

Meeting of:	Homes and Safe Communities Scrutiny
Date of Meeting:	Wednesday, 06 December 2023
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Quarter 2 Revenue Monitoring 2023/24
Purpose of Report:	To advise Committee of the Quarter 2 Revenue Monitoring position for 2023/24
Report Owner:	Director of Environment and Regeneration
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 officer

Executive Summary:

The table below sets out the Revised Budget by Directorate.

Directorate	Amended Budget 2023/24 £000's	Projected Outturn 2023/24 £000's	Variance £000's	Unplanned Use of Reserves £000's	Residual Variance 2023/24 £000's	Use of Reserves 2023/24 £000's
Schools	114,239	114,410	171	171	0	8,921
Learning and Skills	14,050	14,671	621	621	0	1,718
Social Services	85,260	93,529	8,269	5,884	2,385	9,912
Environment and Housing	31,809	33,009	1,200	0	1,200	295
Corporate Resources	17,081	16,781	-300	0	-300	519
Place	3,401	3,493	92	92	0	485
Policy	30,678	27,393	-3,285	0	-3,285	-42
Use of Reserves	-2,096	-2,096	0	0	0	-2,096
Total	294,422	301,190	6,768	6,768	0	19,712
Housing Revenue Account	15,538	15,538	0	0	0	0
Adjusted Total	309,960	316,728	6,768	6,768	0	19,712

The revenue position for 2023/24 continues to reflect challenging demand and inflationary pressures, with increasing demand in respect of Children's and Adults Social Care and 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. The Council is also experiencing continued inflationary pressures in respect of School Transport. Across services inflationary pressures are also being experienced in respect of pay, most notably where market forces are being utilised and for the funding gap between provision for the 2023/24 pay award and the likely pay award for 2023/24.

The Council has identified a number of steps to be taken in year to help mitigate this emerging overspend and safeguard reserves, this includes tighter controls on expenditure and recruitment and a review of the Capital programme. The Corporate Resources Directorate has identified a potential underspend of £300k to be offset against emerging overspends and there is a projected underspend of £1m against Council tax income due to the projected collection of arrears, new properties, changes in allowances and premiums on empty homes.

Challenging savings and efficiency targets have been set for 2023/24 this includes a target of £2.75M for schools and £4.628M of Corporate savings. The progress against these savings targets is reflected in the Appendix A and summarised in the table below.

Directorate	Target	Projected	% Achieved	Mitigation	Mitigation Achieved %	Shortfall	Shortfall %
	£''000s	£''000s		£''000s		£''000s	£''000s
Policy	1,615	1,615	100%	-	0%	-	0%
Resources	582	331	57%	250	43%	1	0%
Neighbourhood and Housing	1,000	640	64%	40	4%	320	32%
Learning and skills	564	383	68%	-	0%	181	32%
Social Services	681	556	82%	-	0%	125	18%
Place	265	173	65%	-	0%	92	35%
Total	4,707	3,698	79%	290	6%	719	15%

- Projected transfers to and from reserves are set out in the table below.

As at	Balance 01/04/2023	Capital Funding	Planned Transfer (from) reserves	Planned Transfer to reserves	Unplanned Drawdown from Reserves	Estimated Balance 31/03/2024
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	11,523	-	- 496	0	- 171	10,856
Insurance	4,877	-	0	0	0	4,877
Service Reserves	22,521	- 672	- 6,329	42	- 6,666	8,896
Risk and Smoothing Reserves	29,802	- 3,276	- 3,966	0	-	22,560
Capital	17,726	- 10,331	0	403	-	7,798
Schools	7,254	-	-	0	- 6,500	754
Housing Revenue Account	16,486	- 15,537	0	0	0	949
Total	110,190	- 29,816	- 10,791	445	- 13,337	56,690

Recommendation

1. That the position with regard the Authority's 2023/24 Revenue Budget be noted.

Reason for Recommendation

1. To inform Committee of the projected revenue outturn for 2023/24.

1. Background

- 1.1 Council on 6th March, 2023 approved the revenue budget for 2023/24 (minute no 779) and earlier in the year Council on 11th January, 2023 approved the Housing Revenue Account budget for 2023/24 (minute number 607). There is an approved drawdown from the Council Fund of £496K during 2023/24 and £2.8M from other specific reserves.

