

CABINET

Date of Meeting	Tuesday, 18 th July 2023
Report Subject	Interim Revenue Budget Monitoring Report 2023/24
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

The report provides the first overview of the budget monitoring position for the 2023/24 financial year. Here we report by exception on potential significant variances which may impact on the financial position in 2023/24.

At this early stage, financial risks only 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.

The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £9.508m as detailed in the 2022/23 outturn report (subject to audit).

An amount of £3.743m remains available from the original £5.316m COVID emergency ring-fenced fund.

A full detailed monitoring report will be provided in September which will include a projection on the overall financial position for 2023/24.

RECOMMENDATIONS

1	To note the report and the potential financial risks on the 2023/24 budget.
2	To approve an allocation of £0.100m from the Contingency Reserve for Theatr Clwyd Trust – Paragraph 1.14 refers.

REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2023/24
1.01	<p>The report provides the first overview of the budget monitoring position for the 2023/24 financial year. Here we report by exception on potential significant variances which may impact on the financial position in 2023/24.</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 2023/24.</p>
1.02	<p>OVERVIEW OF THE IN-YEAR BUDGET POSITION</p> <p>The following paragraphs set out the significant potential financial risks identified at this early stage by Portfolios.</p>
1.03	<p>Social Services</p> <p><u>Older People Services</u></p> <p>There continues to be real challenges to recruit and retain care workers within the social care sector. This is resulting in a shortage of homecare hours which can be provided by the independent sector and therefore, the domiciliary budget is expected to underspend by an estimated £0.500m. However, homecare is one of the most cost-effective ways to deliver required social care and shortages in the delivery of this will lead to greater demand for residential care and longer hospital stays, both of which are more costly to public services.</p> <p><u>Mental Health</u></p> <p>The demand for mental health services is high and there is a risk that costs may exceed the budget by up to £0.250m. However, this is a volatile service, with service user needs changing and new entries into the service being difficult to predict. There is potential for costs to rise in-year by a significant degree.</p> <p><u>Children's Services</u></p> <p>Recruitment and retention of experienced social workers remains challenging within the Children's Service. Safeguarding requirements mean that staff levels must be maintained which results in temporary staffing arrangements above the establishment and use of some agency work. Therefore, there is a risk of an overspend within the Professional Support Service.</p> <p>Increased numbers through the courts and the expectation following court judgements are leading to higher costs than the existing budget provision. The costs will be partially mitigated through an expected underspend on the in-house residential service which is receiving temporary grant</p>

	<p>funding. Overall, at this early stage there is a risk of a potential overspend of around £0.500m.</p> <p><u>Grant Funding</u> The Regional Integration Fund (RIF) and Children’s Community Grant are two significant grants which contribute to the delivery of several projects. At this early stage of the year, it is difficult to be certain on the funding levels that will be available to the Council. As in previous years the Council will seek to maximise the funding available in conjunction with allocated core funding.</p>
1.04	<p>Education and Youth</p> <p><u>Inclusion and Progression</u></p> <p>The services that the Inclusion and Progression teams provide within Education and Youth portfolio are 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 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>
1.05	<p>Streetscene & Transportation</p> <p><u>Waste Recycling Infraction Charge</u></p> <p>The Council is not meeting the statutory minimum target of 64% 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 in 2021/22. Welsh Government can, therefore, now take steps to impose a penalty on the Council by way of an infraction fine.</p>

	<p>A penalty of up to £0.663m has been confirmed so presents a significant financial risk to the Council.</p> <p>Discussions have taken place in March between Welsh Government and the Council as to the reasons for not achieving the target. A decision is still awaited as to whether the penalty will be levied during 2023/24.</p> <p><u>Fleet Contract Renewal</u></p> <p>The current Fleet contract which has been running for 7 years is due for renewal from October 2023. Due to the current market conditions in re-procurement of contracts of this type, indications are that the cost of the new contract is going to be considerably more than what is currently being paid.</p> <p><u>Regulatory Services</u></p> <p>There is a risk of income shortfalls of up to £0.200m due to the continuation of recent levels of recycling income and reducing levels of energy generation from gas extraction at former landfill sites.</p> <p><u>Other potential service risks</u></p> <p>The running costs of Alltami Depot are increasing above inflation due to the impacts from the re-tender of depot security, cleaning cost increases and essential maintenance and repair costs.</p> <p>In addition, the Street Lighting energy contract which is renewed on an annual basis through Crown Commercial Services (CCS) has the potential to rise by up to £0.300m in 2023/24, as a result of increased prices in the energy market.</p>
1.06	<p>Planning & Environment</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.</p> <p>However, there is potential for this to be mitigated by over recovery of Planning Fee Income based on current projections.</p>
1.07	<p>Housing & Communities</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 in the range of £2m to £3.5m.</p> <p>The lower end of this range is based on the current numbers remaining constant, whereas the higher end of the range allows for the expected growth in numbers continuing throughout the remainder of the year.</p>

