

CABINET

Date of Meeting	Wednesday 25th September, 2024
Report Subject	Revenue Budget Monitoring Report 2024/25 (Month 4)
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report provides the first detailed overview of the budget monitoring position for the 2024/25 financial year. An interim report was presented in July advising of the significant emerging variances and risks to the revenue budget at that time.

The projected year end positions is as follows:

Council Fund

- An operating deficit of £5.754m (this reduces to £2.754m with the utilisation of the budget risk reserve of £3m agreed when setting the budget))
- A projected contingency reserve balance as at 31 March 2025 of £0.178m (after taking account of previously approved allocations including those approved as part of the 2024/25 Budget).

This significant projected overspend (and impact on our available reserves) is 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 will need to be provided 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.

In addition to the above a robust challenge of our Earmarked Reserves in in progress to identify any un-committed areas that can be released to improve our overall position. The outcome will be included in the next monitoring report (Month 5).

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be £0.098m lower than budget.
- A projected closing balance as at 31 March, 2025 of £4.550m

RECOMMENDATIONS

1	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>The report provides the first detailed overview of the budget monitoring position for the 2024/25 financial year. An interim report was presented in July advising of the significant emerging variances and risks to the revenue budget at that time.</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 £5.754m this reduces to £2.754m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) • A projected contingency reserve balance as at 31 March 2025 of £0.178m (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 is forecast to be £0.098m lower than budget.

- A projected closing balance as at 31 March, 2025 of £4.550m

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	94.197	2.150
Out of County Placements	19.299	20.393	1.094
Education & Youth (Non Schools)	10.148	10.381	0.233
Schools	117.302	117.119	(0.183)
Streetscene & Transportation	42.695	44.731	2.036
Planning Env & Economy	7.682	7.850	0.168
People & Resources	4.290	4.240	(0.050)
Governance	12.066	11.771	(0.295)
Assets	11.403	11.444	0.041
Housing & Communities	18.161	20.900	2.739
Chief Executive	1.641	1.618	(0.023)
Central & Corporate Finance	31.372	29.216	(2.156)
Total	368.106	373.860	5.754
Utilisation of Budget Risk Reserve			(3.000)
Total – Revised Overspend			2.754

1.03 The reasons for the projected variances are summarised within Appendix 1 and shows the detail of all variances over £0.050m and a summary of minor variances for each portfolio.

Significant Variances at Month 4

1.04 **Social Services £2.150m**

Older Peoples Service £0.545m

- Localities – £0.662m

£0.407m - Residential care costs for older people due to service demand net of client income from property recharges and reimbursements for deputyships and assets held in trust.

£0.201m - Homecare due to high service demand.

Locality workforce and professional support budgets are overspent by £0.038m due to some use of agency and day care is overspending by £0.015m from service demand impacts.

There is also a real risk of significant escalation in costs as there is continued pressure to minimise stays in hospitals. This risk will increase as we enter the winter period, and due to this the service is looking to mitigate this risk by reviewing and changing some service practices.

- Resources & Regulated Services – (£0.118m).

In-house residential care is projecting an overspend by £0.307m due to both workforce and running costs.

Homecare is projecting an underspend of £0.432m, as although demand is high it cannot be met due to recruitment challenges.

The Extra Care budget is projected to overspend by £0.116m due to workforce costs and day care is projected to underspend by £0.109m as the service has reduced since the pandemic.

Adults of Working Age £0.449m

- Resources and Regulated Services £0.454m The PDSI (physically disabled and sensory impaired) budget is projecting a £0.044m overspend due to costs of care packages. The in-house supported living service is projecting an overspend of £0.343m due to care hours and agency costs. The care package costs for independently provided care for learning disability services is also projecting an overspend of £0.251m. The learning disability service day and work provision is projecting an underspend of (£0.184m) due to demand and the costs of care packages.
- Children to Adult Transition Services £0.259m There are three high-cost placements which are causing significant pressure on this budget.
- Professional /Admin Support (£0.082m) due to staff vacancies
- Transition & Disability Services Team (£0.053m) due to additional funding to the service.
- Supporting People (£0.101m) additional income is expected this year from Welsh Government.

