

Meeting of:	CORPORATE OVERVIEW AND SCRUTINY COMMITTEE
Date of Meeting:	23 OCTOBER 2023
Report Title:	BUDGET MONITORING 2023-24 – QUARTER 2 REVENUE FORECAST
Report Owner/ Corporate Director:	CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE
Responsible Officer:	JOANNE NORMAN GROUP MANAGER – BUDGET MANAGEMENT
Policy Framework and Procedure Rules:	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.
Executive Summary:	<ul style="list-style-type: none"> • The net revenue budget for 2023-24 is £342.334 million. The overall projected position at 30th September 2023 is a net over spend of £10.932 million. • The projected over spend is primarily due to ongoing pressures within the Social Services and Wellbeing Directorate and on the Home to School Transport budget. • The budget approved for 2023-24 included budget reduction proposals totalling £2.608 million. The current position is a projected shortfall on the savings target of £200,000, or 7.67% of the overall reduction target.

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Committee with an update on the Council's revenue financial position as at 30th September 2023.

2. Background

- 2.1 On 1st March 2023, Council approved a net revenue budget of £342.047 million for 2023-24 based on the provisional local government settlement received from Welsh Government in December 2022. The Welsh Government announced its final settlement on the 28th February 2023 which included an increase in the Revenue Support Grant (RSG) for the Council of £287,106, increasing the net revenue budget for 2022-23 to £342.334 million. The reasons for this increase were outlined in a report to Council on 15th March, but were mainly in respect of the transfer into the final local government settlement of the Fire and Rescue Authority (FRA) Scape grant.
- 2.2 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.

3. Current situation / proposal

3.1 Summary financial position at 30th September 2023

- 3.1.1 The Council's net revenue budget and projected outturn for 2023-24 is shown in Table 1 below.

Table 1- Comparison of budget against projected outturn at 30th September 2023

Directorate/Budget Area	Original Budget 2023-24 £'000	Revised Budget 2023-24 £'000	Projected Year end spend Q2 2023-24 £'000	Projected Over / (Under) Spend 2023-24 £'000	Projected Over / (Under) Spend Qtr 1 2023-24 £'000
Directorate					
Education and Family Support	137,488	139,032	140,778	1,746	1,699
Social Services and Wellbeing	92,791	96,630	109,320	12,690	11,065
Communities	30,545	32,832	33,432	600	122
Chief Executive's	24,003	24,200	24,448	248	(98)
Total Directorate Budgets	284,827	292,694	307,978	15,284	12,788
Council Wide Budgets					
Capital Financing	7,203	7,203	4,605	(2,598)	(2,125)
Levies	9,189	9,189	9,170	(19)	0
Apprenticeship Levy	650	750	769	19	0
Council Tax Reduction Scheme	16,054	16,054	15,841	(213)	(262)
Insurance Premiums	1,363	1,363	1,261	(102)	0
Repairs & Maintenance	670	670	630	(40)	0
Pension Related Costs	430	430	430	0	0
Other Council Wide Budgets	21,948	13,981	12,582	(1,399)	(674)
Total Council Wide Budgets	57,507	49,640	45,288	(4,352)	(3,061)
Total	342,334	342,334	353,266	10,932	9,727

- 3.1.2 The overall projected position at 30th September 2023 is a net over spend of £10.932 million comprising £15.284 million net over spend on directorates and a net under spend of £4.352 million on Council wide budgets. A detailed analysis of the more significant projected under and over spends is set out in section 3.3.
- 3.1.3 The main financial pressures are in the service areas of Social Services and Wellbeing (SSWB) and Home to School Transport (HtST). In 2022-23, the SSWB Directorate experienced pressures of work to meet statutory duties against a backdrop of an exponential increase in demand in children's social care, and an increase in the number of independent residential placements in Children's Services, along with pressures in learning disabilities and older persons' residential placements. Whilst budget growth of £8.174 million was approved by Council as part of the Medium Term Financial Strategy (MTFS) for 2023-24, the Directorate continues to see an increase in demand and the budget growth confirmed is currently insufficient to meet the increase in demand with current projections showing a £12.690 million over spend in 2023-24. The quarter 1 revenue monitoring report highlighted that further consideration needed to be given by Council to the sustainable resource required specifically in Children's Services to improve the quality of outcomes for children and families in Bridgend. A 3 year sustainability plan to improve outcomes for Children and Family Services in Bridgend was approved by Council on the 20th September 2023, with a budget virement of £1 million approved for Children's services (see 3.1.5) and the additional use of up to £2.5 million of earmarked reserves (see 3.4.2) whilst a more permanent funding solution is sought
- 3.1.4 There is a projected over spend on Home to School Transport of £1.158 million which has reduced from the projected over spend at quarter 1 of £1.316 million. Several retendering exercises on HtST took place in 2022-23 with market conditions not being favourable, due to high levels of inflation and shortage of drivers and escorts, with procurement exercises resulting in generally higher costs across many contracts.

Budget virements/technical adjustments

- 3.1.5 There have been a number of budget virements and technical adjustments between budgets since the Medium Term Financial Strategy (MTFS) was approved by Council in March 2023. The budget position is reported on the assumption that these virements will be approved.

