

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

17 JANUARY 2023

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

#### BUDGET MONITORING 2022-23 – 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 at 31 December 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 (WG) on 21 December 2021. The Welsh Government announced its final settlement on 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 31 December 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 31 December 2022**

Directorate/Budget Area	Original Budget 2022-23 £'000	Revised Budget 2022-23 £'000	Projected Year end spend Q3 2022-23 £'000	Projected Over / (Under) Spend 2022-23 £'000	Projected Over / (Under) Spend Qtr 2 2022-23 £'000
<b>Directorate</b>					
Education and Family Support	131,430	138,068	138,863	795	(217)
Social Services and Wellbeing	78,434	85,076	94,497	9,421	7,499
Communities	28,995	31,013	30,680	(333)	(526)
Chief Executive's	21,895	23,498	22,326	(1,172)	(658)
<b>Total Directorate Budgets</b>	<b>260,754</b>	<b>277,655</b>	<b>286,366</b>	<b>8,711</b>	<b>6,098</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,329	7,203	6,481	(722)	(438)
Levies	8,177	8,210	8,226	16	0
Apprenticeship Levy	650	650	650	0	0
Council Tax Reduction Scheme	16,054	16,054	14,885	(1,169)	(900)
Insurance Premiums	1,363	1,363	1,236	(127)	(138)
Repairs & Maintenance	670	670	470	(200)	(200)
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	24,087	7,279	1,501	(5,778)	(989)
<b>Total Council Wide Budgets</b>	<b>58,760</b>	<b>41,859</b>	<b>33,879</b>	<b>(7,980)</b>	<b>(2,665)</b>
<b>Total</b>	<b>319,514</b>	<b>319,514</b>	<b>320,245</b>	<b>731</b>	<b>3,433</b>

4.1.2 The overall projected position at 31 December 2022 is a net over spend of £731,000 comprising £8.711 million net over spend on directorates and a net under spend of £7.980 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 still 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 continue to be monitored throughout the remainder of the financial year and reported in the outturn report.

## **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 have been provided to Cabinet through the quarterly revenue budget monitoring reports throughout 2022-23 on this budget.
- 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.
- 4.1.6 Whilst the WG Hardship Fund ended on 31 March 2022, local authorities continued to administer four schemes on behalf of WG – self isolation payments (scheme ended June 2022), statutory sick pay enhancement scheme (scheme ended August 2022), free school meal payments (scheme due to end February half term 2023) and the winter fuel support scheme. Table 2 summarises the amounts claimed to date in 2022-23. The £228,000 reflects claims that are pending review by WG with no issues anticipated in the settlement of these claims.

**Table 2 – Covid related claims to Welsh Government - Quarter 3 2022-23**

<b>Specific Hardship fund</b>	<b>Claimed £'000</b>	<b>Pending review £'000</b>
Self Isolation Payments (SIP)	635	0
Statutory Sick Pay Enhancements (SSP)	119	0
Free School Meals	1,346	55
Winter Fuel	2,944	173
<b>TOTAL</b>	<b>5,044</b>	<b>228</b>

## **Budget virements/technical adjustments**

4.1.7 There have been a large number of budget virements and technical adjustments between budgets since the quarter 2 revenue forecast was presented to Cabinet in October. The main virements and technical adjustments in quarter 3 are outlined below:

### **Budget Virements**

<b>Service vired from / to</b>	<b>Amount</b>
Transfer of funding from Capital Financing budget to Communities Directorate to cover the cost of prudential borrowing for highways maintenance schemes	£88,706

### **Technical Adjustments**

<b>Service vired from / to</b>	<b>Amount</b>
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	£648,111
Allocation of funding retained centrally in respect of National Joint Council (NJC) pay award 2022-23 – confirmed in November	£7,615,710
Allocation of funding retained centrally in respect of Joint Negotiating Committee (JNC) pay award for Chief Officers – confirmed in November	£53,330
Allocation of funding retained centrally in respect of teachers' pay award 2022-23 (covering September 2022 to March 2023), net of additional grant received from WG	£2,313,640
Transfer of National Insurance uplift budget from Directorate and School budgets back to central pay budgets. This covers the period November to March 2023 following the reversal of the Health and Social Care Levy.	£463,672

### **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 outlines the amount released from these budgets during the last quarter, based upon confirmed pay awards and evidenced inflationary uplifts.