2. Key Issues for Consideration

Emerging Corporate Pressures

- 2.1 The revenue position for 2023/24 continues to be challenging for the Council both operationally and financially due to the ongoing implications of the Cost of Living Crisis, support for Ukrainian refugee, inflationary pressures and the continuing impact of the COVID-19 pandemic. The Council has continued to see additional pressures as a result of these factors particularly across Education, Housing and Social Services.
- 2.2 Welsh Government issued a statement on its own financial position on 17 October following a written statement by the First Minister in August that the Welsh budget was worth £900M less than when initially set in 2021. A package of measures was put together and is detailed in the Cabinet report. There is no further detail available at this time and the potential impact on the Vale of Glamorgan is not clear.

Revenue Financial Position

- 2.3 The table below details the original budget and reflects any requested virements. The use of reserves will be necessary to address emerging inflationary pressures and deliver projects across the service.
- 2.4 In recognition of the deterioration of the in year revenue monitoring position based on Quarter 2 full year projections and the need to identify in year savings, safeguard reserves for future volatility and maximise the accuracy of the projections a number of steps have been taken by the Senior Leadership Team and managers across the Council in recent months as set out below.

- Tighter controls around non essential expenditure and recruitment.
- Senior Leadership Team review of **capital programme**
- Senior Leadership Team review of **use of reserves**, with all requests for use routed via Section 151 Officer and Chief Executive
- Senior Leadership Team to determine savings to **bring forward into 2023/24**

2.5 The Council is fortunate to have sizeable reserves that will help it manage some of this emergent in year volatility and implement initiatives to enable transformational change to adapt services and utilise opportunities around the use of digital solutions and alternative ways of working to continue to deliver the Annual Delivery Plan objectives and safeguard services for the vulnerable. The scale of pressures in the Social Care, Education and Housing sectors are significant and pose a challenge both in year and over the medium term financial plan and this is explored further later in this report.

Table 2 – Forecast Outturn 2023/24

Directorate/Service	Original Budget	Budget Adjustments	Revised Budget	Projected Outturn	Variance	Use of Reserves
	£000	£000	£000	£000	£000	£000
Learning and Skills						
Schools	115,439	-	115,439	115,610	171	7,550
Use of Reserves (Schools)	-1,200	-	-1,200	-1,371	-171	1,371
Strategy, Culture, Community Learning and Resources	8,911	-2,197	6,714	7,252	538	687
Directors Office	252	-	252	252	0	0
Additional Learning Needs and Wellbeing	4,113		4,113	4,208	95	382
Standards and Provision	3,163	- 192	2,971	2,959	-12	28
Additional Savings/Unplanned Use of Reserves	0	-	0	-621	-621	621
Total Learning and Skills (incl. Schools)	130,678	-2,389	128,289	128,289	0	10,638
Social Services						
Children and Young People	19,645	- 1,131	18,514	22,509	3,995	1,363
Adult Services	60,026	-1,725	58,301	62,150	3,849	2,408
Resource Management and Safeguarding	8,452	- 723	7,729	8,246	517	257
Youth Offending Service	768	- 52	716	624	- 92	0
Additional Savings/Unplanned Use of Reserves	0	-	0	-5,884	- 5,884	5,884
Total Social Services	88,891	-3,631	85,260	87,645	2,385	9,912
Environment and Housing						
Neighbourhood Services and Transport	30,663	-2,456	28,207	29,407	1,200	200

