



CABINET

Date of Meeting	Tuesday 12th March, 2024
Report Subject	Revenue Budget Monitoring Report 2023/24 (Month 10)
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
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 2023/24 financial year for the Council Fund and Housing Revenue Account and presents the position, based on actual income and expenditure as at Month 10.

The projected year end position is as follows:

Council Fund

- An operating deficit of £2.445m which is a positive movement of (£0.057m) from the deficit figure of £2.502m reported at Month 9.
- A projected contingency reserve available balance as at 31 March 2024 of £1.993m (after taking account of previously approved allocations including those approved as part of the 2024/25 Budget).

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be £0.458m higher than budget which is an adverse movement of £0.408m from the figure reported at Month 9.
- A projected closing balance as at 31 March, 2024 of £2.739m

The economic outlook remains challenging due to inflation levels remaining relatively high.

To assist with managing these risks and mitigating the overall projected overspend, a moratorium on non-contractually committed spend is in place alongside a vacancy management process.

At Month 10, £1.714m of deferred and/or delayed expenditure has been identified and is analysed by service within Appendix 2. The robust challenge of budget lines

and commitments will continue for the remainder of the financial year, with further updates provided in future reports.

RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2023/24 budget.
2	To support the carry forward requests included in paragraph 1.10.

REPORT DETAILS

1.00 EXPLAINING THE REVENUE BUDGET MONITORING 2023/24	
1.01	<p>The projected year end position is as follows:</p> <p>Council Fund</p> <ul style="list-style-type: none">An operating deficit of £2.445m which is a positive movement of (£0.057m) from the deficit figure of £2.502m reported at Month 9.A projected contingency reserve available balance as at 31 March 2024 of £1.993m (after taking account of previously approved allocations including those approved as part of the 2024/25 Budget). <p>Housing Revenue Account</p> <ul style="list-style-type: none">Net in-year revenue expenditure forecast to be £0.458m higher than budget which is an adverse movement of £0.408m from the figure reported at Month 9.A projected closing balance as at 31 March, 2024 of £2.739m <p>To assist with managing these risks and mitigating the overall projected overspend, a moratorium on non-contractually committed spend is in place alongside a vacancy management process.</p> <p>At Month 10, £1.714m of deferred and/or delayed expenditure have been identified and is analysed by service within Appendix 2. The robust challenge of budget lines and commitments will continue for the remainder of the financial year, with further updates provided in future reports.</p>

1.02	Table 1. Projected Position by Portfolio			
	The table below shows the projected position by portfolio:			
	Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m
	Social Services	89.305	89.931	0.626
	Out of County Placements	17.285	18.876	1.591
	Education & Youth (Non-Schools)	10.327	9.963	(0.364)
	Schools	114.043	114.306	0.264
	Streetscene & Transportation	42.227	43.538	1.311
	Planning Env & Economy	7.557	6.859	(0.699)
	People & Resources	4.672	4.550	(0.122)
	Governance	11.943	11.751	(0.192)
	Assets	11.096	10.679	(0.418)
1.03	Housing & Communities	15.990	18.587	2.597
	Chief Executive	1.672	1.640	(0.032)
1.04	Central & Corporate Finance	26.003	23.887	(2.115)
	Total	352.121	354.566	2.445
The changes made to the approved budget since Month 9 relate to:				
<ul style="list-style-type: none"> Transfer of feasibility budget of £0.025m from People & Resources (Corporate Finance) to Assets for the property surveys of commercial estates. Transfer of £0.070m for 3 strategic funding contracts from Assets to Social Services. 				
1.03	The reasons for the monthly movements over £0.025m are shown in Appendix 1 and overall projected variances over £0.050m are summarised within Appendix 2 together with a summary of minor variances for each portfolio.			
	Significant Movements at Month 10			
1.04	Streetscene & Transportation (£0.144m)			
	The favourable movement relates to:			
	<ul style="list-style-type: none"> Service Delivery (£0.074m) due to increased in-house commercial projects income. 			

