inflation, as most had not been determined for the forthcoming year. The majority of the 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 amount released from these budgets as and when evidence is provided by the service areas.
- 4.1.9 Inflationary pressures released in quarter 1 included increases in staffing costs arising from the above inflation increases in the national living wage and the implementation of the real living wage. Once the outcome of the latest consultation exercises and ballots regarding pay claims for Teachers' pay, National Joint Council (NJC) and for Joint Negotiation Committee (JNC) for Chief Officers is known, the budgetary impact will be reported to Cabinet in future revenue monitoring reports. 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.
- 4.1.10 In addition, in recent months the Council has experienced additional costs not only as a result of the pandemic, but also rising costs resulting from Brexit, the impact of the war in the Ukraine, and increases in inflation not seen for over a decade.
- 4.1.11 There is a risk that there may not be sufficient funding available within these budgets for any unexpected major pay/price inflation increases. Inflation rates have also fluctuated since the budget was set - CPI was 6.2% in February 2022 and had increased to 9.9% in August 2022. In comparison it was 3.2% in August 2021. With these uncertainties the budget will need to be monitored closely during the remainder of the year.

Budget Reduction Proposals

- 4.1.12 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 £631,000. 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.
- 4.1.13 In February 2022 Council approved the Medium Term Financial Strategy for 2022-23 to 2025-26. This identified 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.
- 4.1.14 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 2022-23. 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. Finally, outstanding prudential borrowing will be repaid, where possible, to reduce future capital financing charges. However, a decision will not be made until towards the end of the financial year when the overall year end 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 14 June 2022 on the Revenue Budget Outturn 2021-22. In the report it was highlighted that, for 2017-18 to 2020-21, there were £2.376 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £100,000. In addition, of the 2021-22 budget reduction proposals of £1.760 million, it was reported that there was a total outstanding balance to be met of £65,000. Directors have been 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. All remaining outstanding prior year budget reductions are summarised in **Appendix 1** with a summary per directorate provided in Table 3.

Table 3 – Outstanding Prior Year Budget Reductions

	Total Budget Reductions Required	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Communities	179	119	60

Note: The total budget reductions required in Table 3 represents the original budget reduction target of £179,000 - £14,000 of the proposal was achieved in 2021-22 leaving £165,000 to be achieved in 2022-23.

- 4.2.2 Table 3 shows that of the £179,000 outstanding reductions, £119,000 is likely to be achieved in 2022-23 leaving a shortfall of £60,000. The proposal still not likely to be achieved is COM 2 – Re-location of community recycling centre from Tythegston to Pyle. The new site in Pyle is anticipated to open in 2022-23, with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2023-24. The saving will therefore have to be met through alternative one-off efficiencies in 2022-23 in order to deliver a balanced budget position.
- 4.2.3 At quarter 1 it was reported that COM19 – permitting scheme (£100,000) was unlikely to be achieved due to delays in the approval process with Welsh Government. A review of the budgets within the Communities Directorate took place during quarter 2 to identify a replacement saving for this budget reduction alongside attempts continuing to be made to make contact with the appropriate officers in WG to gain a formal response on the submission. A recurring saving on the street lighting budget of £100,000 has been identified as the LED replacement programme has generated savings due to reduced energy consumption and has replaced the saving from the permitting scheme.
- 4.2.4 As outlined in the MTFS reports to Cabinet and Council, MTFS Principle 7 states that *“Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays”*. An MTFS Budget Reduction Contingency reserve was established in 2016-17. This reserve has been used to meet specific budget reduction proposals in previous years on a one-off basis pending alternative measures. During the financial year, the Section 151 Officer will consider applications from Directorates to the MTFS Budget Reduction Contingency reserve to mitigate some of the shortfalls.

Budget Reductions 2022-23

- 4.2.5 The budget approved for 2022-23 included budget reduction proposals totalling £631,000, which is broken down in **Appendix 2** and summarised in Table 4 below. The current position is that £253,000 has been achieved to date, with an overall projected shortfall on the savings target by year end of £244,000, or 38.7% of the overall reduction target.

