

CABINET

Date of Meeting	Tuesday 15th October, 2024
Report Subject	Revenue Budget Monitoring Report 2024/25 (Month 5)
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed overview of the budget monitoring position for the 2024/25 financial year for the Council Fund and Housing Revenue Account and presents the position, based on actual income and expenditure as at Month 5.

The projected year end position is as follows:

Council Fund

- An operating deficit of £5.962m (this reduces to £2.962m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is an adverse movement of £0.208m from the deficit figure reported at Month 4.
- A projected contingency reserve balance as at 31 March 2025 of £0.337m (after taking account of previously approved allocations including those approved as part of the 2024/25 Budget and a contribution of £0.167m from Earmarked Reserves).

This significant projected overspend (and impact on our available reserves) continues to be of major concern and needs to be addressed urgently in an attempt to bring expenditure back in line with the approved budget. Based on current projections the council only has a very small amount of contingency reserve which it uses to deal with any significant in-year unforeseen events. It should also be noted that there are also still a number of risks identified in the report that could further worsen the Council's financial position.

Therefore, as required by Financial Procedure Rules - Action Plans are being compiled by Social Services, Streetscene and Transportation and Housing and Communities which will detail the reasons for the potential overspends and the

measures being put in place to improve the position by the end of the financial year.

Our ability to mitigate pressures and risks during the financial year will again predominantly centre on review and challenge of non-essential spend and maximising income streams and grant funding. The moratorium on non-contractually committed spend and vacancy management process put in place during 2023/24 continues throughout 2024/25 and is being applied with rigour. Appendix 2 details the split of the moratorium savings to date.

In addition to the above an initial review of our Earmarked Reserves has been undertaken to identify any un-committed areas that can be released to improve our overall position (para 1.22 Refers). Further work is ongoing and the outcome will be reported in the month 6 report.

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be £0.111m lower than budget.
- A projected closing balance as at 31 March, 2025 of £4.563m

RECOMMENDATIONS

1.00	To note 1) the report and the estimated financial impact on the 2024/25 budget and 2) the measures being put in place to improve the financial position by the end of the financial year.
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2024/25
1.01	<p>This monthly report provides the latest detailed overview of the budget monitoring position for the 2024/25 financial year for the Council Fund and Housing Revenue Account and presents the position, based on actual income and expenditure as at Month 5.</p> <p>The projected year end position is as follows:</p> <p>Council Fund</p> <ul style="list-style-type: none"> • An operating deficit of £5.962m this reduces to £2.962m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is an adverse movement of £0.208m from the deficit figure reported at Month 4. • A projected contingency reserve balance as at 31 March 2025 of £0.337m (after taking account of previously approved allocations including those approved as part of the 2024/25 Budget and a contribution of £0.167m from Earmarked Reserves).

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1.02 Table 1. Projected Position by Portfolio

The table below shows the projected position by portfolio:

Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m
Social Services	92.047	94.749	2.702
Out of County Placements	19.299	20.671	1.372
Education & Youth (Non Schools)	10.148	10.285	0.137
Schools	117.302	117.120	(0.182)
Streetscene & Transportation	42.695	44.719	2.024
Planning Env & Economy	7.682	7.722	0.040
People & Resources	4.290	4.190	(0.100)
Governance	12.066	11.747	(0.319)
Assets	11.403	11.402	(0.001)
Housing & Communities	18.161	20.723	2.562
Chief Executive	1.641	1.625	(0.016)
Central & Corporate Finance	31.372	29.115	(2.257)
Total	368.106	374.068	5.962
Utilisation of Budget Risk Reserve			(3.000)
Total – Revised Overspend			2.962

1.03 Appendix 1 shows all monthly movements of £0.025m since Month 4 with relevant narratives. In addition, the reasons for the projected variances are summarised within Appendix 2 and shows the detail of all variances over £0.050m and a summary of minor variances for each portfolio.