As noted in 3.1.3 Council approved a budget virement of £1 million for Children's Services to support a 3 year sustainability plan.

- 3.1.6 The other main virements and technical adjustments in quarter 2 are outlined below:

Budget Virements

Service vired from / to	Amount
Transfer of funding from Directorate print budgets to ICT to reflect reduced print activity due to staff working from home and ICT being unable to recover the fixed costs of printers and photocopiers through the re-charge to service departments.	£125,000
One-off contribution from Corporate Contingency to fund demolition works at Brackla car park.	£400,000

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 (detailed in paragraph 3.1.7).	£2,092,352

Pay/Price Inflation

- 3.1.7 When the budget for 2023-24 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. Amounts released during quarter 2 are shown in 3.1.6 and include £1.874 million energy uplift for corporate and leisure services buildings and £0.128 million management fee uplift on the leisure services contract in line with CPI.
- 3.1.8 Inflationary pressures include increases in staffing costs arising from the above inflation increases in the National Living Wage and the implementation of the Real Living Wage. In addition, there are ongoing discussions regarding pay claims for Teachers' pay from September 2023 onwards and National Joint Council (NJC) workers for 2023-24. Even a variance of 1% on the pay settlement of NJC staff alone can result in a swing in required funding of over £1 million per annum.
- 3.1.9 In addition, the Council has experienced additional costs as a result of increases in inflation not seen for over a decade, and the impact of the war in the Ukraine.
- 3.1.10 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 continued to remain high since the budget was set with CPI at 6.7% in August 2023. With these uncertainties the budget will need to be monitored closely during the remainder of the year as there is a risk that the provision will be insufficient.

Budget Reduction Proposals

- 3.1.11 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget, which amount to £2.608 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals.
- 3.1.12 In March 2023 Council approved the Medium Term Financial Strategy for 2023-24 to 2026-27. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £17.165 million over the next four years. However, it has become evident in recent months that the position going forward is likely to be even more challenging than this, with recurrent in-year over spends needing to be mitigated, along with additional pay and price pressures. Against that background it is essential that expenditure is kept within the overall approved budget as far as possible, 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. Likewise, any opportunities to reduce spend in-year will be taken to try and improve the year end position.
- 3.1.13 At year end 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. Similarly, 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, only as long as these can be met from within the Council's cash limited budget for 2023-24. This is in line with the reports to Cabinet and Council on the MTFs, and the Council's Financial Procedure Rules.

3.2 Monitoring of Budget Reduction Proposals

Prior Year Budget Reductions

- 3.2.1 A report was presented to Cabinet on 20th June 2023 on the Revenue Budget Outturn 2022-23. In the report it was highlighted that, for 2017-18 to 2021-22, there were £179,000 of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £60,000. In addition, of the 2022-23 budget reduction proposals of £631,000, it was reported that there was a total outstanding balance to be met of £176,000. Directors have been 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. All remaining outstanding prior year budget reductions are summarised in **Appendix 1** with a summary per directorate provided in Table 2.

Table 2 – Outstanding Prior Year Budget Reductions

	Total Budget Reductions Required	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Social Services and Wellbeing	115	115	0
Communities	165	35	130
TOTAL	280	150	130

Note: The total budget reductions required in Table 2 represents the full original budget reduction targets.

3.2.2 Table 2 shows that of the £280,000 outstanding reductions, £150,000 is likely to be achieved in 2023-24 leaving a shortfall of £130,000. Proposals still not likely to be achieved, and therefore which will have to be met through alternative one-off efficiencies in 2023-24 in order to deliver a balanced budget position, include:

- COM 2 – Re-location of Community Recycling Centre from Tythegston to Pyle (£60,000 shortfall). The new site in Pyle is anticipated to open in the second half of 2023-24, with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2024-25.
- 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.
- COM 4 – remove Business in Focus from running Enterprise Centres in Bridgend (£10,000 shortfall). The review of the Business in Focus operating model is ongoing to identify operating efficiencies.
- COM 5 – commercially let a wing of Ravens Court to a partner organisation of business (£25,000 shortfall). Delay in progressing budget reduction proposal whilst the Future Service Delivery model is being developed.

3.2.3 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 2023-24

3.2.4 The budget approved for 2023-24 included budget reduction proposals totalling £2.608 million, which is broken down in **Appendix 2** and summarised in Table 3 below. The current position is that £2.358 million has been achieved to date with an additional £50,000 likely to be achieved by year end, leading to an overall projected shortfall on the savings target by year end of £200,000, or 7.67% of the overall reduction target.

Table 3 – Monitoring of Budget Reductions 2023-24

	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	40	0	0	40
Schools	2,118	2,118	2,118	0
Social Services and Wellbeing	0	0	0	0
Communities	375	165	215	160
Chief Executive's	75	75	75	0
TOTAL	2,608	2,358	2,408	200

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

- EDFS1 – Delegation of school transport responsibilities to The Bridge Pupil Referral Unit (£40,000 shortfall). Officers are continuing to investigate the practicalities and implications of this bespoke transport arrangement.
- COM1 – closure of each of the Community Recycling Centre sites for one weekday per week (£50,000 shortfall). Public Consultation has been undertaken, the outcome of which will be reported back to Cabinet in due course.
- COM 2 – Charging Blue Badge Holders for parking (£40,000 shortfall). The traffic management team have been engaged in the introduction of the national speed limit in built up areas, and therefore the saving proposal is unlikely to be achieved in 2023-24 due to the resource required to introduce this change first.
- COM5 – commercially let a wing of Ravens Court to a partner organisation or business (£70,000 shortfall) – delay in progressing budget reduction proposal whilst the Future Service Delivery model is being developed.