Table 4 – Monitoring of Budget Reductions 2022-23

	Total Budget Reductions Required	Total Budget Reductions Achieved to date	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000	£'000
Education and Family Support	68	0	0	68
Social Services and Wellbeing	365	160	284	81
Communities	150	45	55	95
Chief Executive's	48	48	48	0
TOTAL	631	253	387	244

4.2.6 The most significant budget reduction proposals unlikely to be achieved in full are:-

- EFS1 – Rationalisation of adult community learning service (£68,000 shortfall). WG have changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of this proposal. The Education and Family Support Directorate are working on alternative budget reduction proposals to replace this saving which will be reported to Cabinet in the quarter 3 revenue monitoring report.
- SSWB 2 – remodelling of day service provision for older people and learning disability services (£81,000 shortfall). Efficiencies have been identified, however work is ongoing to further develop the remodelling to meet the savings target in full.
- COM 3 – change the composition of household food waste bags (£35,000 shortfall). Budget reduction proposal has been delayed due to ongoing national research and debate surrounding composition of household food waste bags, to ensure any potential changes in legislation do not impact on the proposal.
- COM5 – commercially let a wing of Ravens Court to a partner organisation or business (£50,000 shortfall) – delay in progressing budget reduction proposal whilst the future service delivery model is being developed.

4.2.7 **Appendix 2** identifies the value of the saving target that has been achieved to the 30 September 2022, along with the projected amount of saving likely to be achieved against these proposals by year end 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 year end spend. During the financial year the Section 151 Officer will also consider applications from directorates to the MTFS Budget Reduction Contingency reserve to mitigate some of the shortfalls.

4.2.8 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 2022

Financial position at 30th September 2022

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 Education and Family Support Directorate, including school delegated budgets, for 2022-23 is £132.319 million. Current projections indicate an under spend of £217,000 at year end. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Adult Community Learning	43	167	125	290.7%
Family Support	2,902	2,525	(377)	-13.0%
Home-to-school transport	8,040	8,181	141	1.75%
Catering Services	1,145	1,233	88	7.7%
Corporate health and safety	385	335	(50)	-13.0%

Schools' delegated budgets

Total funding delegated to schools in 2022-23 is £105.897 million.

The schools' delegated budget is reported as balanced as any under spend 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 2022-23, projections indicated an overall surplus balance for school delegated budgets of £3.473 million at year end. At quarter 2 this has reduced slightly to a £3.123 million projected surplus. There are 7 primary schools and 1 secondary school (14% of all schools) projecting a deficit balance at year end.

Central Education and Family Support Directorate budgets

Adult Community Learning

- The adult community learning budget has a £68,000 MTFS budget reduction proposal for 2022-23 which related to the removal of the council subsidised support to adult learners. Subsequent to this proposal, Welsh Government has changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of this proposal. The Education and Family Support Directorate is working on alternative budget reduction proposals to replace this saving which will be reported to Cabinet in the quarter 3 budget monitoring report.

Family Support

- The projected under spend of £377,000 primarily relates to staff vacancy management and maximisation of grant funding. The service area are actively looking to recruit to the vacant posts in 2022-23, therefore the saving should not be recurring in 2023-24.

Home-to-school transport (HtST)

- A MTF budget pressure of £2.472 million was approved by Council in February 2022 to support the increased costs of HtST reported in 2021-22. These included the increased provision of taxis and minibuses for pupils with additional learning needs, transportation of nursery pupils in either dedicated minibuses or taxis, and a retendering exercise on home-to-school transport contracts, principally big buses and minibuses. A further procurement exercise was also undertaken at the end of 2021-22 for special taxis, taxis and minibus contracts which was anticipated to put further pressure on the HtST budget in 2022-23.
- The HtST budget is currently projecting a £141,000 over spend primarily relating to increased costs for those pupils with additional learning needs.
- It should also be noted that school transport providers are being significantly impacted by the fuel inflationary increases and are in discussion with the local authority with regard to the sharing of the risks and costs associated with continuing to operate.
- The HtST will require close monitoring for the remainder of 2022-23 given the pressures continuing to be faced by the service area.

