

Matter which the Chair has decided is urgent by need to advise Cabinet of additional funding allocated to the Council in year and outline the impact on the 2024-25 revenue position.

Meeting of:	Cabinet
Date of Meeting:	Thursday, 19 December 2024
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Quarter 2 Revenue Monitoring 2024/25 Update Report
Purpose of Report:	To advise Cabinet of the Updated Quarter 2 Revenue Monitoring position for 2024/25 in the context of additional Welsh Government Funding
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework	This report is a matter for Executive decision by Cabinet.

Executive Summary:

- The table below sets out the Q2 Monitoring Position reported to Cabinet on 28th November 2024

Directorate	Revised Budget 2024/25	Projected Outturn reported at Q2	Variance	Amended Projected Outturn Q2	Amended Variance
	£000's	£000's	£000's	£000's	£000's
Learning and Skills	133,488	139,961	6,473	139,849	6,361
Social Services	96,326	103,361	7,035	102,042	5,716
Environment and Housing	32,705	33,252	547	33,071	366
Corporate Resources	16,396	16,720	324	16,550	154
Place	3,163	3,163	0	3,152	-11
Policy	29,143	29,143	0	29,824	681
Use of Reserves	-2,360	-1,513	847	-1,513	847
Council Tax Surplus	0	-1,000	-1,000	-1,800	-1,800

Unplanned Use of Reserves	0	-14,226	-14,226	-12,314	-12,314
Total	308,861	308,861	0	308,861	0
Public Sector Housing (HRA)	-677	-667	0	-667	0
HRA Use of Reserves	677	667	0	667	0
Total	308,861	308,861	0	308,861	0

- The revenue position for 2024/25 continues to reflect challenging demand and inflationary pressures with continuance of the key service pressures across Additional Learning Needs, School Transport, Adult Services and Children and Young People Services, Highway Maintenance and Homelessness.
- In the Q2 Monitoring report the Council also set out inflationary pressures being experienced in respect of pay most notably where market forces are being utilised and for the funding gap between provision for the 2024/25 pay award and the likely pay award for 2024/25. The Council has since received notification of additional grant funding in respect of pay and pension costs as set out in the report that will mitigate some of these pressures in year. The Council has also updated the projections to include income associated with deferred payment arrangements for social care in the projections.
- Unplanned use of reserves reported at Q2 was approximately £14.226m and due to the additional funding allocated has reduced to £12.314m and a further positive impact is expected on the school deficits position.
- The Updated projected transfers to and from reserves are set out in the table below and reflect a reduced drawdown.

As at	Balance 01/04/2024	Capital	Budget Revenue	Revenue Mvmt on Reserves	Unplanned Use of Reserves	Realloc of Reserve	Provisional Balance 31/03/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	11,106	0	0	0	0	0	11,106
Insurance	4,878	0	0	0	0	0	4,878
Service Reserves	16,587	-464	0	-700	-7,005	0	8,418
Risk and Smoothing Reserves	24,655	-2,644	-1,841	-1,559	-1,000	-259	17,352
Capital	10,446	-5,717	0	695	0	259	5,683
Schools	5,057	0	0	0	-4,309	0	748
Housing Revenue Account	3,525	0	667	0	0	0	4,192
Total	76,254	-8,825	-1,174	-1,564	-12,314	0	52,377

- The mitigation actions in respect of the Council's in year revenue budget will be maintained in the context of the unplanned use of reserves in year.

Recommendation

1. That the updated position with regard to the Authority's 2024/25 Revenue Budget be noted.

Reason for Recommendation

1. To inform Cabinet of the updated projected revenue outturn for 2024/25 and the additional Welsh Government funding awarded in year.

1. Background

- 1.1 Council on 6th March 2024 approved the revenue budget for 2024/25 (minute no 891) and earlier in the year Council on 15th January 2024 approved the Housing Revenue Account (HRA) budget for 2024/25 (minute number 695).
- 1.2 The Q2 monitoring position was reported to Cabinet on 28th November and set out pressures in year across services including Schools, Additional Learning Needs and Social Services both Adult and Children's Services. As well as some lag in the implementation of savings across 2023/24 and 2024/25.
- 1.3 These pressures persist in the updated Q2 monitoring report. However, the Council has been notified of various streams of Grant Funding that will help to mitigate the in year position in respect of pay pressures experienced across the Council and the impact of this additional funding totalling approximately £6.150m is reflected in the updated outturn figures. The schools' share of this funding will be reflected in an updated projected balances position which will be included in the Q3 monitoring report.

2. Key Issues for Consideration

Emerging Corporate Pressures

- 2.1 The revenue position for 2024/25 continues to reflect challenging demand and inflationary pressures with the key service pressures chiefly Social Services, Education and Homelessness. The cost pressures allocated as part of the 2024/25 budget were adjusted to reflect the funding available and therefore do not provide full funding for pressures and these demands on services have continued to increase in the first quarter of 2024/25. There is evidence of increasing demand in respect of Children's and Young Peoples Care and Adults Social Care reflecting an increased incidence and complexity of need as well as significant increases in the cost of placements and care packages. Support for Additional Learning Needs continues to be an area of significant pressure within Learning and Skills with corresponding pressures on school transport costs for pupils in ALN provision. The Council also continues to report severe homelessness and resettlement demands with continued use of hotel provision in addition to facilities such as hostels etc.