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

3.2.7 In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position.

3.3 Commentary on the financial position at 30th September 2023

Financial position at 30th September 2023

A summary of the financial position for each main service area is attached in **Appendix 3** to this report and comments on the most significant variances are provided below.

3.3.1 Education and Family Support Directorate

The net budget for the Education and Family Support Directorate, including school delegated budgets, for 2023-24 is £139.032 million. Current projections indicate an over spend of £1.746 million at year end. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Learner Support	6,697	7,207	510	7.6%
Family Support	3,430	3,150	(280)	-8.2%
Home to School Transport	8,008	9,166	1,158	14.5%
Catering Services	1,542	1,932	390	25.3%
Corporate health and safety	397	361	(36)	-9.1%

Schools' delegated budgets

Total funding currently delegated to schools in 2023-24 is £111.063 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'.

Total school balances decreased by £7.330 million during 2022-23, to £6.898 million at year end. At the start of 2023-24, projections indicated an overall surplus balance for school delegated budgets of £221,890 at year end. Quarter 2 projections indicate an overall surplus balance of £72,960 at year end. There are 20 primary schools, 1 secondary school and 2 special schools (39% of all schools) projecting a deficit balance at year end.

Central Education and Family Support Directorate budgets

Learner Support

- There is a projected net over spend of £510,000 in Learner Support budgets. This primarily relates to a projected over spend on the inter-authority recoupment budget due to an increase in demand for Bridgend pupils in out of county placements from 16 in Summer 2022 up to 21 for Summer 2023 (£353,000) as there are insufficient spaces at Heronsbridge and Ysgol Bryn Castell. The balance relates to a projected increase in demand for additional learning needs support at schools, in particular complex medical needs, sensory support and communication and relationship support.

Family Support

- The projected under spend of £280,000 primarily relates to staff vacancies and receipt of additional grant funding. The two additional grants are the Youth Endowment Fund (£262,000 – 18 months from September 2023 to March 2025) and the Turnaround grant (£59,000 – two years, ending March 2025).

Home-to-school transport (HtST)

- The revenue outturn report for 2022-23 highlighted a £1.316 million over spend on the HtST budget. This was primarily as a result of retendering exercises that had taken place, which had been impacted by unfavourable market conditions. This had subsequently resulted in 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.
- The HtST budget is projecting a similar projected over spend for 2023-24 of £1.158 million.

Catering Services

- There is a projected over spend of £390,000 in Catering Services. The fixed price of school meals to paying pupils and the recharge to schools for Free School Meal pupils has once again not been increased in 2023-24 and therefore the projected over spend is mainly due to the service being unable to achieve full cost recovery due to the impact of high inflation on food purchases. Price inflation on food has been particularly volatile, with a recent reduction in food inflationary levels seen, therefore the cost of food purchases will be closely monitored in 2023-24 to determine whether the inflationary pressures in this area continue to impact on cost recovery in this service area.

Corporate Health and Safety Unit

- The projected under spend of £36,000 within the Corporate Health and Safety Unit primarily relates to staff vacancies. The projected under spend has reduced from the £131,000 reported at quarter 1 as the service have successfully appointed to two core funded posts and have appointed agency staff to cover other vacancies within the unit.

3.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2023-24 is £96.630 million. Current projections indicate an over spend of £12.690 million at year end compared with £11.065 million at quarter 1. The outturn for 2022-23 was an over spend of £10.868 million. Council approved budget pressures of £8.74 million in March 2023 as part of the Medium Term Financial Strategy (MTFS), including £2.5 million for Real Living Wage for care workers which was included in the settlement by Welsh Government specifically for this purpose. The funded pressures also included inflationary uplifts on commissioned contracts, demographic pressures, Children's Residential and Independent Residential Care, Learning Disabilities, some strengthening of leadership in response to challenging Care Inspectorate Wales inspections, workforce pressures to safeguard and project children in light of significantly increased demand and increased costs of commissioned services, particularly the workforce required in children's social care to safeguard children from harm and the impact of increases in placements to meet the accommodation, care and support needs of children and adults. This growth was not sufficient to address the underlying budget pressures, which had been exacerbated by loss of grant funding. The Directorate has continued in 2023-24 to experience service and financial pressures in meeting statutory duties with a backdrop of a continued exponential increase in demand in Children's social care which impacts on the workforce required and a further increase in the number of independent residential placements in Children's services along with pressures in learning disabilities and older people's services driven by the complexity of need.

As noted in the revenue outturn report for 2022-23, to keep children safe and for the Council to meet statutory duties in respect of safeguarding children, there has been significant engagement of agency workforce to fill vacant posts and to provide additional capacity to ensure caseloads are at an acceptable level – in particular this has placed pressure on the Multi Agency Safeguarding Hub and Information, Advice and Assistance Services, Safeguarding Localities and the Care Experienced Children's Team.

