

**Matter which the Chair has decided is urgent by need of ensuring clearance of the Cabinet Report prior to publication and consideration of the Q2 Revenue Monitoring position on a timely basis and alongside the Medium Term Financial Plan 2025/26 to 2029/30 Refresh and Update Report**

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 04 December 2024</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Quarter 2 Revenue Monitoring 2024/25
Purpose of Report:	To advise Scrutiny Committee of the Quarter 2 Revenue Monitoring position for 2024/25
Report Owner:	Director of Environment and Housing
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 Officer

Executive Summary:

- The table below sets out the Original Budget and Virement requests for approval by Directorate.

Directorate	Original Budget 2024/25	Budget Amendment 2024/25	Revised Budget 2024/25	Projected Outturn	Variance
	£000's	£000's	£000's	£000's	£000's
Learning and Skills	133,438	50	133,488	139,961	6,473
Social Services	96,276	50	96,326	103,361	7,035
Environment and Housing	32,417	288	32,705	33,252	547
Corporate Resources	16,696	(300)	16,396	16,720	324
Place	3,163	0	3,163	3,163	0
Policy	29,231	(88)	29,143	29,143	0
Use of Reserves	-2,360	0	-2,360	-1,513	847
Council Tax Surplus	0	0	0	-1,000	-1,000
Unplanned Use of Reserves	0	0	0	-14,226	-14,226
<b>Total</b>	<b>308,861</b>	<b>0</b>	<b>308,861</b>	<b>308,861</b>	<b>0</b>
Public Sector Housing (HRA)	-77	-600	-677	-667	<b>0</b>

HRA Use of Reserves	77	600	677	667	0
Total	308,861	0	308,861	308,861	0

- The revenue position for 2024/25 continues to reflect challenging demand and inflationary pressures with continuance of the key service pressures that the Council reported as part of the 2023/24 outturn position into 2024/25. 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 pressures have continued to increase across the first half of 2024/25. There is evidence of increasing demand in respect of Childrens 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 and the overspend reported of £1.231m is significant in the context of over £500k of cost pressures awarded to this area for 2024/25.
- Across the 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 2024/25 pay award and the likely pay award for 2024/25. The Council only allocated very limited contractual inflation as part of the 2024/25 budget and no general inflation for some years and this will have a general impact on the resilience of revenue budget. The delays on implementation of savings will also impact the 2024/25 outturn across services.
- Unplanned use of reserves approximately £14.226m, which represents a further increase on the unplanned use of reserves reported at Q1 of £13.629m the Council has various workstreams progressing to mitigate the unplanned use of reserves and reduce in year overspends.
- The majority of the unplanned use of reserves will be met from Service Reserves however £486k has been shown against the General Fund it is not envisaged that this funding will be taken from the General Fund at year end and this sum would be the first priority for offsetting or mitigation in year should there be any emerging underspends or areas of mitigation identified in year. This will ensure that the Council Fund is maintained at the policy level for this financial year.
- Challenging savings and efficiency targets have been set out for 2024/25 this includes a target of £7.676m Corporate savings. The progress against these savings targets are reflected in the Appendix and summarised in the table below. The Council also continues to monitor the delivery of 2023/24 savings not achieved in year.

Directorate	2023/24 Savings outstanding	2024/25 Savings Target	Projected Amount to be Achieved 2024/25	Projected Amount to be Achieved of 2023/24 Outstanding	% Achieved 24/25	% Achieved Total Outstanding
Learning and Skills	65	371	253	0	68%	58%

Social Services	0	1,755	1,156	0	66%	66%
Neighbourhood Services and Housing	92	1,898	1,150	0	61%	58%
Place	20	286	235	20	82%	77%
Corporate Resources	250	1,308	924	0	71%	59%
Policy	0	2,008	1,968	0	98%	98%
Corporate	0	50	0	0	0%	0%
<b>Total</b>	<b>427</b>	<b>7,676</b>	<b>5,686</b>	<b>20</b>	<b>74%</b>	<b>70%</b>

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

As at	Balance 01/04/20 24	Capital	Budget Revenue	Revenue Mvmt on Reserves	Unplanned Use of Reserves	Realloc of Reserve	Projected Balance 31/03/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	11,106	0	0	0	-486	0	10,620
Insurance	4,878	0	0	0	0	0	4,878
Service Reserves	16,587	-464	0	-774	-8,431	0	6,918
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
<b>Total</b>	<b>76,254</b>	<b>-8,825</b>	<b>-1,174</b>	<b>-1,638</b>	<b>-14,226</b>	<b>0</b>	<b>50,391</b>

- In the context of the additional pressures reported as part of Q2 Monitoring it is now the case that all use of reserves are being considered by Senior Leadership Team to provide additional rigour. Further recruitment controls are also now being implemented equating to a recruitment freeze for posts that do not have statutory requirements. Further examination of the use of Grant Expenditure will be undertaken by the Accountancy team. In addition some workstreams identified as part of reshaping will be accelerated, such as Demand Management in respect of Adult and Children's Social Services and School Transport arrangements.