4.1.9 Inflationary pressures released in quarter 3 reflect the agreement on pay claims for Teachers' pay, National Joint Council and Joint Negotiating Committee for Chief Officers.

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 further unexpected major price inflation increases. Inflation rates have also fluctuated since the budget was set - CPI was 6.2% in February 2022 and had increased to 10.7% in November 2022. In comparison it was 5.1% in November 2021. With these uncertainties the budget will need to be monitored closely during the remainder of the year and going into 2023-24.

### **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. 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 2023-24 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 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**

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Likely to be Achieved</b>	<b>Shortfall</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 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**

- 4.2.4 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 £455,000 has been achieved to date, with an overall projected shortfall on the savings target by year end of £176,000, or 27.9% of the overall reduction target.

**Table 4 – Monitoring of Budget Reductions 2022-23**

	<b>Total Budget Reductions Required</b>	<b>Total Budget Reductions Achieved to date</b>	<b>Total Budget Reductions Likely to be Achieved</b>	<b>Shortfall</b>
<b>DIRECTORATE /BUDGET REDUCTION AREA</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education and Family Support	68	68	68	0
Social Services and Wellbeing	365	284	284	81
Communities	150	45	55	95
Chief Executive's	48	48	48	0
<b>TOTAL</b>	<b>631</b>	<b>445</b>	<b>455</b>	<b>176</b>

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

- 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.

4.2.6 At quarter 2 it was reported that EFS 1 – rationalisation of adult community learning (ACL) service (£68,000) was unlikely to be achieved as Welsh Government have changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of the proposal. A review of the budgets within the Education and Family Support Directorate took place during quarter 3 with replacement savings identified from supplies and services budgets.

4.2.7 **Appendix 2** identifies the value of the savings target that has been achieved to 31 December 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.

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 4 if required.

### 4.3 Commentary on the financial position at 31st December 2022

#### **Financial position at 31st December 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 £138.068 million. Current projections indicate an over spend of £795,000 at year end. The main variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected Year end spend</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Adult Community Learning	125	168	43	34.4%
Family Support	3,074	2,758	(316)	-10.3%
Home-to-school transport	8,192	9,389	1,196	14.61%
Catering Services	1,494	1,578	84	5.6%
Corporate health and safety	403	326	(77)	-19.1%

#### **Schools' delegated budgets**

Total funding delegated to schools in 2022-23 is £110.420 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 reduced slightly to a £3.123 million projected surplus. At quarter 3 this has reduced to a projected surplus of £2.92 million. 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 had 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 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 has identified alternative budget reduction proposals to replace this saving through a review of supplies and services budgets across the directorate, therefore reducing the projected over spend to £43,000 at quarter 3.



### Family Support

- The projected under spend of £316,000 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 MTFFS 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 attending our special schools requiring dedicated transport as bespoke packages of support. There have also been significant increased costs associated with the transportation of the current cohort of nursery pupils in dedicated minibuses and taxis. Several retendering exercises on home-to-school transport contracts have been required over the last year for vehicles of all types in line with contracts naturally ending and to ensure the local authority follows both procurement and Contract Procedure Rules. Market conditions are not favourable, and these procurement exercises have resulted in generally higher costs across many contracts in line with difficulties associated with the aftermath of the pandemic, namely the shortage of drivers and escorts and increased fuel costs internationally. These costs could not have been predicted at the time of the original budget pressure growth bid in February 2022 and will be highlighted as part of the MTFFS 2023-24 budget setting process.
- The HtST budget is currently projecting a £1.38m overspend primarily as a result of these retendering exercises with the increases linked to market conditions.
- The HtST budget will require close monitoring for the remainder of 2022-23 given the pressures continuing to be faced by the local authority.