	<ul style="list-style-type: none"> • Transportation (£0.035m) increased vacancy savings due to the moratorium and vacancy management process. <p>Minor variances across the Portfolio account for the remainder (£0.035m)</p>
1.05	<p>People & Resources £0.057m</p> <p>The adverse movement relates to the impact of the carry forward request of (£0.058m) from the current underspend in HR & OD, as outlined in paragraph 1.10.</p>
1.06	<p>Governance £0.211m</p> <p>The adverse movement follows the agreed carry forward of (£0.210m) underspend within Customer Services to the Digital Strategy Board (Month 9 Report).</p> <p>Minor variances across the Portfolio account for the remainder (£0.001m).</p>
1.07	<p>Housing & Communities (£0.086m)</p> <p>The favourable movement relates to:</p> <ul style="list-style-type: none"> • Benefits (£0.042m) – revised Bad Debt Provision • Housing Solutions (£0.044m) – Reduction to projections for Bed and Breakfast costs together with increased Housing Benefit income.
1.08	<p>Central & Corporate (£0.130m)</p> <p>A further review of the Central Loans and Investment Account at Month 9 indicates a further improvement on the position by (£0.125m).</p> <p>Minor variances account for the remainder of (£0.005m).</p>
1.09	Cumulative minor variances across the Council of £0.035m account for the remainder of the total monthly movement.
1.10	<p>Carry Forward Requests</p> <p>People & Resources £0.058m</p> <p><u>Employment Services £0.040m</u></p> <p>To request the in-year underspend be carried forward to enable the retention of 3 fixed term posts by extending the contract to 31st March 2025.</p> <ul style="list-style-type: none"> • Payroll Officers (G04) x 2 FTE • Payroll Assistant (G02) x 1 FTE <p>These posts are critical to minimise any further risk to service delivery with the ongoing payroll risks and anticipated increase in workload because of iTrent upgrades (and maybe re-tender).</p> <p>Staff turnover is high and vacancies are difficult to recruit to. In order to retain the current postholders it is necessary to extend the fixed term</p>

contracts to the 31st March 2025. These posts are currently funded up to August 2024.

Business Partners £0.018m

To request the in-year underspend to be carried forward to cover future legal fees connected with the ongoing Harpur Trust claims as there is no identified budget for this.

Governance £0.125m

The IT Service employs two members of staff on Technician grades that were previously employed as Flintshire apprentices. Following unsuccessful business cases to extend these to higher level apprenticeships, approval was given to use salary underspend from 2022/23 to fund two fixed term contracts until 31st August 2024.

- **IT Technician Networks (G04) x 1 FTE** - fixed-term contract expires on 31 August 2024. This post contributes to the delivery of the Council's Telephony and Contact Centre technologies. Currently there are two permanent engineer grade posts that deliver this service, having a technician post to support the engineers has allowed the more senior staff to focus on more complex issues and project work, leaving the technician to resolve day to day issues. Current demand would outstrip the capacity of the two engineers. The projected cost to extend the technician's fixed-term contract to 31 March 2026 is £62,480.
- **IT Service Desk Technician (G04) x 1 FTE** – fixed-term contract expires on 31 August 2024. This post contributes towards the delivery of the IT Service Desk support service to all Officers, Councillors as well as partners Aura Leisure and Libraries and Newydd Catering and Cleaning, who access IT facilities. Following an unsuccessful application for a new apprentice in the IT Service Desk team in 2023 and a withdrawn Budget bid for an additional permanent technician in 2022, the current temporary post was put in place to maintain existing service levels in resolving reported IT faults and fulfilling day-to-day service requests. The projected cost to extend this fixed-term contract until 31 March 2026 is £62,480.

Because of recruitment and retention pressures within IT Infrastructure Services, the service is projecting an underspend of £124,960 and this report seeks approval to carry forward this funding into the 2024/25 financial year.

Please note that the impact of all of the carry forward requests is already built into the projected outturn position. Therefore, approval of this would maintain the current reported outturn position.

1.11 Tracking of In-Year Risks and Emerging Issues

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.

1.12 Council Tax Income

	The ‘in-year’ collection level is 93.3% which is the same level as the previous year.
1.13	<p>Pay Award (Teacher and Non-Teacher)</p> <p><u>NJC (Green Book)</u></p> <p>The actual impact of the pay offer for 2023/24 was an additional £2.702m which is being met from Contingency Reserve.</p> <p><u>Teachers Pay</u></p> <p>Increases as previously outlined have been accepted by all teaching unions.</p>
1.14	<p>Pay Modelling</p> <p>No figures are currently included for any impact of the pay modelling review which is needed to try and address the difficulties currently being experienced in recruitment and retention. It is due to be completed later this year.</p>
1.15	<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 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 been confirmed so presents a significant financial risk to the Council.</p> <p>Discussions took place in March, 2023 between Welsh Government (WG) and the Council as to the reasons for not achieving the target. The Council has subsequently been instructed by WG to engage with the Waste and Resources Action Programme (WRAP) and Local Partnerships to review our waste strategy and develop a new action plan. Depending on the outcome of the review, the Minister will take a decision at that point whether to levy the fine.</p> <p>Unfortunately, the statutory recycling targets have not been achieved in 2022/23 too (non-verified), which means that a further infraction fine could be levied of around £0.470m should WG choose to do so, and monitoring of the authority’s recycling performance for 2023/24 to date shows that the rates of recycling and residual waste tonnages are not improving, which could lead to not achieving the targets in 2023/24 also.</p>
1.16	<p>Homelessness</p> <p>There continues to be 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</p>