	<p>There are numerous causes for the rapid 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 position 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 £0.185m in excess of the budgeted sum.</p>
1.08	<p>Central & Corporate Finance</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 £1.784m compared to the budget. This was due to:</p> <ol style="list-style-type: none"> 1) significant levels of income generated as a result of increasing bank interest rates throughout the year and 2) short- and long-term borrowing being lower than anticipated, resulting in reduced costs. <p>This trend has continued throughout the first two months of the 2023/24 financial year, which, if continuing, will have the impact of a further net underspend.</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>Council Tax Income</p> <p>In 2022/23 the Council achieved an 'in-year' collection level of 97.4%. Recent national publications reflect that the 97.4% is 1.3% higher than the Welsh average, 1.4% above the English average and 1.2% above the Scottish average. Council Tax collections to date in 2023/24 are broadly on track and recovery is progressing in relevant cases.</p>
1.10	<p>Pay Awards (Teacher and Non-Teacher)</p> <p><u>Teachers Pay</u></p> <p>Current pay awards by the Minister for Education and Welsh Language, are an increase of 8% from September 2022 and an increase of 5% for a September 2023 pay award although these have not been accepted by all teaching unions and a formal dispute is on-going.</p>

	<p>The 2023/24 budget contained funding for a 5% pay award for Teachers from September 2022 and September 2023. The Minister has increased the September 2022 pay award to 8%, with 1.5% being a non-consolidated payment, leaving a recurring element of 6.5%.</p> <p>Grant funding has been made available by Welsh Government to fully fund the additional September 2022 pay award in financial years 2022/23 and 2023/24 (over and above the 5% originally awarded).</p> <p><u>NJC (Green Book)</u> The latest pay offer for NJC (Green Book) employees for the current year (2023/24) has been rejected and Trade Union Members are currently being balloted for potential industrial action. The offer made is at a similar level to that awarded in 2022/23 with an increase on each scale point of £1,925.</p> <p>This equates to more than the 5% included in the 2023/24 budget. The final increase will be in excess of 5% and will need to be funded from reserves in the current financial year. This will also have the impact of increasing the budget requirement for 2024/25.</p> <p>The estimated impact of the current pay offer is an additional £2.727m which is included in the revised forecast for 2024/25 but may be subject to change.</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.</p>
1.11	<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>
1.12	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.112m below 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 services in respect of meeting income targets for recovery of overpayments and related bad debt provision increases are also expected to remain. This in part may be mitigated by the receipt of additional Grant Admin income albeit at lower levels received in previous years.</p>

1.13	<p>Request from Contingency Reserve</p> <p>As part of the cultural services agreement drawn up for the Theatr Clwyd trust, a clause was included for the Council to fund a £0.100m contribution towards the Trust's opening reserve position. The trust has now requested that this sum be drawn down to support its cashflow whilst the Theatre is under renovation and income levels are predicted to be lower. It is recommended that this be funded from the contingency reserve.</p>
1.14	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £9.508m as detailed in the 2022/23 outturn report (subject to Audit).</p> <p>The amount remaining reduces to £6.681m after taking into account the impact of the current estimated pay award shortfall of £2.727m (para 1.10) and the recommendation included in para 1.13 above.</p> <p>An amount of £3.743m remains available from the original £5.316m COVID emergency ring-fenced fund.</p>
1.15	<p>Housing Revenue Account (HRA)</p> <p>A risk has been identified in respect of loss of rental income on void HRA properties. If void levels continue at the same level for the remainder of the financial year, we anticipate a net pressure on rental income of approximately £0.250m. However, it is hoped that with additional investment, the void levels will reduce in the next 6 to 12 months. We will continue to monitor voids closely and will report on the projected outturn position throughout the year.</p>

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	None.

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>

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.