Building/Cleaning Services	0	-	0	0	0	50
Regulatory Services	2,084	-416	1,668	1,668	0	0
Council Fund Housing	2,213	-279	1,934	1,934	0	45
Public Sector Housing (HRA)	10,672	4,866	15,538	15,538	0	0
Total Environment and Housing	45,632	1,715	47,347	48,547	1,200	295
Corporate Resources						
Resources	3,688	12,701	16,389	16,089	-300	519
Housing Benefit	692	-	692	692	0	0
Total Corporate Resources	4,380	12,701	17,081	16,781	-300	519
Place						
Regeneration	1,932	- 438	1,494	1,494	0	221
Development Management	2,162	- 436	1,726	1,726	0	130
Private Housing	227	- 46	181	273	92	42
Additional Savings/Unplanned Use of Reserves	0	-	0	-92	-92	92
Total Place	4,321	- 920	3,401	3,401	0	485
Policy						
General Policy	33,288	- 2,610	30,678	27,393	-3,285	-42
Total Policy	33,288	- 2,610	30,678	27,393	-3,285	-42
Use of Reserves	-2,096	-	-2,096	-2,096	0	-2,096
Grand Total	305,094	4,866	309,960	309,960	0	19,724

Revised Budget 2023/24

2.6 Table 2 reflects the proposed 2023/24 Revised Budget and this includes a budget adjustment transferring expenditure of £12.7m to Corporate Resources to remove internal recharges for central services such as the Contact Centre, Communications, Human Resources, ICT, Finance, Property and Office Accommodation, Legal and Democratic Services as well as the administration of NNDR and Council Tax.

2.7 The Council is proposing to remove these allocations for a number of reasons set out below:

- The allocation of these charges to Corporate Resources improves transparency and more clearly shows the lines of control and reporting for these services areas which is particularly important for the accurate consideration of any potential savings in this area.
- The allocations are arbitrary and time consuming and are often based on outdated or misleading data. The Council is also required to strip corporate recharges out of the financial data in the accounts when preparing the Council's statement of accounts.

- Having reviewed the practice across Wales it is considered that the majority of Welsh Authorities do not prepare their management accounts with corporate services recharged and therefore we are an outlier in this area.
- Some Corporate recharges are maintained within the budget where they are required for ringfenced accounts. This includes Licensing, Building Control, the Housing Revenue Account and the trading accounts for Building Services and Building Cleaning and Security.

Budget Position

Regulatory Services

The Regulatory Services Budget for 2023/24 is set out in the table below.

	Original 2023/24 Budget	Budget Adjustment	Revised 2023/24 Budget	Projected Outturn	Variance	Use of Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Regulatory Services	2,084	-416	1,668	1,668	0	0

The table includes a budget adjustment for £416k regarding corporate support services recharges.

The projected outturn for the Regulatory Services budget for 2023/24 is currently projected to be on budget however there may be additional pressures associated with the pay award and animal welfare investigations as outlined below.

Key Pressures for 2023/24 in the Regulatory Services budget.

- The SRS 2023-24 budget is based on an assumption that the annual pay award will be 5%. In reality the award could be considerably higher, resulting in a budget shortfall for staff salaries.
- The Service is dealing with a number of animal welfare investigations (linked to illegal dog breeding) in which the seizure of dogs and puppies has been necessary. The animals are now being cared for, pending resolution in court, at significant cost to the Service (circa £12k per month)

Savings Tracker Update

- £21,000 reduction in Vale base contribution – this was achieved at the start of the financial year as part of the agreed SRS budget for 23-24. As a result, there are no on-going savings to track through the year.

General Fund Housing

The Housing (General Fund) Budget for 2023/24 is set out in the table below.

	2023/24 Budget £000's	Virements	Adjusted 2023/24 Budget	Projected Outturn	Variance	Use of Reserves Revenue
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Community Safety	465	-40	425	425	0	25
Homelessness & Strategy	1,519	-153	1,366	1,366	0	20
Supporting People	229	-86	143	143	0	0
Total	2,213	-279	1,934	1,934	0	45

The projected outturn for the General Fund Housing budget for 2023/24 is a breakeven position however there are significant homelessness and resettlement pressures that will need be kept under review as we progress through the financial year, but in the first incidence would require additional drawdown from the Homelessness reserve.

