



## CABINET

<b>Date of Meeting</b>	Tuesday 23 <sup>rd</sup> July, 2024
<b>Report Subject</b>	Interim Revenue Budget Monitoring Report 2024/25
<b>Cabinet Member</b>	Cabinet Member for Finance and Social Value
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The report provides the first overview of the budget monitoring position for the 2024/25 financial year. Here we report by exception on potential significant variances which may impact on the financial position in 2024/25.

At this early stage only financial risks have been highlighted within the report.

Our ability to mitigate these risks during the financial year will again centre on review and challenge of delayed and deferred spend, maximising income streams and grant funding. As reported previously, a moratorium on non-contractually committed spend was put in place during 2023/24 alongside a vacancy management process with the aim of reducing in-year expenditure to 'dampen' the projected overspend and this will continue into 2024/25.

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.

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.

In addition, there is an amount of £3m available which was approved as a "Budget Risk" Reserve.

A full detailed monitoring report will be provided in September which will include a projection on the overall financial position for 2024/25.

## RECOMMENDATIONS

1	To note the report and the potential financial risks on the 2024/25 budget.
2	To note the allocations of £0.200m from the Contingency Reserve for Cambrian Aquatics and £0.277m for Free School Meals holiday provision– Paragraph 1.14 refers.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE REVENUE BUDGET MONITORING 2024/25</b>
1.01	<p>The report provides the first overview of the budget monitoring position for the 2024/25 financial year. Here we report by exception on potential significant variances which may impact on the financial position in 2024/25.</p> <p>At this early stage, financial risks only have been highlighted within the report.</p> <p>A full detailed monitoring report will be provided in September which will include a projection on the overall financial position for 2024/25.</p>
1.02	<p><b>OVERVIEW OF THE IN-YEAR BUDGET POSITION</b></p> <p>The following paragraphs set out the significant potential financial risks identified at this early stage by Portfolios.</p>
1.03	<p><b>Social Services – risk of up to £1m overspend</b></p> <p><u>Older People Services</u></p> <p>There continues to be significant demand within Locality Services for both homecare and residential care for older people and there is a risk of an overspend at this early stage of £0.600m.</p> <p>As recruitment challenges within homecare have eased costs have been steadily increasing as demand is now being met. Within residential care the amount of top up fees the Council are paying are increasing due to the funding gap between the Council’s weekly care fees and the fees which some homes charge.</p> <p>The Council’s in-house care services for older people are expected to underspend by approximately (£0.200m), although in-year demand could result in increased spend.</p> <p><u>Adult Social Services, Disability Services and Mental Health</u></p> <p>The Disability Service, which includes social care support for clients with physical and sensory impairments and clients with learning disabilities, is currently projected to overspend. The in-house Supporting Living service</p>

is projected to overspend by £0.400m due to the number of hours support which are in place for the care settings. This service is going to be reviewed in-year and it is envisaged that much of the overspend will be mitigated.

The child to adult transition budget is experiencing some cost pressures as some care packages have been agreed already and three high-cost placements are significantly greater than initially estimated. With planned changes to the charging policy for college placements and future agreement for joint funding from health is likely that this pressure will be mitigated.

Mental Health service is not expecting a significant pressure on costs and continued vacancies mean that an underspend of (£0.100m) is projected.

There is a risk because some high-cost placements are yet to have inflationary uplifts agreed, and once negotiations have concluded these may have an adverse impact on the financial outturn.

#### Children's Services

Recruitment and retention of experienced social workers remains challenging within Children's Services. Safeguarding requirements mean that staffing levels must be maintained which results in temporary staffing arrangements above the establishment and use of some agency work. For this reason, there is a risk of an overspend of £0.600m within the Professional Support Service.

Movement of cases through the courts and the expectation of the courts are leading to higher costs than the existing budget with a potential overspend of £0.500m.

Family group meetings are a preventative service and demand is high and a £0.100m overspend is projected.

The above costs will be partially mitigated through a projected underspend on the in-house residential service of £0.300m which is receiving temporary grant funding and a Fostering Service projected underspend of £0.150m.

Overall, within Children's Services there is a projected overspend of £0.750m.

#### Safeguarding and Commissioning

Historically charging policy income has overachieved the budget target and this is expected to reoccur this year. An underspend of (£0.100m) is projected.