Catering Services

- The projected over spend of £88,000 in catering services has reduced from the projected over spend at quarter 1 of £154,000 due to support provided from the central price inflation budget towards the increase in the cost of food. This budget area will continue to be closely monitored in 2022-23 with the potential for further support from the central price inflation budget if inflationary pressures continue in this service area.

Corporate Health and Safety Unit

- The projected under spend of £50,000 within the corporate health and safety unit primarily relates to staff vacancy management. The vacant posts are expected to be filled in 2022-23 therefore this saving should not be recurring in 2023-24.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2022-23 is £82.327 million. Current projections indicate an over spend of £7.499 million at year end. This is a significant shift compared to the 2021-22 outturn position of a £5.931 million under spend and the projected over spend reported at quarter 1 of £1.548 million. The first reason for this was the significant grant income received in 2021-22, including one-off grants totalling around £5.137 million such as the Social Care Recovery Fund and the Social Care Pressures Grant. The second contributory factor for the projected over spend in 2022-23 is due to challenges in recruiting to permanent vacancies in some key teams. In particular, in order to meet the Authority's statutory safeguarding responsibilities in children's social care, the numbers of workers engaged to meet statutory duties and keep caseloads at safe levels due to increased levels of need are above the agreed establishment. Independent experts are supporting the development of a business case to set out what is needed going forward for there to

be sustainable ability to meet need within budget. The third area of pressure is due to the volume and complexity of need for statutory social care services from the vulnerable population of the county borough. Bridgend has a growing population and there are more people with statutory care and support needs post Covid pandemic. Overspends are evident in learning disability services, mental health services and services for older people. There are increasing numbers of children who require residential accommodation, care and support which is resulting in a significant budget pressure in that area. There are significant risks across many parts of the social services budget. The budget has been dependent for many years on short term grant funding to meet statutory duties with underlying deficits. Uncertainty about grant funding combined with increasing volume and complexity are resulting in the overspends evident below.

The main variances are :

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget £'000	Projected year end spend £'000	Projected Variance Over/(under) budget £'000	% Variance
Adult Social Care	55,748	59,125	3,377	6.1%
Prevention and Wellbeing	5,528	5,355	(173)	-3.1%
Childrens Social Care	21,051	25,346	4,295	20.4%

Adult Social Care

There is projected net over spend of £3.377 million on the Adult Social Care budget. The most significant variances contributing to this projected over spend are:-

ADULT SOCIAL CARE	Projected Variance Over/(under) budget £'000
Learning Disabilities Home Care	1,548
Learning Disabilities Day Opportunities	482
Older People Residential Care	426
Mental Health Home Care	394
Equipment & Adaptions	358
Learning Disabilities Direct Payments	345
Learning Disabilities Residential Care	265
Assessment and Care Management	118
Mental Health Supported Accommodation	(243)
Mental Health Residential Care	(171)
Administrative and Central Services	(156)

The most significant projected over spends are:-

- Learning Disabilities Home Care – the overall over spend of £1.548 million is due to a combination of factors. Firstly, the number of hours of care covered by home care services has increased as clients have either opted to not return or are having a reduced service within internal day services provision. Secondly, there has been an

increase in the complexity of cases – e.g. waking nights required rather than sleep-in nights which increases the cost of service delivery considerably. There is an unrepresented demand on the service at present, and this is not expected to decrease going forward.