Significant Movements at Month 5

1.04 Social Services £0.552m

Older Peoples Service

	<ul style="list-style-type: none"> Localities – £0.395m. Demands on older peoples care services are leading to increased costs. This includes pressures from ensuring safe hospital discharges, this pressure will likely increase during winter. The residential care service cost has increased by £0.196m and the domiciliary service increased by £0.190m. Minor variances account for the balance. <p><u>Adults of Working Age</u></p> <ul style="list-style-type: none"> Resources and Regulated Services (£0.350m). Costs increased through changes in needs and resulting care package alterations by £0.681m. A change to the policy to reduce the level of balances which are held in Direct Payment accounts has reduced the projected spend by (£1.031m). Children to Adult Transition Services (£0.086m) Reduction to projected care package costs. Residential Placements £0.070m Increased care package costs. <p><u>Children’s Services</u></p> <ul style="list-style-type: none"> Residential Placements £0.216m Costs have increased due to a regrade to care staff posts and increased staffing to meet care needs. Professional Support £0.296m. Successful recruitment has led to additional projected costs of £0.160m for staff. Some additional agency staff were required and the cost impact of these is estimated at £0.115m. There is also an increase to Direct Payments of £0.043m, but a reduction to the Leaving Care budget of £0.029m. <p>There is a net £0.011m in minor movements across the portfolio.</p>
1.05	<p>Out of County Placements £0.277m</p> <ul style="list-style-type: none"> Children’s Services £0.372m - Additional residential/ Unaccompanied Asylum-Seeking Children (UASC) placements added to placement caseload. Education & Youth (£0.095m) - Projected expenditure adjusted to ensure invoices paid prior to the financial year end are correctly accounted for in 2025/26. Current placement caseload remains.
1.06	<p>Planning, Environment and the Economy (£0.127m)</p> <p>A review of commitments around vacancy savings due to delays in the recruitment process resulting in a positive movement within the Portfolio.</p>
1.07	<p>Housing and Communities – (£0.177m)</p> <p>Housing Solutions - A positive movement of (£0.177m) as a result of a reduction in the number of temporary accommodation placements in August.</p>

1.08	<p>Central and Corporate Finance (£0.101m)</p> <p>The projection on the Central Loans and Investment Account (CLIA) for the 2024/25 indicates a further underspend of (£0.120m) as the trend from previous years continues with reduced short-term borrowing costs and income from investments in line with current bank interest rates. This however has been mitigated in part due to increasing Bank Charges following the revised contract prices from Worldpay.</p>
1.09	<p>Cumulative minor variances across the Council of (£0.211m) account for the remainder of the total monthly movement.</p>
1.10	<p>Tracking of In-Year Risks and Emerging Issues</p> <p>Members were made aware when setting the budget that there were a number of open risks that would need to be kept under close review. An update on these is provided below.</p>
1.11	<p>Council Tax Income</p> <p>Council Tax collections, at the end of August, were 47.24%, compared to 47.41% in the previous financial year. Recovery processes continue to be deployed to collect unpaid council tax, and where possible, to enter into realistic payment agreements with residents. The Revenues service also provide advice and support to those who struggle to maintain payments.</p>
1.12	<p>Pay Awards (Teacher and Non-Teacher)</p> <p><u>Teachers Pay</u></p> <p>The 2024/25 budget provides additional funding for a 5% pay award from September 2024. The Independent Wales Pay Review Body (IWPRB) had recommended a 4.3% increase, but Welsh Government increased this to 5.5% due to the “no detriment” principle, which means that teacher pay rises in Wales keep pace with those in England. In September 2024, the First Minister accepted the recommendations of the Independent Pay Review bodies for 2024-25.</p> <p>It is anticipated that additional funding will be received from Welsh Government to meet the in-year shortfall but this is yet to be confirmed.</p> <p>Confirmation is still awaited on funding for additional Teacher Pay employer pension costs and negotiations are ongoing between UK Government and Welsh Government – no provision was included in the budget. There is a risk that the costs may not be met in full.</p> <p><u>NJC (Green Book)</u></p>

	<p>The latest pay offer for NJC (Green Book) employees for the current year (2024/25) is currently in negotiation. The offer made with effect from 1 April 2024 is an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive. Together with, an increase of 2.5% on all pay points above the maximum of the pay spine but graded below deputy chief officer.</p> <p>If agreed at this level, there would be an in-year benefit to the budget of over £0.800m. However, if not agreed at this level, any final award in excess of the budgeted amount will need to be met from reserves in the current financial year and would also have the impact of increasing the budget requirement for 2025/26.</p> <p><u>Pay Modelling</u></p> <p>No figures are currently included for any impact of the pay modelling review which is intended to help address the problems being encountered by the Council in the recruitment and retention of staff.</p>
1.13	<p>Out of County Placements</p> <p>As in previous years there is potential for significant numbers of new placements. The service areas within this pooled budget continue to do everything possible to manage these risks and additional investment has already been made to further develop in-house provision to help to mitigate against such financial pressures.</p>
1.14	<p>Waste Recycling Infraction Charge</p> <p>The Council did not meet the statutory minimum target, (64%) in 2021/22, for the percentage of municipal waste which must be recycled, prepared for re-use and composted, as specified in Section 3 of the Waste (Wales) Measure 2010. Welsh Government (WG) can therefore take steps to impose a penalty on the Council by way of an infraction fine. A potential penalty of up to £0.663m has previously been confirmed.</p> <p>The statutory recycling targets were also not achieved in 2022/23 and 2023/24, which means that further infraction fines of £0.356m and £0.184m respectively could be levied. Therefore, the financial risk across all 3 financial years currently totals £1.203m.</p> <p>WG officials are collating their advice for the minister on the 2021/22 Infraction Charges. We are hopeful we will know the outcome of this in the coming weeks. However, they are yet to start considering the 2022/23 or 2023/24 Infraction Charges so further updates will be provided as further details become available.</p>
1.15	<p>Homelessness</p> <p>There is a significant and growing demand within the Homelessness service. The Council has a statutory duty to provide suitable temporary accommodation for Homeless persons and families who meet the Welsh Government eligibility criteria which are less stringent than in England.</p>