A 3 year sustainability plan to improve the way that children and families are supported in Bridgend was considered by Council on the 20th September. This plan was informed by a detailed and independent analysis of the evidence base and local data. A £1 million budget virement was approved by Council in September from the centrally held MTFS emerging pressures budget, along with £2.5 million of existing earmarked reserves which have been unwound and repurposed to support Children's Services whilst a more permanent funding solution is sought.

The main budget variances are:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Adult Social Care	63,911	69,159	5,248	8.2%
Prevention and Wellbeing	7,414	7,242	(172)	-2,3%
Childrens Social Care	25,305	32,919	7,614	30.1%

Adult Social Care

There is projected net over spend of £5.248 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	1,960
Homes For Older People	1,097
Learning Disabilities Residential Care	673
Assessment and Care Management	671
Learning Disabilities Day Opportunities	515
Mental Health Homecare	315
Physical Disability/Sensory Impairment Direct Payments	206
Older People Direct Payments	179
Physical Disability/Sensory Impairment Home Care	152
Equipment & Adaptions	141
Mental Health Residential Care	-76
Learning Disabilities Direct Payments	-84
Mental Health Supported Accommodation	-198
Administration and Central Services	-276

- Learning Disabilities Home Care – the projected over spend of £1.960 million is due to a combination of factors, which are an ongoing pressure from 2022-23. Firstly, the number of hours of care covered by home care services has increased as people have either opted to not return to internal day opportunities or are having a reduced service 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. Whilst the outturn for 2022-23 was a £1.826 million over spend, maximisation of grant funding mitigated this on a one-off basis by £562,000. Secondly, whilst £1.254 million of budget growth was allocated to this service area in 2023-24 almost £500,000 of this has funded Real Living Wage uplifts. At quarter 1 there was a projected over spend position of £2.098 million, so the projection against this budget is slightly improving due to an individual moving to residential care.
- Homes For Older People – the projected over spend of £1.097 million is mainly due to increased Residential/Nursing placement costs (£946,000). During quarter 2 there were 87 new admissions for older people/older people mental health – of which 24 (27.6%) were from home, 57 (65.5%) were from hospital and 6 (6.9%) were from other residential/nursing homes. There were 72 discharges, of which 5 transferred to nursing care. The projected over spend has increased by £155,000 since quarter 1, mainly due to increased staffing based on current needs of residents within the homes – new social care workers (£136,000) and agency costs (£25,000). There remain significant pressures in the health and social care system

and people delayed in being accommodated in care homes in Bridgend. There are also a number of people who enter residential care where the individual's capital resources fall beneath the threshold for self-funding during any period, which can also impact on the projected outturn.

- Learning Disabilities Residential Care – there is a projected over spend of £673,000 which is primarily due to increased costs for existing placements within the residential and nursing service due to changing needs (£781,000) which is partially offset by under spends on the Breakaway Respite Service (£108,000) due to staff vacancies – these are in the process of being recruited to. The quarter 1 position was a projected over spend of £352,000 with the increase to quarter 2 being primarily due to 3 new placements – one has moved from supported living, one as a result of a court directive and the other individual was a transfer from Children's Services.
- Assessment and Care Management – there is a projected over spend of £671,000 due to the need to have agency cover as a result of the recruitment environment and demands in the system and the need for additional capacity, particularly linked to supporting the acute hospital and timely discharges and the requirement for Court of Protection and Deprivation of Liberty Safeguards (DOLS) in learning disabilities and the need to minimise assessment delays in the hospital social work team. The projections present the worst-case scenario in having to continue to rely on agency members of staff for the remainder of 2023-24, and the service are endeavouring to appoint to core staffing posts to reduce this projected over spend via a robust agency tracker system.
- Learning Disabilities Day Opportunities – the over spend of £515,000 mainly relates to placement numbers exceeding the available budget for External Day Services (£393,000). Firstly, whilst the learning disabilities home care budget also has an over spend as people have not returned to internal day services, new people are taking up the vacant day services placements. Secondly, as reported in the revenue outturn report for 2022-23 the service is experiencing higher transport costs than normal (£218,000) due to the service having to hire vehicles on a short-term basis as a result of delays in the delivery of new vehicles due to chassis parts being difficult to obtain. There is an issue with suppliers across the public sector.
- Mental Health Home Care – this includes supported living, short breaks, and domiciliary care. The projected over spend of £315,000 is mainly due to increased needs of people with supported living packages of care. Whilst placement numbers have remained similar to 2022-23 there has been an overall reduction in the projected over spend of £101,000, partly due to an increase in Health funding contributions.
- Physical Disability/Sensory Impairment Direct Payments - there is a projected over spend of £206,000. The number of people using the service remains stable at 54 in quarter 2 for 2023-24. However, the projected over spend relates to an increasing complexity of cases that impact on the average cost of direct payments support. There has been a £42,000 improvement since quarter 1 due to account reimbursements, where balances in accounts have exceed the permitted contingency.