- Learning Disabilities Day Opportunities – the over spend of £482,000 mainly relates to placement numbers exceeding the available budget for externally commissioned day services (£407,000). Placement numbers are similar to those in 2021-22, however the pressure was offset in the prior year by one-off grant income of £302,000. Secondly, whilst the learning disabilities home care budget is projecting an over spend as clients have not returned to internal day services, new clients are taking up the vacant day services placements, The service are actively looking to move service users back to in-house day services provision which should result in a reduction to this cost pressure going forward. Finally, whilst efficiencies have been identified in relation to the £115,000 MTFs saving relating to re-modelling of day services, work is ongoing to further develop the remodelling to meet the savings target and therefore it will not be met in full in 2022-23 as reported in section 4.2.6.
- Older People Residential Care – the projected over spend of £426,000 is primarily due to an increase in the additional number of care packages, an increase from 328 placements at quarter 1 to 345 placements at quarter 2.
- Mental Health Home Care – this includes supported living, short breaks and domiciliary care. The projected £394,000 over spend is primarily due to supported living packages of care exceeding the available budget. Placement numbers have increased further since quarter 1 from 34 to 37. Whilst supported living packages of care have decreased slightly since the 40 reported in 2021-22, the Social Care Pressures Grant funding was utilised to offset a considerable element of the prior year over spend of £454,000.
- Equipment & Adaptions – the projected over spend of £358,000 is because of continuing demand for equipment due to the need to support individuals in line with Welsh Government's rehabilitation and recovery model. The outturn for 2021-22 saw an underlying pressure in this service area of £401,000.
- Learning Disabilities Direct Payments – there is a projected over spend of £345,000 as the service area has seen a shift to clients choosing to opt for direct payments rather than utilising traditional methods of care and support. This shift does not necessarily result in under spends in other service area budgets as there is currently significant demand for social services support across the directorate. In addition, there has also been a notable change in the complexity of cases, with a small number of high cost, high complexity placements.
- Learning Disabilities Residential and Respite Care – there is a projected over spend at quarter 2 of £265,000, increasing from the over spend of £127,000 projected at quarter 1. This is firstly due to an increase in respite provision for 3 existing placements, along with a reduction in Health funding for another existing placement. In addition, the Breakaway respite service have successfully recruited to vacant posts, whereas the service had been reporting an under spend of £109,000 at quarter 1 due to it being anticipated that these vacancies would continue to remain unfilled due to the challenging recruitment environment.
- Assessment and Care Management – there is a projected over spend of £118,000 which is primarily due to the increased costs of having to rely on agency staffing in the older people network teams. Various recruitment activities and initiatives have been actioned in order to fill vacant posts, but appointments have been affected by the acute lack of availability of staff and increasing demands across the care sector.

These are partially offset by the projected under spends in the following areas:-

- Mental Health Supported Accommodation – the projected £243,000 under spend primarily relates to maximisation of Innovation grant funding.
- Mental Health Residential Care – the projected under spend of £171,000 is primarily due to a reduction in placements when compared with historic levels, albeit that placement numbers have increased slightly since quarter 1 from 45 to 48. The reason for the overall reduction in placements is primarily due to alternative service solutions being provided that were more suitable for people and adaptable to Covid-19 circumstances. If these alternative solutions continue to prove beneficial then budgets could be vired within mental health to areas that are experiencing pressures as a result of the medium to long term impact of the pandemic on individuals.
- Administrative & Central Services – there is a projected under spend of £156,000 which is primarily due to staffing vacancies as the service is currently going through a restructure. The structure is anticipated to have been populated by the final quarter of 2022-23.

Prevention and Wellbeing

- The projected under spend of £173,000 is primarily due to the maximisation of grant funding opportunities (Transformation, Summer of Fun, Local Authority Partnership Agreement, Disability Sports) The projection does not include any estimate for a contribution to the Council's leisure provider for any residual impact of running the leisure services in 2022-23 due to Covid-19. 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.

Children's Social Care

There is projected net over spend of £4.295 million on the Children's Social Care budget. The most significant variances contributing to this projected over spend are:-

CHILDREN'S SOCIAL CARE	Projected Variance Over/(under) budget £'000
Care Experienced Children	1,489
Commissioning & Social Work	2,513
Management & Administration	276

- The projected over spend of £1.489 million for care experienced children is due to a combination of factors:-
 - Children's residential services are projecting an over spend of £287,000 mainly due to additional staffing requirements for complex behaviours and increased agency costs as a result of the challenging recruitment market.
 - The out of county residential care budget has a projected over spend of £917,000, an increase of £304,000 since quarter 1. There are currently 16 children in out of authority placements, an increase from 13 placements since 31 March 2022. It should be noted that this budget area can be volatile and small changes in