	<p>The growth in demand commenced in the second half of 2022/23 and has accelerated markedly since the start of 2023.</p> <p>The Council will continue to lobby Welsh Government via the WLGA in conjunction with other Welsh LA's who are experiencing these pressures to seek additional financial support.</p> <p>WG are currently providing support via the No One Left Out grant for which the 2024/25 allocation is currently £0.423m. One favourable impact of the increase in costs and demand is the ability to recover additional Housing Benefit income over and above the amount budgeted which is currently helping to offset the projected overspend by £0.659m.</p>
1.16	<p>Other Tracked Risks</p> <p>In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.</p>
1.17	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>Cabinet considered the latest projection for the MTFS in September which showed a revised budget requirement of £38.420m.</p> <p>Options for solutions to meet the budget requirement are currently being considered and further updates will be provided in Overview and Scrutiny Committees later in October and November.</p> <p>All Portfolios consider their financial position, the risks within their service and the impacts on the Medium Term on a monthly basis as part of their Portfolio Management Team meetings.</p>
1.18	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.723m over budget, although this will be monitored closely throughout the year due to the potential for growth. There is continued high demand across the whole of the Benefits service which is expected to remain the case for the foreseeable future.</p> <p>Other pressures within the service such as meeting income targets for recovery of overpayments and related bad debt provision increases are also expected to remain. The £0.723m can be fully mitigated by use of the Reserve previously set aside.</p>
1.19	<p>Harpur Trust vs Brazel Case</p> <p>The potential financial impacts are still being determined in response to the Employment Appeal Tribunal (EAT) decision in the case of Harpur Trust v Brazel. The Supreme Court upheld the EAT judgment in the Brazel case in July 2022 which impacts on the calculation of holiday pay entitlements for staff who work for part of the year (i.e., term time). An approved carry forward from 2022/23 for £0.254m has provided some funding towards these costs. There are currently 319 live employment</p>

	tribunal claims in respect of this. The next preliminary hearing is scheduled for 18th October 2024. It is hopeful that we will get to a position where we could seek to settle on 'without prejudice basis'.										
1.20	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2024/25 budget contains £14.921m of specific efficiencies which are tracked and monitored throughout the year. The Council aims to achieve a 95% rate in 2024/25 as reflected in the MTFS KPI's and fully achieved all efficiencies in the previous financial year.</p> <p>It is projected that 96% of efficiencies will be achieved in 2024/25 and further details can be seen in Appendix 3.</p>										
1.21	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2024/25 was £2.972m as detailed in the 2023/24 outturn report (subject to audit) elsewhere on this agenda.</p> <p>The Base Level Reserves have been increased to £8.985m by using the remaining balance of £3.216m of the COVID-19 Hardship Fund Reserve from 2023/24.</p> <p>At Month 5 the Contingency Reserve balance was improved with the receipt of a £0.200m reimbursement from Aura Leisure and Libraries for previous income loss funding provided to them by the Council, due to the fact that they have now received alternative funding for this income loss.</p> <p>Taking the current projected final outturn and Earmarked Reserves review into account, the contingency reserve available is £0.337m.</p> <p>As required by Financial Procedure Rules all Portfolios will be expected to identify solutions in-year to mitigate the risks and potential overspends identified in the report.</p>										
1.22	<p>Earmarked Reserves</p> <p>An review of earmarked reserves has been undertaken at Month 5 and an amount of £0.167m has initially been identified for release to the Contingency Reserve. Further work is ongoing, including a detailed review of service balances and the outcome will be included in the month 6 report.</p> <p>The table below provides a summary of earmarked reserves as at 1 April 2024 and an estimate of projected balances as at the end of the current financial year.</p> <table border="1"> <thead> <tr> <th>Reserve Type</th> <th>Balance as at 01/04/24</th> <th>Balance as at Month 5</th> <th>Release to General Reserve</th> <th>Estimated Balance as at 31/03/25</th> </tr> </thead> <tbody> <tr> <td>Service Balances</td> <td>3,326,381</td> <td>3,116,381</td> <td>0</td> <td>1,118,229</td> </tr> </tbody> </table>	Reserve Type	Balance as at 01/04/24	Balance as at Month 5	Release to General Reserve	Estimated Balance as at 31/03/25	Service Balances	3,326,381	3,116,381	0	1,118,229
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Service Balances	3,326,381	3,116,381	0	1,118,229							