- Older People Direct Payments – there is a projected over spend of £179,000 across the Direct Payments budgets in this area. The main reason for this is increasing complexity of cases that impact on the average cost of direct payments support. The projected over spend has reduced by £22,000 since quarter 1 due to account reimbursements where balances in accounts have exceeded the permitted contingency.
- Physical Disability/Sensory Impairment Home Care - there is a projected over spend of £152,000. This has increased from the quarter 1 projected over spend position of £28,000. The reason for this is due to 14 new placements and 6 ending since quarter 1, a net increase of 8 placements. These are individuals who are all new to the service.
- Equipment & Adaptions – the projected over spend of £141,000 has reduced from the quarter 1 projected over spend £162,000. However, this is a fluctuating demand led budget and varies month by month. The over spend position 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 2022-23 saw an underlying pressure in this service area of £460,000. A budget pressure of £298,000 was approved by Council as part of the Medium Term Financial Strategy (MTFS) budget setting process in March 2023 which has helped alleviate a significant amount of pressure, however this budget will be monitored closely going forward.
- Mental Health Residential Care – the projected under spend of £76,000 has reduced from the quarter 1 projected under spend of £322,000. This is as a result of 3 new placements in quarter 2. Current placement numbers still remain lower than in previous years. Alternative service solutions continue to be provided which benefit individuals and prove beneficial to the financial position. The Directorate will review budgets during quarter 3 and will seek to vire budgets within Mental Health to areas that are experiencing pressures as a result of the medium to long term impact of the pandemic on individuals.
- Learning Disabilities Direct Payments – there is projected under spend of £84,000 which is a decrease on the projected over spend at quarter 1 of £239,000. The number of people in the service have actually increased to 120 in quarter 2 for 2023-24 compared with 110 in quarter 2 2022-23 – these are children which have transferred into Adult Services. There is also an increasing complexity of cases that impact on the average cost of direct payments support. However, the projected year end position has improved due to reimbursements reclaimed from people using the service where balances in accounts have exceeded the permitted contingency.
- Mental Health Supported Accommodation – the projected £198,000 under spend primarily relates to utilisation of Innovation Grant Funding to support staffing budgets in this service area (£262,000).
- Administration and Central Services – the projected under spend of £276,000 is mainly due staffing vacancies.

Prevention and Wellbeing

- The projected under spend of £172,000 is primarily due to the utilisation of grant funding opportunities offsetting salary costs (£122,000 in Prevention and Wellbeing and £25,000 in Playworks). The projected under spend has reduced since quarter 1 by £26,000 due to additional spend relating to casual staff at sports halls and holiday clubs to support increased demand on the Active for Life Schemes through the summer holidays.

Children's Social Care

There is projected net over spend of £7.614 million on the Childrens Social Care Budget. This is compared to a quarter 1 projected over spend of £6.920 million. The most significant variances contributing to this projected over spend are:-

CHILDRENS SOCIAL CARE	Projected Variance Over/(under) Budget – qtr 2 £'000	Projected Variance Over/(under) Budget – qtr 1 £'000
Care Experienced Children	5,142	3,746
Commissioning & Social Work	2,055	2,841
Management & Administration	352	213

- The projected over spend of £5.142 million for Care Experienced Children is due to a combination of factors:-
 - The Independent Residential Care budget has a projected over spend of £4.772 million. This is despite a budget growth being approved by Council for 2023-24 of £650,000 as part of the MTFS and has increased by £1.114 million from the quarter 1 projected over spend of £3.658 million. There are currently 27 care experienced children in out of authority placements, an increase of 2 since quarter 1. Whilst this is only an increase of 2 placements since the 31st May 2023 it is a significant increase compared to the 9 placements at quarter 4 in 2021-22 and the 16 placements at quarter 1 in 2022-23. This is due to a number of factors, including high numbers of care experienced children, insufficient quantum and quality placements to meet needs including foster carers (in-house and independent) and children requiring specialist provision sometimes with high staffing ratios to keep them safe and protected. It should be noted that this budget area can be volatile and small changes in demand can result in relatively high costs being incurred.
 - Children's Residential Services are projecting an under spend of £143,000, compared with the projected under spend position of £434,000 at quarter 1. This is due to increasing use of agency staff since quarter 1 due to unavoidable staff absences. The service area was allocated £684,000 of budget pressures in 2023-24 due to additional staff being required in BCBC residential settings. There is a projected under spend relating to this growth as the posts are being recruited to in 2023-24, along with a delay in the opening of the Golygfa'r Dolydd, a new build children's home. The opening of the new children's home should have a positive impact on the projected over spend noted above on the Independent Residential Care budget. The service area has also benefited from Eliminating Profit grant funding of £397,000.
 - There is an under spend on Independent Fostering Agency placements (£462,000). This has increased since the quarter 1 projected under spend position of £329,000.

This is due to other placement options being utilised, including Special Guardianship Orders which are projecting an over spend of £356,000. The placements reduced from 43 placements at quarter 1 to 36 at quarter 2. These budgets will be monitored closely in 2023-24 and budgets vired as appropriate.