1.04

**Education and Youth (Non Schools) – risk of up to £0.250m overspend**

#### Inclusion and Progression

	<p>The services that the Inclusion and Progression teams provide within Education and Youth portfolio continue to be under significant pressure.</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 based 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> <p><u>Home Tuition</u></p> <p>Additional costs of up to £0.250m are projected due to the increase in pupil numbers accessing services. There has been a reliance on grant funding and approved budget carry forwards in previous years. However, these funding streams are not available for the 2024/25 financial year.</p>
1.05	<p><b>Schools</b></p> <p><u>Free School Meals</u></p> <p>Based on current demand levels there is a potential underspend of (£0.114m). However, should the take up levels increase from September 2024, the level of this underspend may be reduced.</p>
1.06	<p><b>Assets</b></p> <p><u>Alternative Delivery Model's (ADMS's)</u></p> <p>A reimbursement of (£0.200m) is due 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>
1.07	<p><b>Streetscene and Transportation – risk of up to £1.5m overspend plus the Waste Recycling Infraction Charge</b></p>

### Service Delivery

There is an expected shortfall in cost reduction targets relating to the charging of DIY Waste Streams and trade waste delays at HRC Sites, totalling circa £0.200m, due to the delayed implementation date.

Increased running costs at Alltami Depot from inflationary rises. Ongoing repairs and cyclical service costs have increased by inflation and the overall budget has previously been absorbing these increases of at least £0.100m.

Highway Maintenance costs are unpredictable due to the need to assess the current condition of the road network and deal with repairs as a priority. Reduced grant funding in recent years for investment has resulted in an increased demand for reactive repairs and maintenance. The service is constantly looking for more efficient ways to deliver the work, whilst inflation, material costs and contractor costs are outside our control. There has also been an increase in the need to provide traffic management more frequently to ensure the safety of staff and contractors. Additional costs could be as much as £0.400m.

Food waste bag costs have increased in line with inflation, and with the increased focus on meeting recycling targets, this has resulted in an increased uptake of the compostable food waste bags. Over the pandemic grant funding period, additional costs for compostable bags were able to be claimed. Additional costs in the region of £0.100m are projected.

### Highways

Increases in energy costs for Street Lighting at above inflationary levels are anticipated totalling around £0.100m.

Potential additional vehicle costs, specifically within the Winter Maintenance service, together with all fleet costs being monitored closely as a result of the service coming in-house following the previous fleet contractor going into administration in May 2024.

### Transportation

The average cost for education transport provision from 2023/24 to 2024/25 has increased by an estimated £1,294 per day due to increased contractor costs, which equates to £245,860 (190 average school days per year), plus there are additional operational days in 2024/25 to consider due to Easter falling late in April 2025. Therefore, there is a potential pressure anticipated across Transportation of over £0.300m.

### Regulatory Services

The Parc Adfer contract specifies the base gate fee price for each tonnage banding built into the contract will be indexed each year, based on RPIX Indexation. Currently the budget allocation is insufficient to absorb the additional increase so this will need to be built into future years pressures and budget considerations.

	<p>Household Recycling Centre disposals - Increased tonnages and subsequent costs for disposal of hazardous waste, mattresses and the sweeper waste potentially totalling in excess of £0.100m per annum.</p> <p>Recycling and Electricity generation income - reduction in income levels for both recyclable materials and a reducing return on electricity generation from gas and solar at the former landfill sites. Depending on how prices fluctuate in-year, this could impact income in excess of £0.200m.</p> <p><u>Waste Recycling Infraction Charge</u></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 previously been confirmed for 2021/22.</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>Further discussions will take place with Welsh Government on all of the above in July 2024.</p>
1.06	<p><b>Planning, Environment and the Economy</b></p> <p><u>Fee Income</u></p> <p>Fee Income levels for Building Control, Pest Control and Licensing Services are at this early stage projecting a shortfall against target. This is mitigated by part year vacancy savings of up to (£0.200m).</p>
1.07	<p><b>Housing and Communities – risk of up to £2.9m overspend</b></p> <p><u>Homelessness</u></p> <p>Due to sustained growth in the numbers of Homeless people needing to be accommodated within hotels and other temporary accommodation, there is a significant projected overspend which is currently expected to be around £4m.</p> <p>The projection allows for the expected growth in numbers continuing throughout the remainder of the year.</p> <p>There are numerous causes for the continued growth in numbers with the main reasons including private rented sector evictions, relationship breakdowns, families/parents being unable to continue accommodating, mortgage repossessions and prisoner discharges.</p>