### Catering Services

- The projected over spend of £84,000 in catering services is comparable with the £88,000 reported at quarter 2 but had reduced from the projected over spend at quarter 1 of £154,000. This is due to support provided from the central price inflation budget towards the increase in the cost of food during quarter 2. 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 £77,000 within the corporate health and safety unit primarily relates to staff vacancy management. The service area are actively looking to recruit to the vacant posts 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 £85.076 million. Current projections indicate an over spend of £9.421 million at year end. This is a significant shift compared to the 2021-22 outturn position of a £5.931 million under spend and has increased since the projected over spend of £7.499 million reported at quarter 2.

The first reason for this is the significant grant income received in 2021-22, including one-off grants such as the Social Care Recovery Fund (£2.916 million), Social Care Pressures Grant (£2.221 million), and recurring grants such as the Social Care Workforce Grant (£2.221 million). Without these grants, the outturn position would have been an over spend of £1.427 million.

The second contributory factor is the exponential increase in need for children's social care as evidenced through increasing contacts, increasing numbers of assessments and high numbers of children on the child protection. To keep the children safe and for the Council to meet statutory duties in respect of safeguarding children, there has been significant engagement of agency workforce over the budgeted establishment– in particular this has placed pressure in Assessment and Care Management, Fostering, the Care Experienced Children's Team and the Children's Social Work Team in children's social care. A business case is being developed to inform the level of workforce required to sustainably deliver safe services.

In addition to an increasing quantum of need, there is also increasing complexity of need in adults and children's services with service over spends for key population groups, particularly care experienced children with more requiring residential placements, learning disability services with significant overspends in commissioned supported living and day opportunities, and equipment and direct payment budgets. Some increased complexity can be attributed to the impact of extended covid lockdowns on physical and mental health, but they also reflect cost pressures experienced by providers.

The main variances are :

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected year end spend</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Adult Social Care	57,773	62,195	4,422	7.7%
Prevention and Wellbeing	5,704	5,580	(124)	-2.2%
Childrens Social Care	21,599	26,722	5,123	23.7%

## Adult Social Care

There is a projected net over spend of £4.422 million on the Adult Social Care budget. The most significant variances contributing to this projected over spend are:-

<b>ADULT SOCIAL CARE</b>	<b>Projected Variance Over/(under) budget £'000</b>
Learning Disabilities Home Care	2,216
Learning Disabilities Residential Care	584
Learning Disabilities Day Opportunities	478
Equipment & Adaptions	419
Mental Health Home Care	360
Learning Disabilities Direct Payments	340
Older People Home Care	216
Older People Residential Care	132
Assessment and Care Management	60
Mental Health Supported Accommodation	(245)
Administrative and Central Services	(192)

The most significant projected over spends are:-

- Learning Disabilities Home Care – the projected over spend of £2.216 million has increased by £668,000 since quarter 2 with the service seeing unprecedented demand. Firstly, the number of hours of care covered by home care services has increased as people have either opted to not return, or are having a reduced service, within internal day services provision following a review of their assessed need. Secondly, there has been an increase in the complexity of people's needs – e.g. waking nights required rather than sleep-in nights which increases the cost of service delivery considerably. Thirdly, the service is experiencing an increase in agency costs in internal homecare due to difficulty in recruiting.
- Learning Disabilities Residential and Respite Care – there is a projected over spend of £584,000, increasing from the over spend of £265,000 projected at quarter 2. This is primarily due to an increase in costs for 6 existing placements within the residential and nursing service due to changing needs. In addition, the Breakaway Respite service have successfully recruited to vacant posts, and have appointed additional agency staff, increasing the projected over spend in this service area by £102,000.
- Learning Disabilities Day Opportunities – the projected over spend of £478,000 mainly relates to placement numbers exceeding the available budget for externally commissioned day services (£409,000). 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 people have not returned to internal day services, new people are taking up the vacant day services placements. 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 4.2.5.