- Commissioning & Social Work – the projected over spend of £2.056 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 and the need to operate above establishment to maintain safe caseloads. The projection reflects the ongoing permanent staff recruitment issues and reliance on agency staff for the foreseeable future, although good progress is being made in international recruitment. Agency staff are being utilised where possible to ensure children are safeguarded and protected from harm and ensure that statutory duties are met. The projections present the worst-case scenario in having to continue to rely on agency members of staff for the remainder of 2023-24, and every opportunity is taken to convert agency arrangements into permanent employment where possible, which will have a positive impact on the projected spend. Council approved a £1 million budget virement in 2023-24 which has been allocated to support the costs of the Multi-Agency Safeguarding Hub (MASH), the Information, Advice and Assistance Service (IAA) and the safeguarding team restructure. Analysis reported to Council shows there is a remaining budget pressure of £2.5 million and the additional use of up to £2.5 million of earmarked reserves has been established to support the new proposed structure whilst a more permanent funding solution is sought. The service have been successful in recruiting to core funded posts, and therefore have reduced spend on agency staff, so there has been a net improvement of £100,000 to the staffing projections. The service area has also maximised the Social Care Workforce grant (£118,000).

Whilst the workforce projections have improved since the projected over spend of £2.841 million that was reported in quarter 1, non-workforce related costs (the majority of which relate to Care Experienced Children and care and support spend such as Court ordered drug testing, assessments, reports, travel and therapy costs), have increased by £440,000. Further detailed analysis of this area of spend is being undertaken.

- Management & Administration – the projected over spend of £352,000 (quarter 1 - £213,000 over spend) relates primarily to staffing costs. 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 support officer roles due to the pivotal role they play in ensuring statutory timescales and statutory recording requirements are met.

3.3.3 Communities Directorate

The net budget for the Directorate for 2023-24 is £32.832 million. The current projection is a projected over spend of £600,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Development Control	(206)	(312)	(106)	51.5%
Waste Disposal & Collection	9,731	10,104	373	3.8%
Fleet Services	135	366	231	171.1%
Highways Services (DSO)	3,257	3,007	(250)	-7.7%
Engineering Services	101	18	(83)	-82.2%
Corporate Landlord	4,044	4,616	572	14.1%

Planning and Development

- The projected under spend in planning and development of £106,000 is primarily due to a projected upturn in planning application income. Fee income is subject to considerable fluctuations between years, depending on number of types of applications. For example, in 2021-22 the service generated a deficit of £249,000, compared with a surplus of £54,000 in 2022-23.

Waste Disposal and Collection

- There is a net projected over spend on the Waste Disposal and Collection budget of £373,000.
- £60,000 of this is due to the delay in the achievement of the 2022-23 MTFS saving, COM 2 - Re-location of Community Recycling Centre from Tythegston to Pyle resulting in cessation of lease payments at the existing site. The new site in Pyle is anticipated to open in the second half of 2023-24 with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2024-25.
- £35,000 is due to the delay in the achievement of the 2022-23 MTFS saving, COM 3 – change the composition of Household Food Waste Bags. The budget reduction proposal has been delayed until the outcome of national research has been completed to ensure any potential changes in legislation do not impact on this proposal.
- £50,000 is due to the delay in the achievement of the 2023-24 MTFS saving, COM 1 – closure of each of the Community Recycling Centre sites for one weekday per week. Public consultation on this proposal has now been completed which will be reported back to Cabinet in due course.
- The remainder of the projected over spend is due to an increase in subscribers for both the Absorbent Hygiene Products (AHP) (£115,000) and Garden Waste (£65,000) collection services. The AHP service has been promoted to further improve the recycling levels achieved in Bridgend which also mitigates the risk of fines imposed by WG if local authorities do not meet their recycling targets. It has seen an increase of 6.2% since the start of the 2022-23 financial year. Garden waste subscriptions have increased by 20% over the last two years with the number of subscribers increasing from 6,249 in 2021-22 to 7,536. An annual subscription

fee is charged for the service, and the garden waste collected also improves the recycling levels achieved in Bridgend, however it is not currently a fully cost-recovering service.

Fleet Services

- There is a projected over spend of £231,000 on Fleet services. The fleet services team operate on a break-even basis with re-charges for work undertaken on directorates', South Wales Police (SWP) and the general public's vehicles, generating income to support staffing and overhead costs. Productivity levels continue to be impacted by long term sickness as well as recruitment and retention difficulties. A report outlining options in respect of the operational model and charging mechanisms is in the final stages of development in mitigating the budget position of fleet services.

Highways Services

- The projected under spend of £250,000 within Highways Services is primarily due to core funded staff being utilised to support work on capital schemes. In these cases, the salary costs can be capitalised, thus generating one-off income for the service area.

Engineering Services

- There is a projected under spend on Engineering Services of £83,000. 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.

Corporate Landlord

- There is a projected over spend of £616,000 against Corporate Landlord. As reported in the 2022-23 outturn report, there are shortfalls in income generated from properties run by the Council that relate to occupancy shortfalls which have continued into 2023-24. It was reported at quarter 1 that there was already an underlying shortfall in income at Bridgend Market of £100,000 which has increased to £198,000 at quarter 2 due to the identification of Reinforced Autoclaved Aerated Concrete (RAAC) and the closure of the market at the end of September 2023. There is also a shortfall in income of £130,000 for the Innovation Centre and £130,000 on Industrial Units and a strategy is being developed to reduce these income shortfalls in the longer term.
- Corporate Landlord continue to seek to commercially let out wings of Ravens Court to a partner organisation or business. However, at present demand for office space is limited and the re-letting market extremely challenging. As noted in section 3.2.2 and 3.2.5 the £50,000 target for 2022-23 and the £120,000 target for 2023-24 in relation to this MTFS proposal are unlikely to be achieved in full this financial year which represent a further £95,000 pressure on the Corporate Landlord estates budget.
- The projected over spends have been partially offset by staffing vacancies of £148,000.