- 2.2 Whilst services continue to experience unfunded pressures in respect of inflation, the following sources of grant funding for pay have been allocated to the Council since the publication of the Q2 monitoring report.

Table 1: In Year Welsh Government Grant Allocations

Category	Award From	Amount £
Teachers Pay	Welsh Government	819,604
Teachers Pay Post 16	Medr	96,490
		916,104
Teachers Pension (SCAPE)	Welsh Government	2,739,237
Teachers Pension Post 16	Medr	268,618
		3,007,855
Fire Service Pension (SCAPE)	Welsh Government	119,371
NJC Pay	Welsh Gov	2,106,409
Grant Total		6,149,739

- 2.3 In addition to the income notified above there is additional funding allocated to the Council for Reablement via the Regional Partnership Board circa £375k and Social Services is working to identify effective expenditure in accordance with the purposes of the grant.
- 2.4 The Council has also been made aware of some additional funding for the Local Authority Education Grant as follows although it is not aware of the individual Local Authority allocations at this stage.
- £20M School Standards
 - £10M Additional Learning Needs
 - £5M Additional Learning Needs Coordinator
- 2.5 £5.155M of the sum £6.150M will be allocated to Schools and £995k held Corporately. Whilst it is expected that this additional funding allocation will reduce the number of schools in deficit and value of those deficits it is not possible to be able to calculate the impact at this point. An updated schools' deficit position will be reported as part of the Q3 Monitoring report to Cabinet in February.
- 2.6 A further reduction on unplanned use of reserves is reflected for Adult Social Services reflecting a significant increase in income associated with deferred payment arrangements for Social Care.

Revenue Financial Position

- 2.7 Table two below details the budget and original Q2 projected outturn and variance along with the updated Q2 projected outturn and variance.

2.8 Unplanned use of reserves has reduced from £14.226m (£4.309m relating to schools), to £12.314m in 2024/25.

2.9 The Council has various workstreams in place to mitigate the unplanned use of reserves and reduce in year overspends which are set out in the bullet points below.

- Schools Budget Taskforce particular workstreams around consideration of all schools' contracts and agency spend, some work refining ICT licences, consideration of additional resource to support schools with sufficient deficits and in respect of all schools procurement.
- Additional resource to support reshaping savings to help accelerate the delivery of savings with particular focus on high value savings that have not been progressed for capacity reasons.
- Spend Controls – Introduction of additional controls on new recruitment and Directorate controls on non essential spend. There has been a period of challenge on recruitment and this is being further strengthened.
- Directors are working with Service Accountants to manage the unplanned drawdown of service reserves.
- Review of use of Grant Expenditure to ensure most efficient use of funding.
- Any drawdown of reserves cleared at Senior Leadership Team.

2.10 The summary Directorate position is detailed below.

Table 2. Budget and Projected Outturn

Directorate	Revised Budget 2024/25	Projected Outturn reported at Q2	Variance	Amended Projected Outturn Q2	Amended Variance
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Use of Reserves

2.11 Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. The Council has always taken a prudent approach with regard to Specific Reserves and uses them to mitigate known risks (financial and service) and contingent items, e.g. Insurance Fund. Other reserves have been established to fund Council priorities and in particular the Capital Programme. The Housing Revenue Account Reserve is ring-fenced to Housing and the majority will be used to fund improvements to the Council's housing stock.

2.12 Table 3 below sets out the updated use of reserves for a variety of purposes including planned usage to fund Capital Expenditure, planned revenue usage in accordance with the earmarked purpose of the reserve, unplanned usage to fund emerging overspends during 2024/25 and planned transfers to reserves to set aside fund for specific purposes.

Table 3 - Reserves

As at	Balance 01/04/20 24	Capital	Budget Revenue	Revenue Mvmt on Reserves	Unplann ed Use of Reserves	Realloc of Reserve	Provision al Balance 31/03/25
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3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 The revenue budget has been set in order to support services in the delivery of the Council's Well-being objectives. It is therefore important for expenditure to be monitored to ensure that these objectives are being delivered.
- 3.2 The revenue budget has been set and is monitored to reflect the 5 ways of working.
- 3.3 Looking to the long term - The setting of the revenue budget requires planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- 3.4 Taking an integrated approach - The revenue budgets include services which work with partners to deliver services e.g. Health via ICF.
- 3.5 Involving the population in decisions – As part of the revenue budget setting process there has been engagement with residents, customers and partners.
- 3.6 Working in a collaborative way – The revenue budgets include services which operate on a collaborative basis e.g. Shared Regulatory Service, Vale Valleys and Cardiff Adoption Service.
- 3.7 Understanding the root cause of issues and preventing them – Monitoring the revenue budget is a proactive way of understanding the financial position of services in order to tackle issue at the source as soon as they arise.

4. Climate Change and Nature Implications

- 4.1 The Council has identified dedicated funding in the 2024/25 reserves projections to support the delivery of Project Zero. Additional funding is ringfenced in the Capital Programme to support schemes.
- 4.2 All savings and cost pressures will be reviewed for Climate Change and Nature Implications prior to implementation.

5. Resources and Legal Considerations

Financial

- 5.1 As detailed in the body of the report.

Employment

- 5.2 As detailed in the body of the report.

Legal (Including Equalities)

5.3 There are no legal implications associated with this report.

6. Background Papers

None.