- Equipment & Adaptions – the projected over spend of £419,000 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. This is an ongoing pressure, and one which will continue into 2023-24.
- Mental Health Home Care – this includes supported living, short breaks and domiciliary care. The projected over spend of £360,000 is mainly due to supported living packages of care exceeding the available budget based on needs of people using the service. There are currently 35 placements and, 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.
- Learning Disabilities Direct Payments – there is a projected over spend of £340,000 as the service area has seen a shift to people choosing to opt for direct payments in line with the legal requirement for choice. 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.
- Older People Home Care – the projected over spend of £216,000 has increased by £180,000 since quarter 2. This is primarily due to increases in Independent Domiciliary Care/Short breaks placements, with an additional 60 packages of care since quarter 2. In addition, there are a significant number of people waiting for packages of care and if hours become available then the projected over spend will become greater by year end.
- Older People Residential Care – the projected over spend of £132,000 has improved by £294,000 from the quarter 2 projected over spend of £426,000. This is mainly due to a reduction in projected staffing costs of £190,000 due to difficulties in recruiting and an increase in projected client contributions of £186,000. All contributions are financially assessed in accordance with the Social Services and Well-being (Wales) Act 2014 but the average income received each year will vary in total depending on the financial position of the persons needing care during the financial year – e.g. if there are a small number of people who have savings or assets, and are paying their contribution in full or have a high contribution then this will increase the overall average
- Assessment and Care Management – there is a projected over spend of £60,000 which is primarily due to the increased costs of having to rely on agency staffing in the Community 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 £245,000 under spend primarily relates to maximisation of Innovation grant funding.
- Administrative & Central Services – there is a projected under spend of £192,000 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 £124,000 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 an estimate for any 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 has been required and an update will be provided to Cabinet in the outturn report.

### Children's Social Care

There is projected net over spend of £5.123 million on the Childrens Social Care budget compared with a projected net over spend of £4.296 million at quarter 2. The most significant variances contributing to this projected over spend are:-

<b>CHILDREN'S SOCIAL CARE</b>	<b>Projected Variance Over/(under) budget £'000</b>
Care Experienced Children	2,307
Commissioning & Social Work	2,491
Management & Administration	302

- The projected over spend of £2.307 million for care experienced children is due to a combination of factors:-
  - Children's Residential Services are projecting an over spend of £380,000 mainly due to one-off increases in running costs (£67,000) and additional agency costs of £30,000 as a result of the challenging recruitment market.
  - The independent residential care budget (previously known as out of county) has a projected over spend of £1.633 million, an increase of £716,000 since quarter 2. There are currently 22 children in independent residential care placements, an increase of 6 from the 16 placements reported at quarter 2. This is due to a number of factors, including placement breakdowns, insufficient foster carers (in-house and independent) and children requiring specialist provision sometimes with high staffing ratios. The average weekly costs for these new placements equates to £4,350. 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 (£241,000) and fostering placements (£205,000). This is due to alternative placement options being utilised, including in-house residential provision (£380,000 as noted above) and special guardianship orders, which are projecting an over spend of £285,000. These budgets will continue to 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 £160,000, which has reduced considerably from the quarter 2 projected over spend of £371,000. This is due to reduced use of agency staffing as

- 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 placements team are projecting an over spend of £120,000 primarily as they are having to rely on agency staff. However, this has again reduced from the quarter 2 projections by £98,000 due to reduced use of 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 £2.491 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 and ensure that statutory duties are met.
  - Management & Administration – the projected over spend of £302,000 relates primarily to an increase in staffing costs (mostly agency staff - £285,000) who are supporting key roles in Children’s Services. There has been a significant increase in children and young people referred for care and support and/or due to safeguarding concerns. In addition to the impact this has on the social work teams being required to discharge their statutory duties, there is also the impact on business support due to the pivotal role they play in ensuring statutory timescales and recording requirements are met.

#### 4.3.3 Communities Directorate

The net budget for the Directorate for 2022-23 is £31.013 million. The current projection is an anticipated under spend of £333,000. The main variances are:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Projected year end spend</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Planning and Development	691	1,013	322	46.6%
Economy, Natural Resources & Sustainability	1,665	1,432	(233)	-14.0%
Waste Disposal & Collection	9,836	9,650	(186)	-1.9%
Fleet Services	177	392	215	121.5%
Highways Services (DSO)	3,245	2,945	(300)	-9.2%
Street Lighting	1,527	1,632	105	6.9%
Engineering Services	101	(49)	(150)	-148.5%

#### Planning and Development

- The projected over spend in planning and development of £322,000 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 £233,000 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 £186,000 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 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 £215,000. The fleet services team operate on a break-even basis with re-charges for work undertaken on directorate, South Wales Police (SWP) 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 which is looking at the productivity and maximising the provision provided by SWP and the Council and to review any overlap provided, to maximise productivity, and to identify any possible efficiencies.