3.3.4 Chief Executive's

The net budget for the Directorate for 2023-24 is £24.200 million. Current projections anticipate an over spend against this budget of £248,000. This is compared to a projected under spend position of £98,000 at quarter 1. The main variances are:

CHIEF EXECUTIVE'S	Net Budget £'000	Projected outturn £'000	Actual Variance Over/(under) budget £'000	% Variance
Housing & Homelessness	4,120	3,598	(522)	-12.7%
ICT	4,126	4,186	60	1.5%
Legal, Democratic & Regulatory	5,869	6,616	747	12.7%

Housing & Homelessness

- There is a projected under spend of £522,000 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. An additional budget pressure of £700,000 was approved by Council in March 2022 based on increased numbers of households and individuals supported with accommodation. The core accommodation budget for 2023-24 is £2.722 million.
- For 2023-24, Welsh Government (WG) have confirmed grant funding of £898,694 for accommodation under the "No One Left Out" funding stream, and £137,000 under a Discretionary Homelessness Prevention Grant. The total grant funding confirmed for 2023-24 of £1.036 million is significantly lower than the total grant funding of £3.607 million which was received in 2022-23.
- Projected spend on Homelessness accommodation in 2023-24 is £3.9 million. As well as the core budget (£2.722 million), and total WG accommodation grant funding (£1.036 million), the service has also seen an increase in rental income relating to Housing Benefits claimed by tenants who have been supported with homelessness accommodation (£392,000). The net impact is a projected under spend on accommodation of £250,000.
- The projected accommodation spend is based on increased numbers of households and individuals supported, from 220 households and 401 individuals in September 2022 to 276 households and 514 individuals in September 2023. The budget will require close monitoring throughout 2023-24 in line with any further changes in support required for homelessness accommodation.
- The remainder of the projected under spend primarily relates to staff vacancies (£89,000).
- The other significant area of under spend in Housing relates to Homelessness Spend 2 Save Support, which has a predicted under spend of £280,000 primarily due to additional grant funding (Discretionary Homelessness Prevention Grant of £137,000 from No One Left Out funding) and a £100,000 projected under spend relating to the Housing Deposits budget, a fund that is used to support initial set-up costs in temporary accommodation.

ICT

- There is a projected net over spend of £60,000 across ICT budgets. This has improved from the projected net over spend of £185,000 reported in quarter 1. Due to reduced printing activity ICT have been unable to recover the fixed costs of printers and photocopiers through the re-charge to service departments consequently, reduced spend has been incurred on printing budgets across the service departments and the ICT service has received less income. An exercise was undertaken in quarter 2 to re-align print budgets and the position in ICT reflects a £125,000 realignment from service area budgets as referred in 3.1.6.

Legal, Democratic & Regulatory

- There is a net over spend of £747,000 across Legal, Democratic and Regulatory services which is primarily due to legal fees continuing to be a budget pressure. The projected over spend on Legal fees has increased to £637,000 at quarter 2 compared with the quarter 1 projection of £330,000. The pressures experienced in 2022-23 on public and private law childcare cases, along with an increase in volume of complex cases that have required King's Counsel, are continuing into 2023-24. The budget will be closely monitored through the remainder of the financial year, with the projection based on the number and complexity of cases.
- In comparison, the over spend on legal fees for 2022-23 was £417,000, but this was offset by an Earmarked Reserve of £340,000 which was drawn down in full in that financial year.
- There is also a net £145,000 over spend in Regulatory Services (Licencing, Public Health, Pest Control etc) due to under recoupment of income, particularly in Taxi Licencing and Environmental Health.

3.3.5 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 2023-24 is £49.640 million. Current projections anticipate an under spend against this budget of £4.352 million. The main variances are:-

COUNCIL WIDE BUDGETS	Net Budget	Projected Outturn	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing	7,203	4,605	(2,598)	-36.1%
Council Tax Reduction Scheme	16,054	15,841	(213)	-1.33%
Other Council Wide Budgets	14,981	13,582	(1,399)	-9.34%

Capital Financing

- The projected under spend of £2.598 million mainly relates to additional interest from current investments due to the continuing increase in interest rates by the Bank of England. It was noted in the revenue outturn report that the increase to 4.5% in May 2023 was the highest it has been since 2008, but this has further increased to 5% in June 2023 and 5.25% in August 2023, although this was frozen at the latest review in September.
- The under spend is predicated on interest rates being sustained throughout the remainder of 2023-24. It should also be noted that this will not be a recurring under spend as the Council approved new Highways and Children's Playground

refurbishments in the Capital Programme in March 2023 to be funded from a combination of unallocated capital funding and prudential borrowing and this has not been drawn down in full to date.