## **Recommendation**

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

## **Reason for Recommendation**

1. To inform Committee of the projected revenue outturn for 2024/25.

### **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 There was an approved drawdown during 2024/25 of £2.744m from other specific reserves this has been reduced by £847k in year due to additional WG Grant for Housing and Resettlement and this sum will be retained in the Housing and Homelessness Reserve.
- 1.3 There is a significant volume of pressures in year across services including Schools, Additional Learning Needs and Social Services both Adult and Children's Services. Other pressures include Highways resurfacing, Market forces for HGV drivers and some lag on the implementation of savings across 2023/24 and 2024/25.
- 1.4 In the context of these pressures additional drawdown from Service reserves will be required in year over and above the £1m set aside as part of the 2024/25 budget for Budget Risk. The current projected unplanned use of reserves and use of the budget risk reserve are reflected in this monitoring report and will continue to be kept under review as the Council progresses through this financial year.

### **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 continuance of the key service pressures that we saw in the 2023/24 outturn position into 2024/25, 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. The Council continues to report severe homelessness and resettlement demands with continued use of hotel provision in addition to facilities such as hostels etc.
- 2.2 Across the 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 2024/25 pay award and the likely pay award for

2024/25. The Council only allocated very limited contractual inflation as part of the 2024/25 budget and no general inflation for some years and this will have a general impact on the resilience of revenue budget. The delays on implementation of savings will also impact the 2024/25 outturn across services, this is in part due to the time required to effectively implement savings of this scale but also reflects capacity within teams.

### Revenue Financial Position

2.3 The table below details the original budget and reflects any requested virements.

**Table 1. Budget and Projected Outturn**

Council Budget 2024/25 relevant to Homes & Safe Communities Committee					
Directorate/Service	Adjusted Original Budget 2024/25 £'000	Revised Budget 2024/25 £'000	Projected Outturn 2024/25 £'000	Variance 2024/25 £'000	Use of Reserves 2024/25 £'000
<b>Social Services</b>					
Youth Offending Service	731	731	555	176	-
<b>Total Social Services</b>	<b>731</b>	<b>731</b>	<b>555</b>	<b>176</b>	<b>-</b>
<b>Environment and Housing</b>					
Regulatory Services	1,638	1,638	1,638	0	-
Council Fund Housing	3,390	3,390	2,443	947	572
Public Sector Housing (HRA)	-77	-667	-667	0	
Use of Reserves HRA	77	667	667	0	667
<b>Total Environment and Housing</b>	<b>5,028</b>	<b>5,028</b>	<b>4,081</b>	<b>947</b>	<b>- 95</b>
<b>Place</b>					
Private Housing	183	183	183	0	43
<b>Total Place</b>	<b>183</b>	<b>183</b>	<b>183</b>	<b>0</b>	<b>43</b>

- 2.4 The Youth Offending Service is projecting an underspend of £176k, mostly due to staff vacancies within the service.
- 2.5 The favourable variance against Council Fund Housing will be used to reduce the budgeted drawdown from the Housing and Homelessness Reserve.
- 2.6 Public Sector Housing (HRA) – The revised budget reflected as part of this report is detailed in the Housing Revenue Budget report also on 28<sup>th</sup> November 2024 Cabinet agenda.
- 2.7 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 drawdown from the Housing Revenue Account reserve.
- 2.8 Key pressures relevant to this Committee include the following:
- Disabled Facility Grant Team funding

- Accommodation to meet the need of homeless people and families currently based at the Holiday inn Express although this is predominantly offset by WG grant and use of reserves in year.

### Efficiency Targets

- 2.9 As part of the Final Revenue Budget Proposals for 2024/25, an efficiency target of £7.676m was set for the Council, which in a very challenging savings target and the highest that as ever been set for Corporate Services.
- 2.10 The current position in respect of the 2024/25 (74% achieved by 31st March 2025) and 2023/24 savings (70% of the combined 2023/24 and 2024/25 savings) is detailed in Table 2 below.

Table 2 – Efficiency Targets

Directorate	2023/24 Savings outstanding	2024/25 Savings Target	Projected Amount to be Achieved 2024/25	Projected Amount to be Achieved of 2023/24 Outstanding	% Achieved 24/25	% Achieved Total Outstanding
Learning and Skills	65	371	253	0	68%	58%
Social Services	0	1,755	1,156	0	66%	66%
Neighbourhood Services and Housing	92	1,898	1,150	0	61%	58%
Place	20	286	235	20	82%	77%
Corporate Resources	250	1,308	924	0	71%	59%
Policy	0	2,008	1,968	0	98%	98%
Corporate	0	50	0	0	0%	0%
<b>Total</b>	<b>427</b>	<b>7,676</b>	<b>5,686</b>	<b>20</b>	<b>74%</b>	<b>70%</b>

- 2.11 Attached at Appendix 1 is a statement detailing all savings targets, relevant to this Committee, for 2024/25 and the current progress against them.