	<p>England. The growth in demand commenced in the second half of 2022/23 and continued to accelerate markedly between April and January, 2024.</p> <p>One of the more significant influences of many is the sparsity of affordable accommodation in the private rented sector which is being influenced by the cost-of-living crisis and an increase in the numbers of no-fault evictions as many private rented sector landlords are leaving the sector and seeking to sell their properties. There is also an acute shortage of suitable available accommodation within the Council's own HRA housing stock and with other Registered Social Landlords (RSL's) within the area. This is particularly the case for single persons below age 55 which make up the highest proportion of those who are currently homeless in Flintshire. The Flintshire position in terms of both demand and supply pressures is known to be consistent on both a regional and national basis within Wales.</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 2023/24 allocation is £0.382m. 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 £0.446m.</p> <p>The mitigations options approved by Cabinet and Community and Housing Overview and Scrutiny are now being actively progressed by a Housing Options officer working group with a view to increasing the supply of accommodation for Homeless persons as alternatives to the more expensive emergency accommodation.</p>
1.17	<p>Storm Babet</p> <p>Storm Babet was an intense extratropical cyclone which affected many parts of the County from 19 October through to the end of 21 October 2023. This was followed rapidly by Storm Ciara, which although saw less impact, still necessitated significant resources in response.</p> <p>The storm caused severe disruption to travel with many roads closed, railways flooded, schools closed, and properties being affected by flood water. Storm Ciara also required a priority response and caused some additional costs.</p> <p>The Council has been incurring the financial impact of the emergency response, assessing damage to infrastructure and arranging the necessary remedial works to be carried out in the aftermath. This is currently estimated at £1.5m.</p> <p>There is an Emergency Financial Assistance Fund (EFAS) that Welsh Government have in place. However, Authorities are expected to make reasonable provision in their budgets to deal with contingencies, so the authority affected is expected to meet all eligible expenditure up to the level of its threshold.</p>

Thresholds are calculated at 0.2% of authority's annual budget requirement and apply to the whole financial year, not to each incident within the financial year and for Flintshire, this amounts to emergency funding being provided at 85% for costs over and above the threshold of £0.711m.

Welsh Government have now confirmed that the Scheme has been activated by the Minister and that our claim will be met in line with the terms and conditions of the scheme.

There is a Severe Weather Earmarked Reserve totalling £0.250m which will also assist in funding some of the costs.

The financial impact of Storms Babet and Ciara is estimated as follows: -

Description	Costs to date £m	Projected future costs £m	Total Costs £m
Clean Up	0.300	0.150	0.450
Priority re-instatement works		1.000	1.000
Other storm damage costs		0.050	0.050
Total Projected Costs	0.300	1.200	1.500
Severe Weather Reserve			-0.250
EFAS Funding @ 85%*			-0.671
Projected net cost of storms			0.579

*£1.5m less £0.711m threshold = £0.789m x 85% = £0.671m

1.18 **Other Tracked Risks**

In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.

1.19 **Medium Term Financial Strategy (MTFS) Impact**

The Council met to approve a balanced budget for 2024/25 on 20 February.

The budget report included an update on the medium-term position for 2025/26 and 2026/27 and work on this will continue over the coming months.

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.

1.20 **Out of County Placements**

The risk includes continued high demand for placements where children and young people cannot be supported within in-house provision, and market supply limitation factors and inflationary pressures leading to higher costs. An additional amount of £1m was approved in the 2023/24 budget to reflect this.