Council Tax Reduction Scheme

- There is currently a projected under spend of £213,000 on the Council Tax Reduction Scheme. This is a demand led budget and take-up is difficult to predict. The projected take-up for 2023-24 is higher than in 2022-23 when the gross spend in this budget area was £14.885 million, although part of this would be as a result of the council tax increase in April 2023. The budget will be closely monitored in 2023-24 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 Council Wide Budgets

- As referred to in paragraph 3.1.8 and 3.1.9, due to the ongoing discussions regarding pay claims and the risk of unexpected major price inflation increases, 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 2023-24, fewer budget reduction proposals had to be made.
- In addition, when the 2023-24 budget was approved, a number of recurrent pressures for 2023-24 totalling £9.77 million were agreed with a further £1.3 million being retained centrally to support emerging pressures. At the September meeting of Council, £1 million of this was approved to be allocated to Social Services as part of the 3 year sustainability plan for Children's Services in line with the Financial Procedure Rules. Cabinet have approved the use of the uncommitted funding of £300,000 for emerging budget pressures to be utilised against the increased cost of the annual waste collection service from 2024-25, therefore contributing to the overall projected under spend for other council wide budgets in 2023-24.

3.3.6 Council Tax Collection

It is still early in the financial year to provide a realistic indication of projected council tax income for this financial year, and whether the Council is likely to see a reduction in council tax income over the 2023-24 financial year as more people have suffered financial hardship due to the current cost of living crisis, or whether additional income will be collected from the introduction of council tax premiums on empty properties. Current projections indicate that budgeted council tax income levels will be achieved with the possibility of up to 1% additional income, around £1 million. However, due to changing personal circumstances of individuals, and changes to those receiving council tax support, council tax collection rates will be monitored continuously throughout the year and reported accordingly.

3.4 Review of Earmarked Reserves

- 3.4.1 A thorough review of earmarked reserves was undertaken by Corporate Management Board during quarter 1 of 2023-24, which included an assessment of the draw down profile and re-profiling of existing earmarked reserves.

3.4.2 The review in quarter 1 identified £3.067 million of reserves to be unwound in order to fund emerging risks for the Council as a whole during 2023-24 and a further £733,000 to be repurposed for similar schemes. On 20th September Council approved the use of £2.5 million of the unwound reserves to support the deliverability of the 3 year sustainability plan, to improve outcomes for Children and Family Services in Bridgend, whilst a more permanent funding solution is sought. The other significant earmarked reserve established was £355,000 towards the demolition costs of Brackla Car Park.

3.4.3 The cumulative draw down by directorates in 2023-24 is £4.251 million as shown in Table 4 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 £6.825 million on school balances is currently projected.

Table 4 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 2

Opening Balance 01 Apr 23	Reserve	Net Additions/ Reclassification	Draw-down	Unwound	Closing Balance 30 Sept 23
£		£	£	£	£
	Corporate Reserves:				
(25,801)	Education & Family Support	-	3	-	(25,798)
(1,870)	Social Services & Wellbeing	-	-	290	(1,580)
(15,624)	Communities	(330)	175	74	(15,705)
(10,650)	Chief Executives	(167)	154	393	(10,270)
(7,380)	Non-Directorate	142	2,263	474	(4,501)
(61,325)	Total Corporate Reserves	(355)	2,595	1,231	(57,854)
	Directorate Earmarked Reserves:				
(693)	Education & Family Support	(78)	34	76	(661)
(6,076)	Social Services & Wellbeing	(2,500)	958	-	(7,618)
(9,310)	Communities	(130)	76	69	(9,295)
(3,102)	Chief Executives	(154)	538	166	(2,552)
(19,181)	Total Directorate Reserves	(2,862)	1,606	311	(20,126)
	Equalisation & Grant Earmarked Reserves:				
(2,074)	Education & Family Support	78	50	580	(1,366)
(436)	Social Services & Wellbeing	-	-	350	(86)
(2,847)	Communities	-	-	595	(2,252)
(346)	Chief Executives	154	-	-	(192)
	Non-Directorate	-	-	-	-
(5,703)	Total Equalisation Reserves	232	50	1,525	(3,896)
(6,898)	School Balances	-	-	-	(6,898)
(93,107)	Total Usable Reserves	(2,985)	4,251	3,067	(88,774)

3.4.4 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 £44.115 million of funding in this reserve which constitutes 49.7%

of our overall earmarked reserves balances. This will be used to fund a wide range of schemes in the capital programme.

3.4.5 The School balances reserve decreased from £14.228 million to £6.898 million at the end of 2022-23. As noted in paragraph 3.3.1, the quarter 2 projections indicate a projected overall surplus balance for school delegated budgets of £72,960 at year end. This will reduce this reserve accordingly by year end.

3.4.6 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.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 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.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. The allocation of budget determines the extent to which the Council's well-being objectives can be delivered. It is considered that there will be no significant or unacceptable impacts upon the achievement of the well-being goals or objectives as a result of this report.

6. Climate Change Implications

6.1 There are no direct implications arising from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no direct implications arising from this report.

8. Financial Implications

8.1 These are reflected in the body of the report.

9. Recommendations

9.1 The Committee is recommended to consider the report upon the projected revenue position for 2023-24.

Background documents: Individual Directorate Monitoring Reports