- demand/complexity can result in relatively high costs being incurred. The budget is being closely monitored to ensure that the projected spend is effectively managed.
- There is a projected under spend on independent fostering agency placements (£268,000) and fostering placements (£356,000). This is due to alternative placement options being utilised, including in-house residential provision (£287,000 as noted above) and special guardianship orders, which are projecting an over spend of £267,000. These budgets will be monitored closely in 2022-23 and budgets vired as appropriate.
 - The fostering team (who manage all the fostering placements) are projecting an over spend of £371,000 due to increased use of agency staffing. Management are actively trying to recruit permanent staff where possible, however this is proving to be a considerable challenge given the current recruitment market.
 - The care experienced children's placements team are projecting an over spend of £218,000 primarily as they are having to rely on agency staff. Various recruitment activities and initiatives have been actioned in order to fill vacant posts, but appointments have been affected by the acute lack of availability of staff and increasing demands across the care sector.
- Commissioning & Social Work – the projected over spend of £2.513 million is mainly due to having to continue to rely on agency staffing across all the children's social work teams due to the ongoing recruitment challenges, acute lack of availability of staff and increasing demands across the care sector. The projections reflect the ongoing permanent staff recruitment issues and reliance on agency staff for the foreseeable future. Agency staff are being utilised where possible to limit the impact on service delivery.
 - Management & Administration – the projected over spend of £276,000 relates primarily to an increase in staffing costs (mostly agency staff - £265,000) who are supporting key roles in children's services. The implications on support services of meeting statutory duties for increased numbers of children who are open on a care and support basis, or on the child protection register is clear. Statutory safeguarding meetings have to be minuted and communicated in a timely way. This was a key area for improvement highlighted by Care Inspectorate Wales.

4.3.3 Communities Directorate

The net budget for the Directorate for 2022-23 is £29.851 million. The current projection is an anticipated under spend of £526,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Planning and Development	591	923	332	56.2%
Economy, Natural Resources & Sustainability	1,613	1,472	(141)	-8.7%
Waste Disposal & Collection	9,829	9,610	(219)	-2.2%
Fleet Services	98	308	210	214.3%
Highways Services (DSO)	3,089	2,789	(300)	-9.7%
Street Lighting	1,522	1,493	(29)	-1.9%
Engineering Services	101	(46)	(147)	-145.5%

Planning and Development

- The projected over spend in planning and development of £332,000 is primarily due to a forecast downturn in planning application income based on income to date and comparison with the 2021-22 outturn. Fee income is subject to considerable fluctuations between years, depending on number of types of applications and will require close monitoring for the remainder of the 2022-23 financial year.

Economy, Natural Resources and Sustainability

- The projected under spend of £141,000 is due to a combination of maximising grant funding and staff vacancy management. The decarbonisation, energy management and sustainability teams in particular are experiencing difficulties in recruiting. The service area are actively seeking to recruit to these vacancies therefore it is not a recurring saving.

Waste Disposal and Collection

- There is a projected under spend of £219,000 on the waste disposal and collection budget. This is primarily due to a reduction in the disposal fee of residual waste at the Material Recovery and Energy Centre (MREC) and a slight reduction in the tonnage figures in since April, as people started to shift away from home-working. Close monitoring of this budget will continue in 2022-23 to see if the downward trend continues.

Fleet Services

- There is a projected over spend on Fleet services of £210,000. The fleet services team operate on a break-even basis with re-charges for work undertaken on directorate, South Wales Police and the general public's vehicles generating income to support staffing and overhead costs. Productivity continues to be impacted by long term sickness as well as recruitment and retention difficulties. A review of the service is currently being undertaken to address the projected over spend as this has continued into 2022-23.

Highways Services

- There is a projected under spend within highways services of £300,000 which is due primarily to staff vacancy management (£248,000) as a result of recruitment difficulties. The following teams in particular are experiencing difficulties in recruiting – hazing (£46,000), construction (£152,000) and stores (£28,000). The balance of the projected under spend is due to core funded staff being utilised to support work on capital schemes – e.g. replacement of street lighting works (£40,000). In these cases, the salary costs can be capitalised, thus generating one-off income for the service area.