Key Pressures for 2023/24 in the Housing budget (General Fund)

- Hotel accommodation for homeless people (possible need to extend use of hotel beyond March 24 or book more hotel rooms in 23/24)
- Temporary accommodation for Afghans at Copthorne. Hotel closing at end of August 2023. Need to identify accommodation solutions for remaining families
- Housing Solutions team staffing levels to provide assistance to homeless households and Afghan nationals
- Ukraine support to assist 90 families moving into Eagleswell school site Jan 2024
- ICT technical support to assist implementation of NEC Northgate system
- Deliver volunteering support to tenants and extend Value in Vale scheme from April 2024 when Public Health Wales funding ends

Savings Tracker Update

- Pre-Tenancy Adviser and VATs budget – The 2023/24 budget has been reduced by £26k and is on target
- Senior Officer Recharges to HRA to ensure no cross subsidisation - The 2023/24 budget has been reduced by £33k and is on target
- Community Safety Support Function vacant post - The 2023/24 budget has been reduced by £25k and is on target

Planned Drawdown on Reserves in Year.

Reserve Name	Brief Description of purpose of drawdown	Planned 2023/24 Drawdown £000's
Homelessness & Housing Reserve	Contribution to Rural Housing Enabler	25
Homelessness & Housing Reserve	Cadoxton House running costs exceeds budget due to decreased rental income	20
Total		45

Housing Revenue Account

Public Sector Housing (HRA) Budget for 2023/24 is set out in the table below.

	Original 2023/24 Budget	Budget Adjustments	Revised 2023/24 Budget	Projected Outturn	Variance	Use of Reserves Revenue
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Public Sector Housing (HRA)	10,672	4,866	15,538	15,538	0	0
Total	10,672	4,866	15,538	15,538	0	0

The HRA is expected to outturn on target and any under/overspends in year will be offset by changes to the contributions to capital expenditure thus changing the reliance on Unsupported Borrowing. The Revised budget reflects the amended 2023/24 budget which is further detailed in the specific HRA report included on the Cabinet agenda for 16th November 2023.

Private Housing

The Private Housing Budget for 2023/24 is set out in the table below.

	2023/24 Budget	Adjustments	Adjusted 2023/24 Budget	Projected Outturn	Variance	Use of Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Private Housing	227	-46	181	273	92	42
Unplanned Use of Reserves	0	0	0	-92	-92	92
Total	227	-46	181	227	0	134

The projected outturn for the Private Housing budget for 2023/24

- Private Housing (Disabled Facility Grants) are not expected to outturn on target and will need funding from the Place reserve to balance its budget.
- Budget virements are requested within the Directorate in relation to central support budgets.

Key Pressures for 2023/24 in the Private Housing budget

- Private Housing – fee income on Disabled Facility Grants is still well behind profile and although there is hope that the picture will improve in the last quarter of the financial year, we are forecasting that income could be £110k to £120k below target. This is due to issues around means testing, a lack of available contractors to carry out the capital works, as well as potential applicants delaying applications until the Council adopts the new Independent Living Policy. The service is projecting to be over budget by some £92,000 this year. This overspend will need to be offset by a contribution from the Place reserve.

Savings Tracker Update

- Private Housing (DFG) – extensive work has been undertaken on the Reshaping project, and it has become clear that the removal of means testing alone will not achieve a saving. The creation of a single Independent Living function within the Council should however create economies of scale, once established and this will be pursued now the Independent Living Policy has been adopted.

Planned Drawdown on Reserves in Year.

Reserve Name	Brief Description of purpose of drawdown	Planned 2023/24 Drawdown £000's
Place Reserve	Occupational Therapist post funding	42
Place Reserve	Offset overspend DFG income and savings	92
Total Use of Reserves		134

- 2.8 Attached at the Appendix A is a statement detailing all 2023/24 savings targets relevant to this Committee and the current progress against them.