	<p>A high proportion of the individuals currently in temporary accommodation are single persons below the age of 55. There is an acute shortage of suitable available properties locally both within the Council's own housing stock and with other Registered Social Landlords (RSL's).</p> <p>Potential solutions are being actively explored but may take some time to implement and have a positive impact on the level of overspend.</p> <p>The £4m overspend can be partly mitigated by additional eligible Housing Benefit income being recovered in respect of the people in such accommodation which is currently projected to be around £0.651m in excess of the budgeted sum, together with receipt of the Welsh Government No One Left Out Grant approx. £0.423m, leaving a projected net overspend of £2.9m for Housing Solutions.</p>
1.08	<p><b>Central and Corporate Finance</b></p> <p><u>Central Loans and Investment Account (CLIA)</u></p> <p>During the last financial year, the CLIA had a significant net underspend of £2.680m compared to the budget. This was due to:</p> <ol style="list-style-type: none"> <li>1) significant levels of income generated as a result of increasing bank interest rates throughout the year and</li> <li>2) short- and long-term borrowing being lower than anticipated, resulting in reduced costs.</li> </ol> <p>The 2024/25 budget included an increase to the existing income target for Interest and Investment Income of £1m to account for the previous year underspend and potential reduction in interest rate returns.</p> <p>The first detailed projection will be reported in September taking into account interest rates, capital programme spending profile and levels of reserves.</p>
1.09	<p><b>Council Tax Income</b></p> <p>In 2023/24, the Council collected 97.4% of Council Tax 'in-year', the same outturn as the previous year. The latest outturn is ranked in 1<sup>st</sup> place across the North Wales sub-region and 2<sup>nd</sup> place nationally. Council Tax collections to date in 2024/25 are broadly on track and recovery is progressing in relevant cases.</p>
1.10	<p><b>Pay Awards (Teacher and Non-Teacher)</b></p> <p><u>Teachers Pay</u></p> <p>The 2024/25 budget contained additional funding for a 5% pay award from September 2024. No formal offer has been made at this stage so it is uncertain whether there will be any variation – positive or negative.</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.</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 around £0.850m. 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. It is due to be completed later this year and an amount of £2m has been included in the initial budget forecast for 2025/26.</p>
1.11	<p><b>Teachers Pensions</b></p> <p>Within the Final Welsh Government Funding Settlement for 2024/25, reference was made to the increase in employer teacher pension costs from April 2024. When setting the budget it was assumed that the additional cost would be funded by UK Government and assurances were being sought by Welsh Government. Confirmation is still to be received on the funding outcome of these negotiations, so it remains a significant financial risk.</p>
1.12	<p><b>Out of County Placements</b></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. Expenditure is currently projected to be within the approved budget provision.</p>
1.13	<p><b>Benefits</b></p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.778m 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 £0.778m can be fully mitigated by use of the Reserve previously set aside.</p>
1.14	<p><b>Harpur Trust vs Brazel Case</b></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.</p>
1.15	<p><b>Approved allocations from Contingency Reserve</b></p> <p>An amount of up to £0.200m to continue temporary support for Cambrian Aquatics was approved at Cabinet in March.</p> <p>An amount of £0.277m for the provision of Free School Meals in the summer holiday period was approved under delegated powers following approval of a Notice of Motion at County Council.</p>
1.16	<p><b>Unearmarked Reserves</b></p> <p>The Base Level Reserves have increased to £8.985m by transferring the £3.216m balance of the COVID-19 Hardship Fund Reserve from 2023/24.</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. The brought forward figure already took account of £3m approved as a “Budget Risk” Reserve and the time limited pressures of £0.172m which were agreed as part of the 2024/25 budget.</p> <p>This will be reduced by up to £0.477m for the approved allocations in paragraph 1.14 above.</p> <p>However, there is a budgeted transfer to Reserves of £0.437m which was also approved as part of the 2024/25 budget.</p> <p>Taking all of the above into account leaves a projected balance of £2.932m in the contingency reserve (£2.972m + £0.437m - £0.200m - £0.277m).</p> <p>Therefore, the Council has a budget risk reserve of £3m and a contingency reserve of £2.932m available to meet any of the significant costs identified in the report that are unable to be mitigated in full by the end of the financial year. 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>

1.17	<p><b>Housing Revenue Account (HRA)</b></p> <p>A risk has been identified in respect of loss of rental income on void HRA properties. Void levels are currently 3.52% and if this continues at the same level, we anticipate a net pressure on rental income of approximately £0.285m. There has also been a change of Contractor for grounds maintenance, and a potential pressure of £0.100m has been identified. We will continue to monitor closely and will report on the projected outturn position throughout the year.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	Financial Risks are set out in the report.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	None specific.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Various budget records.

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

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
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8.01

**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.

**Council Fund:** the fund to which all the Council's revenue expenditure is charged.

**Financial Year:** the period of twelve months commencing on 1 April.

**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.

**Projected Outturn:** projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.

**Regional Integration Fund (RIF):** Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.

**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.

**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.

**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.