### Highways Services

- There is a projected under spend within highways services of £300,000 which is due primarily to staff vacancy management (£265,000) as a result of recruitment difficulties. The following teams in particular are experiencing difficulties in recruiting – hazzarding (£85,000), 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 had reduced to a projected under spend of £29,000 at quarter 2 as £100,000 of the saving generated from the energy savings has been utilised to replace the historic MTFs Permitting Scheme saving proposal. At quarter 3 a £105,000 over spend is projected due to additional essential street lighting maintenance works being undertaken.

### Engineering Services

- There is a projected under spend on engineering services of £150,000. This 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.

#### 4.3.4 Chief Executive's

The net budget for the Directorate for 2022-23 is £23.498 million. Current projections anticipate an under spend against this budget of £1.172 million. The main variances are:

<b>CHIEF EXECUTIVE'S</b>	<b>Net Budget</b>	<b>Projected year end spend</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Legal, Democratic & Regulatory	5,495	5,572	77	1.4%
ICT	4,052	4,162	110	2.7%
Housing & Homelessness	3,431	2,153	(1,278)	-37.2%
Partnerships	2,256	2,157	(99)	-4.4%

##### Legal, Democratic & Regulatory

- There is a projected over spend of £77,000 across Legal, Democratic and Regulatory services. This is primarily due to challenges in recruiting to permanent vacancies in key qualified roles and the increased costs of having to rely on agency staffing. This has been partially offset by Registration services seeing an increase in both the number of registered births and deaths in 2022-23 with a projected increase in income of £77,000.
- Legal fees continue to be a budget pressure as reported in the previous budget monitoring reports. The current projected over spend for legal fees for 2022-23 is £240,000 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 £110,000 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. The projected over spend has improved since the £225,000 reported at quarter 2 as the implementation of the future service delivery model has seen additional staff return to office based working. This improvement will continue to be monitored as to whether any future budget virements will need to be actioned in 2023-24.

##### Housing & Homelessness

- There is a projected under spend of £1.278m on Housing & Homelessness.
- Budget growth of £2.192 million was approved by Council as part of the MTFB 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 of £1.046 million.

- Spend on Homelessness accommodation in 2022-23 is projected to be in the region of £3.433 million. This has reduced from the £3.703 million reported at quarter 2. As reported to Corporate Overview and Scrutiny Committee on 27 October, temporary accommodation arrangements were due to terminate on 30 September 2022 and providers were contacted to enter into further Service Level Agreements to continue to meet the Council's ongoing statutory duty. As part of this exercise, the Council's partner organisations, such as the Wallich, Pobl and Registered Social Landlords supported the service to free up spaces within current projects and some households made their own arrangements with family and friends.
- The projected accommodation costs are offset against the combined WG funding of £2.525 million referred to above. The shortfall of £908,000 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). V2C have confirmed that the properties will be available to the Council for nomination rights and to support those individuals and families in temporary accommodation. This capital budget was approved by Council on 20 July 2022.
- The projected accommodation spend is based on increased numbers of households and individuals supported, from 191 households and 322 individuals (109 of these children) in November 2021 to 233 households and 432 individuals (154 of these children) in November 2022. The remaining projected under spend from the budget growth of £754,000 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 £383,000 which is mainly due to additional housing benefit received from clients in homelessness accommodation, and small increases in deposits, hire charges and other fees.

#### Partnerships

- This service areas includes Transformation, Partnerships and Customer Services & Engagement. The projected under spend of £99,000 is primarily due to staff vacancies in the Customer Care section. Various recruitment activities have been actioned in order to fill vacant posts, but the recruitment market remains challenging.