Street Lighting

- At quarter 1 a £225,000 projected under spend was reported against the street lighting energy budget as a result of savings generated by the LED replacement programme due to reduced energy consumption. This has reduced to a projected under spend of £29,000 at quarter 2. As indicated in 4.2.2, £100,000 of the saving generated from the energy savings has been utilised to replace the historic MTFs Permitting Scheme saving proposal. The remaining reduction in the projected under spend is due to additional street lighting maintenance being undertaken.

Engineering Services

- There is a projected under spend on engineering services of £147,000. This is primarily 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.

4.3.4 Chief Executive's

The net budget for the Directorate for 2022-23 is £22.515 million. Current projections anticipate an under spend against this budget of £658,000. The main variances are:

CHIEF EXECUTIVE'S	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Legal, Democratic & Regulatory	5,368	5,415	47	0.9%
ICT	3,912	4,138	225	5.8%
Housing & Homelessness	3,375	2,497	(878)	-26.0%
Business Support	1,313	1,214	(99)	-7.5%

Legal, Democratic & Regulatory

- The projected over spend of £47,000 mainly relates to projected shortfalls in licensing fee income levels within regulatory services, although this has improved since the £126,000 reported in quarter 1 due to improved income projections in registration services. Registration services has seen an increase both in the number of registered births and deaths in 2022-23.
- Legal fees continue to be a budget pressure as reported in quarter 1. The current projected over spend for legal fees for 2022-23 is £298,000 however this is supported by an earmarked reserve created at the end of 2021-22 to cover the continuing pressure in this service area.

ICT

- There is a projected net over spend of £225,000 across ICT budgets. As highlighted in 2021-22, due to reduced printing activity ICT have been unable to cover the fixed costs of printers and photocopiers through the re-charge to service departments. Consequently, reduced spend will have been incurred on printing budgets across the service departments and included in the projections for individual service areas. In quarter 2 of 2021-22 a one-off budget virement of £150,000 was undertaken to align budgets. The implementation of the future service delivery model will continue to be monitored as to whether another one-off budget virement will be actioned in 2022-23.

Housing & Homelessness

- There is a projected under spend of £878,000 on 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 through 2021-22.

- Despite the Hardship fund not being in place for 2022-23, WG recognised the need for homelessness accommodation to be secured in advance to continue the commitment to focus on support for homeless individuals and approved £1.479 million to cover these costs for the first six months of 2022-23. In addition, the accommodation element of the Hardship Fund was replaced in 2022-23 by a WG 'Homelessness – No One Left Out' grant funding of £1.046 million.
- Spend on Homelessness accommodation in 2022-23 is projected to be in the region of £3.703 million, against the combined WG funding of £2.525 million referred to above. The shortfall of £1.178 million is covered by the budget growth of £2.192 million, and the under spend against the core budget has enabled the service to fund a revenue contribution to capital of £530,000 for a refurbishment programme working with Valleys to Coast (V2C) in order to bring properties back into use for nomination rights and homelessness cases. This capital budget was approved by Council on 20 June 2022.
- The projected accommodation spend is based on increased numbers of households and individuals supported, from 196 households and 326 individuals in September 2021 to 220 households and 401 individuals in September 2022. The remaining projected under spend from the budget growth of £484,000 will be closely monitored in line with any further changes in support required for homelessness accommodation.
- Other accommodation income is projected to exceed budget by £262,000 which is mainly due to additional housing benefit received from clients in homelessness accommodation.

Business Support

- The projected under spend of £99,000 in business support relates primarily to staffing vacancies due to the challenging recruitment environment – the department are actively trying to recruit to these vacancies.

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 net budget for 2022-23 is £52.502 million. Current projections anticipate an under spend against this budget of £2.665 million. The main variances are:-

COUNCIL WIDE BUDGETS	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing Costs	7,291	6,853	(438)	-6.0%
Council Tax Reduction Scheme	16,054	15,154	(900)	-5.6%
Other Corporate Budgets	17,834	16,845	(989)	-5.6%

Capital Financing Costs

- The projected under spend of £438,000 mainly relates to interest paid and received due to a combination of lower borrowing than anticipated as the Council uses its own internal resources to finance schemes, and additional interest from current investments.