Children's Services £1.135m

	<ul style="list-style-type: none"> • Grants £0.058m Advocacy costs increased last year and the trend is expected to continue. The increases are due to inflationary pressures. • Legal & Third Party £0.461m Legal costs are projected to overspend by £0.205m due to the number of cases going through the courts and some use of external professionals. Client support and section 17 costs are projecting to overspend by £0.178m due to meeting legal obligations for safeguarding children and Direct Payments by £0.078m due to service demand. • Residential Placements (£0.374m) There is an additional Welsh Government grant which is supporting the in-house children's residential service development. • Professional Support £0.960m. To support adequate levels of child protection, the established staffing structure needs to be at a sufficient level to meet mandatory safeguarding standards. Vacancies are minimised where possible and additional temporary posts are sometimes required to be able to continue meeting the challenges and demands of Childrens Services. Two managed agency teams were contracted to support the service, although one of these has now ceased, there is a projected overspend of £0.914m as a result. This is being mitigated from underspends, mostly from vacancies, of £0.528m. The Leaving Care budget which supports young people who are Looked After Children, is projected to overspend by £0.423m due to increased numbers of care leavers which includes unaccompanied asylum-seeking children (UAAC). Alternative accommodation for UAAC is being looked at and a reduction in future costs is expected in the near future. The costs of some external contracts are projected to overspend by £0.083m due to inflationary pressures. Costs of Direct Payments to provide support to children with disabilities are projected to overspend by £0.068m due to increases in demand. <p><u>Safeguarding & Commissioning £0.022m</u></p> <ul style="list-style-type: none"> • Charging Policy Income (£0.090m) This is the income from service users who are charged a contribution towards the care they receive. <p>Cumulative adverse variances of £0.112m (below £0.050m individually) across the service area account for the remainder.</p>
1.05	<p>Out of County Placements £1.094m</p> <ul style="list-style-type: none"> • Children's Services £0.898m • Education & Youth £0.196m <p>The significant projected overspend within the Out of County pooled budget is as a result of an increase in the number of new placements agreed in-year and fees incurred to external providers. The overspend</p>

	includes no further contingency and is forecasted based on current caseload only.
1.06	<p>Education & Youth (Non-Schools) £0.233m</p> <p>There is an in-year pressure of £0.247m due to an increase in pupil numbers accessing an external education provider for medical reasons. In previous years, there has been a reliance on grant funding and budget carry forwards. There may be an additional £0.050m available from the 2024/25 ALN (Additional Learning Needs) grant to mitigate some of the pressure, however, we are still working through the commitments of this grant. Other minor variances relate to Plas Derwen and Canolfan Enfys.</p>
1.07	<p>Schools (£0.183m)</p> <p>The variance primarily relates to the following:</p> <p>Free School Meals (FSM) budget - (£0.114m) projected underspend, due to meal take up and levels of eligible FSM children.</p> <p>The Unallocated budget containing Added Years and Copyright Licenses indicates a (£0.123m) underspend.</p> <p>The above underspends are offset by a number of insignificant adverse variances within Primary and Secondary non-delegated, totalling £0.054m.</p>
1.08	<p>Streetscene & Transportation £2.036m</p> <ul style="list-style-type: none"> • Service Delivery – £0.859m. Significant variance of £0.400m in Highways Maintenance costs due to increasing inflationary pressures and demand for temporary repairs on the road network, largely due to the reduction in WG funding and reduced investment in the highway network and fluctuating costs of tar and traffic management for repairs. Increases of £0.200m in Alltami Depot running costs. Budgeted cost reduction proposals relating to Household Recycling Centres (DIY charging and Trade Waste) where implementation dates were later than initially planned have had a significant impact on the outturn variance by £0.250m. • Highways Network - £0.440m Winter Maintenance costs of £0.300m continue to escalate for the provision of vehicles, fuel, labour and salt purchase. Fleet costs in this area have seen significant year-on-year inflationary uplifts. We continue to investigate options to reduce procurement costs and ensure appropriate income/funding in preparation for the start of the winter maintenance season. A report will be presented to Cabinet to consider the delivery of efficiencies relating to decision making relative to marginal weather forecasts. The resilience within Winter Maintenance has been reduced with the Earmarked Reserve being fully utilised in 2023/24 and not being replenished. Additional Street-lighting energy costs of £0.100m are forecast and continue to rise, which has been reflected in the outturn position.