### Use of Reserves

- 2.12 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.
- 2.13 Table 3 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 2024/25 and planned transfers to reserves to set aside fund for specific purposes.

2.14 The majority of the unplanned use of reserves will be met from Service Reserves however £486k has been shown against the General Fund it is not envisaged that this funding will be taken from the General Fund at year end and this sum would be the first priority for offsetting or mitigation in year should there be any emerging underspends or areas of mitigation identified in year. This will ensure that the Council Fund is maintained at the policy level for this financial year.

Table 3 - Reserves

	Estimated Balance 31/03/24	Capital	Budget Revenue	Revenue Mvmt on Reserves	Unplanned Use of Reserves	Reallocation of Reserve	Provisional Balance 31/03/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	11,106	0	0	0	-486	0	10,620
Insurance	4,878	0	0	0		0	4,878
<b>Service Reserves</b>							
Learning and Skills	2,340	-12	0	-275	-1,586	0	467
Social Services	5,814	0	0	0	-5,811	0	3
Neighbourhood Services	3,067	-117	0	0	-818	0	2,132
Corporate Resources	529	0	0	-71	-216	0	242
Place	2,274	-301	0	-447		0	1,526
Other Service Reserves	1,864	-34	0	154		0	1,984
Other Corporate	699	0	0	-135		0	564
<b>Risk and Smoothing Reserves</b>							
Homelessness and Housing Reserve	5,449	0	-613	-572		0	4,264
Cost of Living	371	0	-200	0		0	171
Pay Pressures	3,869	0	0	-142		0	3,727
Energy Pressures	1,485	-149	-1,000	0		0	336
Legal	1,840	0	0	-261		0	1,579
Project Zero	1,708	-356	0	112		0	1,464
Investment and Growth Fund	0	0	0	0		0	0
Reshaping Risk and Investment	2,574	-100	-28	-501		0	1,945
Corporate Landlord	4,947	-1993	0	0		-259	2,695

Digital Reshaping	1,412	-46	0	-195		0	1,171
Budget Risk	1,000	0	0	0	-1,000	0	0
<b>Capital Reserves</b>							
Capital	8,488	-5,717	0	695		-317	3,149
Independent Living Reserve	500	0	0	0		0	500
Capital Regeneration and Levelling Up	1,458	0	0	0		576	2,034
<b>Sub Total</b>	<b>67,672</b>	<b>-8,825</b>	<b>-1,841</b>	<b>-1,638</b>	<b>-9,917</b>	<b>0</b>	<b>44,451</b>
<b>Ring Fenced Reserves</b>							
Schools	2,309	0	0	0	-	2,309	0
Other Ringfenced Schools Reserves	748	0	0	0		0	748
School Deficit Reserve	2,000	0	0	0	-2,000	0	0
Housing Revenue Account	3,525	0	667	0		0	4,192
<b>Total Reserves</b>	<b>76,254</b>	<b>-8,825</b>	<b>-1,174</b>	<b>-1,638</b>	<b>-14,226</b>	<b>0</b>	<b>50,391</b>

### 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

#### **6. Background Papers**

None.

Appendix 1 Savings Tracker Q2

				£'000	£'000	£'000			%		
Directorate	Description of Saving Proposal	Saving									
		Category		2023/24	2023/24	2024/25	Value	Percentage	Overall RAG Status	Comments/Narrative	
				Status			Achieved/ Expected to be				
Neighbourhood and Housing	Budget Adjustment Pre Tenancy Adviser and Voluntary Assisted Tenancies budget	Tactical	Service Review		2024/25	28	28	100%	Green	Budget Adjustment - achieved	
Neighbourhood and Housing	Miscellaneous	Tactical	Service Review		2024/25	8	8	100%	Green	Miscellaneous Budget Adjustments - achieved	
<b>Subtotal Directorate Neighbourhood and Housing</b>				<b>0</b>	<b>0</b>	<b>36</b>	<b>36</b>	<b>100%</b>			
Place	Increased DFG provision (removal of means testing)	Tactical	Generating Income	20	2023/24		20	100%	2023/24 achieved	The recent introduction of Discretionary Adaptations Grants has increased the fee income potential for the team	
<b>Subtotal Directorate Place</b>				<b>20</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>100%</b>			
<b>Total Savings</b>				<b>20</b>		<b>36</b>	<b>56</b>	<b>2</b>			