	<p>There is a total projected overspend for the current cohort of placements of £1.591m, which includes contingency provision of £0.100m within the Education element of the pooled budget. An additional amount of £1.5m has been included in the 2024/25 budget to reflect current demand.</p> <p>The service areas within this pooled budget will 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>
1.21	<p>Streetscene & Transportation</p> <p><u>Fleet Contract Renewal</u></p> <p>The current fleet contract, which has been in operation for 7 years, was renewed for a temporary period of 6 months from October 2023. Due to the current market conditions in re-procurement of contracts of this type, the cost of the new contract is considerably more than what was previously being paid, due to being protected from inflationary increases during the previous contract life. The cost of the contract will further increase from April 2024 and provision is being made within the 2024/25 budget considerations for this.</p> <p><u>Sustainable Waste Management Grant (SWMG)</u></p> <p>The Minister for Climate Change has confirmed that the SWMG grant will be retained at the same level for this financial year. However, those local authorities that are not yet meeting the statutory recycling target of 70% will be required to use the grant to reach 70% and be required to demonstrate this. Confirmation on the SWMG grant levels for 2024/25 is still awaited from WG and the current value of the grant is £0.742m per annum.</p>
1.22	<p>Education & Youth (Non-Schools)</p> <p><u>Inclusion and Progression</u></p> <p>Prior to the pandemic the service had seen increasing numbers of children and young people presenting with an increased level of significant and complex needs, resulting in the council being dependent on non-Flintshire provision.</p> <p>Post pandemic the situation has worsened with increasing numbers of pre-school children needing support and challenging behaviour causing concern across both primary and secondary schools. In addition, there are increased rates of emotionally based school avoidance. As a result, levels of attendance have reduced, whilst all forms of exclusions have increased. All of which contributes to a requirement for more specialist and bespoke intervention.</p> <p>The service is taking steps to actively manage demand, alongside reviewing provision, and seeking to develop and enhance in house provision.</p> <p>The pressures are being experienced across Wales, at a time when schools and central services are implementing the Additional Learning Need (ALN) reforms.</p>

	<p>Welsh Government have made additional grants available to support schools and councils. However, there are risks over reliance on temporary grant funding and its ability to meet demand within existing budgets and available grants.</p>
1.23	<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 will provide some funding towards these costs.</p>
1.24	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2023/24 budget contains £9.265m of specific efficiencies which are tracked and monitored throughout the year. The Council aims to achieve a 95% rate in 2023/24 as reflected in the MTFS KPI's and fully achieved all efficiencies in the previous financial year.</p> <p>It is projected that 99% of efficiencies will be achieved in 2023/24 and further details can be seen in Appendix 3.</p>
1.25	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2023/24 was £9.508m as detailed in the 2022/23 outturn report (subject to Audit).</p> <p>The brought forward balance on the COVID-19 Hardship Reserve was £3.743m. Internal claims for Quarters 1 to 3 in 2023/24 totalling £0.531m for Holywell Leisure Centre, Cambrian Aquatics, Streetscene & Transportation and Free School Meals covering the Christmas holiday period have previously been approved and the remaining balance of £3.212m will be added to our Base Level of Reserves in 2024/25 as approved by Council.</p> <p>The projected contingency reserve available as at 31 March, 2024 is £1.993m (after taking account of previously approved allocations including those approved as part of the 2024/25 budget) and is shown in Appendix 4.</p>
1.26	<p>Housing Revenue Account</p> <p>The 2022/23 Outturn Report to Cabinet on 18th July 2023 showed an unearmarked closing balance at the end of 2022/23 of £3.786m and a closing balance of earmarked reserves of £2.690m.</p>
1.27	<p>The 2023/24 budget for the HRA is £39.418m which includes a movement of (£0.589m) from reserves.</p>
1.28	<p>Net in-year revenue expenditure forecast to be £0.458m higher than budget with a projected closing balance as at 31st March, 2024 of £2.739m.</p> <p>The adverse movement of £0.408m is as a result of:</p>

	<ul style="list-style-type: none"> Income £0.113m – reduced Affordable Housing Grant of £0.158m due to delays in the commencement of the scheme, mitigated in part by a further reduction in the requirement to ‘top up’ the Bad Debt Provision. Estate Management £0.034m – Reduction in the Affordable Housing Grant due to delays with the scheme Repairs and Maintenance £0.249m – potential reduction of Transitional Accommodation Capital Funding (TACP) offsetting Sub contractor spend. <p>Minor variances account for the remainder £0.012m.</p>
1.29	The budget contribution towards capital expenditure (CERA) is £12.712m.

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The financial impacts 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 9 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

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.
7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Dave Ledsham Strategic Finance Manager Telephone: 01352 704503

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