Council Tax Reduction Scheme

- There is a projected under spend of £900,000 on the Council Tax Reduction Scheme. This is a demand led budget and take-up is difficult to predict with an increase of £400,000 included within the budget for 2022-23 in anticipation of increased demand. Take up has remained similar, at present, to 2021-22 when the gross spend in this budget area was £15.239 million. The budget will be closely monitored in 2022-23 as there could be an additional call on the scheme in view of the impact of the cost of living crisis on personal financial circumstances with the potential for an increase in the number of benefit claimants.

Other Corporate Budgets

- As referred to in paragraph 4.1.8 to 4.1.11, due to the ongoing discussions regarding pay claims, the risk of unexpected major price inflation increases along with rising costs resulting from Brexit and the impact of the war in Ukraine, at this point in the financial year, it is prudent to assume that the majority of Council wide budgets will be fully spent by the year end. However it is anticipated that there will be a reduction in corporate support required to fund potential redundancy costs as, following the better than anticipated WG settlement for 2022-23, fewer budget reduction proposals had to be made. In addition, there is currently a lower than anticipated requirement against the £1m MTFs Covid-19 pressure approved by Council in February 2022.

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 Given the overall projected over spend at quarter 2 as set out in 4.1.2, there have been no additions to earmarked reserves. The cumulative draw down by directorates is £2.845 million as shown in Table 5 below. The majority of draw down from earmarked reserves takes place in the later stages of the financial year, especially on capital and grant funded schemes. In addition, school balances are not adjusted until the year end – an overall reduction in year of £9.371 million on school balances is currently projected.

Table 5 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 2

Opening Balance 01 Apr 22	Reserve	Movement as at Quarter 2			Closing Balance 30 Sep 22
		Net Additions/ Reclassification	Draw-down	Unwound	
£'000		£'000	£'000	£'000	£'000
	Corporate Reserves:				
45,994	Capital Programme Contribution	-	-	-	45,994
4,725	Asset Management Reserves	105	(19)	-	4,811
6,310	Major Claims & Insurance Reserves	-	-	-	6,310
3,593	Service Reconfiguration	-	-	-	3,593
2,543	Change Management/Digital Transformation	-	(158)	-	2,385
2,000	Economic and Future Resilience Fund	-	-	-	2,000
65,165	Total Corporate Reserves	105	(177)	-	65,093
	Directorate Reserves:				
841	Education & Family Support	-	-	-	841
8,870	Social Services & Wellbeing	-	(679)	-	8,191
4,245	Communities	(105)	(54)	-	4,086
4,139	Chief Executives	-	(198)	-	3,941
18,095	Total Directorate Reserves	(105)	(931)	-	17,059
	Equalisation & Grant Reserves:				
3,283	Education & Family Support	-	(1,450)	-	1,833
350	Social Services & Wellbeing	-	-	-	350
3,800	Communities	-	(287)	-	3,513
575	Chief Executives	-	-	-	575
8,008	Equalisation & Grant Reserves:	-	(1,737)	-	6,271
12,494	School Balances	-	-	-	12,494
103,762	TOTAL RESERVES	-	(2,845)	-	100,917

4.4.3 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 £45.994 million of funding in this reserve which constitutes 45.6% of our overall earmarked reserves balance. This will be used to fund a wide range of schemes in the capital programme.

4.4.4 The School balances reserve increased significantly to £12.494 million at the end of 2021-22 due to additional school grant funding announced late in 2021-22. As noted in paragraph 4.3.1 the quarter 2 projections indicate a projected overall surplus balance for school delegated budgets of £3.123 million at year end as this grant funding gets utilised in-year. This will reduce this reserve accordingly by year end.

4.4.5 A further review of earmarked reserves 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 consider the report upon the projected revenue position for 2022-23.

Carys Lord
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21 October 2022

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Background documents: Individual Directorate Monitoring Reports
MTFS Report to Council – 23 February 2022