	<ul style="list-style-type: none"> • Transportation - £0.287m School transport significant variance due to transport day costs increase driven by inflation. Social Services transport costs increased due to the recent re-procurement and additional requests for transport. • Regulatory Services - £0.449m Waste strategy increased costs of £0.200m mainly due to increased volumes of residual waste being collected and the Parc Adfer gate fee indexation inflation and £0.100m reduced energy output of gas extraction from former landfill sites and £0.149m shortfall from lower income prices on the recycling markets.
1.09	<p>Planning, Environment and the Economy £0.168m</p> <ul style="list-style-type: none"> • Business (£0.144m) part year vacancy savings with the recruitment process now commenced. • Development £0.207m estimated shortfalls in fee income from Building Control and Land Charges Services • Access & Natural Environment £0.126m – projected costs for Ash Die Back tree works to March, 2025. • Regeneration (£0.053m) – part year savings from Grant Maximisation in rebadging staff costs to numerous Grant schemes. <p>Minor variances across the Portfolio account for the remainder £0.032m</p>
1.10	<p>Governance (£0.295m)</p> <p>The majority of the favourable variance is the projected surplus on the Council Tax Collection Fund (£0.138m), together with part year vacancy savings in Customer Services and an estimated over recovery of fee income within the Registrars Service (£0.113m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.044m).</p>
1.11	<p>Housing and Communities – £2.739m</p> <p>Housing Solutions - £2.741m. Emergency accommodation costs £3.986m, offset with an increase in the HB Income collected (£0.659m) and NOLO Grant of (£0.423m). In addition, there is a £0.075m overspend on the Homeless Hub.</p>
1.12	<p>Central and Corporate Finance (£2.156m)</p> <p>The initial projection on the Central Loans and Investment Account (CLIA) for the 2024/25 indicates an underspend of (£0.250m) as the trend from previous years continues with reduced short-term borrowing costs and income from investments in line with current bank interest rates. The underspend is reduced by potential shortfalls in corporate windfall income targets based on actual receipts to date.</p>

	<p>As a result of the refinancing of Enfinium Group Ltd into Enfinium Parc Adfer Ltd, there is a gainshare benefit to all partner authorities within the North Wales Residual Waste Partnership. Flintshire's estimated gainshare from this undertaking is (£2.108m), net of fees. The variance is being reported corporately as it is purely a corporate re-financing benefit, based on the original investment costs having been costed there.</p> <p>In addition, a commitment has been included to fund the on-going clean-up from the impact of fly tipping at land adjacent to the Riverside Site, Queensferry at a current cost of £0.091m that includes the machine hire, transport and manpower related to the necessary works.</p>
1.13	<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>
1.14	<p>Council Tax Income</p> <p>Up to the end of July, the 'in-year' collection level is 38.20%, compared to 38.32% in the previous year.</p>
1.15	<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. No formal offer has been made at this stage so it is uncertain whether there will be any variation – positive or negative. However, an uplift of 5.5% has been confirmed in England which may then be replicated in Wales – the uplift in England has been presented as 'fully funded'.</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>
1.16	<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>
1.17	<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 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>Ongoing discussions are taking place with Welsh Government on all of the above and any resolution will be updated in future reports.</p>
1.18	<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. 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>
1.19	<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>
1.20	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>Cabinet considered the latest projection for the MTFS in July which showed an additional budget requirement of £37.778m. Further work has been undertaken over the summer and an update on the latest position is detailed in a separate report on this agenda.</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>
1.21	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.690m 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 £0.690m can be fully mitigated by use of the Reserve previously set aside.</p>
1.22	<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.</p>
1.23	<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 97% of efficiencies will be achieved in 2024/25 and further details can be seen in Appendix 2.</p>
1.24	<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>Taking the current projected final outturn into account, the contingency reserve available of £0.178m.</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>
1.25	<p>SUMMARY AND CONCLUSION</p> <p>This significant projected overspend (and impact on our available reserves) is 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 £0.178m 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.</p> <p>Therefore, as required by Financial Procedure Rules - Action Plans will need to be provided 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.</p> <p>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.</p>
1.26	<p>Earmarked Reserves</p> <p>In addition to the above a robust challenge of our Earmarked Reserves in in progress to identify any un-committed areas that can be released to improve our overall position. The outcome will be included in the next monitoring report (Month 5).</p>
1.27	<p>Housing Revenue Account (HRA)</p> <p>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.</p>
1.28	<p>The 2024/25 budget for the HRA is £42.166m which includes a movement of (£0.193m) from reserves.</p>
1.29	<p>The projected outturn for the HRA shows an in-year revenue expenditure (£0.098m) lower than budget with a closing un-earmarked balance as at</p>

	31 st March, 2025 of £4.550m, which at 10.92% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3% - see Appendix 4.
1.30	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 – Budget Variances Appendix 2: Council Fund – Programme of Efficiencies Appendix 3: Council Fund – Movement on Un-earmarked Reserves Appendix 4: 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 E-mail: dave.ledsham@flintshire.gov.uk

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>