Workforce Costs	843,190	580,218	0	455,046
Investment in Organisational Change	972,142	972,142	0	571,086
County Elections	374,693	374,693	0	0
Warm Homes Admin Fee	294,835	294,835	0	192,156
Design Fees	238,684	238,684	0	238,684
Severe Weather	250,000	250,000	0	0
Car Parking	88,059	88,059	0	0
Insurance Reserves	2,382,509	2,382,509	0	2,575,000
School HWB ICT Replacement	789,670	789,670	0	1,052,893
Flintshire Trainees	321,614	321,614	0	41,548
Rent Income Shortfall	131,118	131,118	0	131,118
Plas Derwen Wave 4	5,339	5,339	0	7,119
Customer Service Strategy	7,468	7,468	0	0
Supervision Fees	48,798	48,798	0	48,798
IT COVID Enquiry	142,301	142,301	0	140,000
IT Infrastructure HWB	139,442	139,442	0	0
Schools Intervention Reserve	51,251	45,008	0	212,490
Organisational Change/ADM	600,560	810,560	0	360,000
NWEAB	690,685	690,685	0	0
Solar Farms	180,192	180,192	0	180,192
Employment Claims	109,846	109,846	0	0
Community Benefit Fund - NWRWTP	913,925	913,925	0	863,925
Total Balances	9,576,321	9,517,106	0	7,070,055
Schools Balances	3,336,011	3,336,011	0	-2,052,149
Grants & Contributions	6,768,522	3,951,636	166,714	1,751,480
TOTAL	23,007,236	19,921,134	166,714	7,887,615

Based on latest information school balances are projected to move into an overall net deficit position. However, this will be subject to change and dependent on a number of factors in the remainder of the year.

1.23

Summary and Conclusion

This significant projected overspend (and impact on our available reserves) continues to be of major concern and needs to be addressed urgently in an attempt to bring expenditure back in line with the approved budget. Based on current projections the Council only has a very small contingency reserve of £0.337m available to deal with any significant in-year unforeseen events. It should also be noted that there are also still a number of risks identified in the report that could further worsen the Council's financial position.

Therefore, as required by Financial Procedure Rules - Action Plans are being compiled by Social Services, Streetscene and Transportation and Housing and Communities which will detail the reasons for the potential overspends and the measures being put in place to improve the position by the end of the financial year.

	Our ability to mitigate pressures and risks during the financial year will again predominantly centre on review and challenge of non-essential spend and maximising income streams and grant funding. The moratorium on non-contractually committed spend and vacancy management process put in place during 2023/24 will continue throughout 2024/25 and needs to be applied with rigour.
1.24	Housing Revenue Account (HRA) The 2023/24 Outturn Report to Cabinet on 23rd July 2024 showed an un-earmarked closing balance at the end of 2023/24 of £3.512m and a closing balance of earmarked reserves of £2.471m.
1.25	The 2024/25 budget for the HRA is £42.166m which includes a movement of (£0.193m) from reserves.
1.26	The projected outturn for the HRA shows an in-year revenue expenditure (£0.111m) lower than budget with a closing un-earmarked balance as at 31 st March, 2025 of £4.563m, which at 10.94% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3% - see Appendix 5.
1.27	The budget contribution towards capital expenditure (CERA) is £14.467m.

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The financial impacts of the emergency as set out in the report are a combination of actual costs and losses to date and estimates of costs and losses for the future. There is the possibility that the estimates will change over time. The budget will be monitored closely, and mitigation actions taken wherever possible.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 4 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Efficiencies

	Appendix 4: Council Fund – Movement on Un-earmarked Reserves Appendix 5: Housing Revenue Account Variances
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Dave Ledsham Strategic Finance Manager</p> <p>Telephone: 01352 704503</p> <p>E-mail: dave.ledsham@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Budget: a statement expressing the Council’s policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Council Fund: the fund to which all the Council’s revenue expenditure is charged.</p> <p>Financial Year: the period of twelve months commencing on 1 April.</p> <p>Housing Revenue Account: The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.</p> <p>Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p> <p>Regional Integration Fund (RIF): Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.</p> <p>Reserves: these are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.</p> <p>Revenue: a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges</p>

for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Variance: difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.

Virement: the transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.