#### 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 £41.859 million. Current projections anticipate an under spend against this budget of £7.980 million. The main variances are:-

<b>COUNCIL WIDE BUDGETS</b>	<b>Net Budget</b>	<b>Projected year end spend</b>	<b>Projected Variance Over/(under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Capital Financing Costs	7,203	6,481	(722)	-10.0%
Council Tax Reduction Scheme	16,054	14,885	(1,169)	-7.3%
Other Corporate Budgets	7,279	1,501	(5,778)	-79.4%

##### Capital Financing Costs

- The projected under spend of £722,000 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. The projection has improved by £284,000 since quarter 2 due to the improved interest rates achieved on the Council's current investments. This projection might further improve as the Bank of England increased bank rates up to 3.5% in December, the highest it has been since 2008.

##### Council Tax Reduction Scheme

- There is a projected under spend of £1.169 million 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 is slightly lower than 2021-22 when the gross spend in this budget area was £15.239 million. However, the final cost of this is difficult to predict as we have yet to see the full 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

- At quarter 2, discussions were ongoing regarding pay claims and any remaining inflationary uplifts not confirmed when the Medium Term Financial Strategy was agreed. 4.1.7 sets out what has been transferred to Directorate and school budgets in quarter 3 from funding that had been retained centrally until these discussions were concluded.
- Part of the under spend within Corporate budgets relates to the balance of the provision for pay and price inflation in 2022-23. However, given the uncertainty over inflationary levels which have increased from 6.2% when the budget was set in February 2022 to 10.7% in November 2022 this will require close monitoring for the remainder of the financial year.
- It is also 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 3 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 3 as set out in 4.1.2, there have been no additions to earmarked reserves. The cumulative draw down by directorates is £5.209 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 £11.308 million on school balances is currently projected.

**Table 5 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 3**

Opening Balance 01 Apr 22 £'000	Reserve	Movement as at Quarter 3			Closing Balance 31 Dec 22 £'000
		Net Additions/ Reclassification £'000	Draw-down £'000	Unwound £'000	
	<b>Corporate Reserves:</b>				
45,994	Capital Programme Contribution	1,115	-	-	47,109
4,725	Asset Management Reserves	105	(563)	(34)	4,233
6,310	Major Claims & Insurance Reserves	(576)	-	-	5,734
3,593	Service Reconfiguration	-	-	-	3,593
2,543	Change Management/Digital Transformation	-	(209)	(30)	2,304
2,000	Economic and Future Resilience Fund	-	-	-	2,000
<b>65,165</b>	<b>Total Corporate Reserves</b>	<b>644</b>	<b>(772)</b>	<b>(64)</b>	<b>64,973</b>
	<b>Directorate Reserves:</b>				
841	Education & Family Support	-	-	-	841
8,870	Social Services & Wellbeing	-	(1,681)	-	7,189
4,244	Communities	(644)	(58)	(68)	3,474
4,139	Chief Executives	-	(605)	(13)	3,521
<b>18,094</b>	<b>Total Directorate Reserves</b>	<b>(644)</b>	<b>(2,344)</b>	<b>(81)</b>	<b>15,025</b>
	<b>Equalisation &amp; Grant Reserves:</b>				
3,283	Education & Family Support	-	(1,465)	-	1,818
350	Social Services & Wellbeing	-	-	-	350
3,800	Communities	-	(500)	-	3,300
1,812	Chief Executives	-	(128)	-	1,684
-	Cross Directorate	-	-	-	-
<b>9,245</b>	<b>Equalisation &amp; Grant Reserves:</b>	<b>-</b>	<b>(2,093)</b>	<b>-</b>	<b>7,152</b>
14,228	School Balances	-	-	-	14,228
<b>106,732</b>	<b>TOTAL RESERVES</b>	<b>-</b>	<b>(5,209)</b>	<b>(145)</b>	<b>101,378</b>

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 £47.109 million of funding in this reserve which constitutes 46.5% of our overall earmarked reserves balance. This is funding a wide range of schemes in the capital programme.

4.4.4 The School balances reserve increased significantly to £14.228 million at the end of 2021-22 due to additional school grant funding announced late in the financial year. As noted in paragraph 4.3.1 the quarter 3 projections indicate a projected overall surplus balance for school delegated budgets of £2.92 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 requested to:

- note the projected revenue position for 2022-23

**Carys Lord**  
**Chief Officer – Finance, Performance and Change**  
**December 2022**

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