Use of Reserves

- 2.9 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.
- 2.10 Table 4 below sets out the 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 2023/24 and planned transfers to reserves to set aside fund for specific purposes.
- 2.11 The below analysis reflects the capital review that is further outlined in the Q2 Capital Monitoring report also on this agenda. It also includes the unplanned use of reserves outlined in this report, the Council will continue to seek to mitigate emerging overspends in year as outlined in this report to safeguard reserves to help mitigate the emerging challenging funding position for the Council outlined in the Medium Term Financial Plan.

Table 4 – Use of Reserves

As at	Estimated Balance 31/03/23	Capital Funding	Planned Transfer (from) reserves	Un Planned Transfer to/(from) reserves	Budget Use of Reserve	Transfer into Reserves	Estimated Balance 31/03/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	11,523	-	-	-171	-496		10,856
Insurance	4,878	-	-	-	-		4,878
Service Reserves							
Learning and Skills	4,131	-	-1,820	-691	-		1,620
Social Services	10,015	-	-4,028	-5,884	-		103
Neighbourhood Services	3,078	-646	-	-	-		2,432
Corporate Resources	733	-	-93	-	-		640
Place	2,096	-26	-224	-92	-		1,754
Other Service Reserves	1,625	-	-64	-	-	42	1,603
Other Corporate	842	-	-100	-	-		742
Risk and Smoothing Reserves							
Homelessness and Housing Reserve	4,456	-	-45	-	-200		4,211
Cost of Living	854	-	-329	-	-200		325
Pay Pressures	4,168	-	-299	-	-		3,869
Energy Pressures	3,885	-150	-	-	-2,400		1,335
Legal	2,000	-	-129	-	-		1,871
Project Zero	2,325	-288	-215	-	-		1,822
Investment and Growth Fund	2,353	-	-	-	-		2,353
Reshaping Risk and Investment	2,523	-490	-160	-	-		1,873
Corporate Landlord	5,707	-2,171	-	-	-		3,536
Digital Reshaping	1,531	-177	11	-	-		1,365
Capital Reserves		-	-	-	-		0
Capital	17,726	-10,331	-	-	-	403	7,798
Sub Total	86,450	-14,279	-7,495	-6,838	-3,296	445	54,987
Ring Fenced Reserves							
Schools	7,254	-	-	-6,500	-	0	754
Housing Revenue Account	16,486	-15,537	-	-	-	0	949
Total Reserves	110,190	-29,816	-7,495	-13,338	-3,296	445	56,690

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 2023/24 reserves 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.

6. Background Papers

None.

Appendix A Savings Tracker

Directorate	Description of Saving Proposal	Saving Category	Target Value		Overall RAG Status	Comments/Narrative	Value	Percentage Achieved
			£'000	£'000			Achieved/ Expected to be Achieved	
			2023/24	2024/25			2023/24	
Directorate Neighbourhood and Housing								
General Fund Housing	Reduced Contribution Regulatory Services	Service Review	21		Budget Adjustment	Budget Adjustment	21	100%
General Fund Housing	Budget Adjustment Pre Tenancy Adviser and VATs budget	Service Review	26		Achieved - budget adjusted.	Budget Adjustment	26	100%
General Fund Housing	Review Senior Officer Recharges to HRA to ensure no cross subsidisation	Generating Income	33		Achieved - budget adjusted.	Budget Adjustment	33	100%
General Fund Housing	Review Support Function - Vacant Post	Service Review	25		Achieved - budget adjusted.	Budget Adjustment	25	100%
Subtotal Directorate Neighbourhood and Housing			105	-			105	100%
Directorate Place								
Private Housing	Increased DFG provision (removal of means testing)	Generating Income	20		Unlikely due to the delay in the establishment of a single adaptations team. Early stages of reshaping work indicate that whilst a new team will create better systems and provide better services it is unlikely that any substantial cost savings will be made	Unlikely to be achieved	-	0%
Subtotal Directorate Place			20	-			-	0%
Total Savings			125	-			105	100%