

CABINET

Date of Meeting	Tuesday 16th January, 2024
Report Subject	Revenue Budget Monitoring Report 2023/24 (Month 8)
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 8.

The projected year end position is as follows:

Council Fund

- An operating deficit of £2.942m which is a favourable movement of £0.728m from the deficit figure reported at Month 7.
- A projected contingency reserve available balance as at 31 March 2024 of £4.918m. (after the actual impact of pay awards and taking account of previously approved allocations).

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be £0.018m higher than budget which is an adverse movement of £0.118m from the figure reported at Month 7.
- A projected closing balance as at 31 March, 2024 of £3.297m

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

The impacts of this, together with continued increases in service demand is becoming increasingly hard to deal with as our funding fails to keep up with the scale of these pressures.

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

At Month 8, £1.293m 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, and further updates provided in future reports.

RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2023/24 budget.
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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 £2.942m which is a favourable movement of £0.728m from the deficit figure reported at Month 7. A projected contingency reserve available balance as at 31 March 2024 of £4.918m (after the actual impact of pay awards and taking account of previously approved allocations). <p>Housing Revenue Account</p> <ul style="list-style-type: none"> Net in-year revenue expenditure forecast to be £0.018m higher than budget which is an adverse movement of £0.118m from the figure reported at Month 7. A projected closing balance as at 31 March, 2024 of £3.297m <p>To assist with managing these risks and mitigating the overall projected overspend, a moratorium on non-contractually committed spend has been put in place alongside a vacancy management process which continues.</p> <p>At Month 8, £1.293m 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, and further updates provided in future reports.</p>
1.02	<p>Hardship Funding from Welsh Government helped secure £16m of direct financial help in 2022/23 for areas such as self-isolation payments, statutory sick pay enhancement, free school meals direct payments and winter fuel payments. However, this funding ceased on 31 March 2023.</p>

1.03 **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	89.235	89.905	0.670
Out of County Placements	17.285	18.812	1.526
Education & Youth (Non-Schools)	10.289	9.923	(0.367)
Schools	114.081	114.313	0.232
Streetscene & Transportation	42.227	43.694	1.467
Planning Env & Economy	7.557	6.880	(0.678)
People & Resources	4.697	4.501	(0.195)
Governance	11.943	11.718	(0.225)
Assets	11.141	10.817	(0.324)
Housing & Communities	15.990	18.714	2.724
Chief Executive	1.672	1.667	(0.005)
Central & Corporate Finance	26.003	24.120	(1.882)
Total	352.121	355.064	2.942

The changes made to the approved budget since Month 7 relate to the disaggregation of the Pay Award budget (Non Schools) previously held Corporately now allocated proportionately to Portfolios.

1.04 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 from Month 7

1.05 **Out of County £0.190m**

The adverse movement relates to:

- Children's Services £0.231m - Net impacts of new placements, changes of placements, ended placements and reduction of contingency provision.
- Education & Youth (£0.041m) - Net impacts of new placements, changes of placements and reduction of contingency provision.

1.06	<p>Education & Youth (£0.181m)</p> <p>The favourable movement relates in part to the Inclusion and Progression Service identifying further savings of (£0.110m).</p> <ul style="list-style-type: none"> • Within the Additional Learning Needs (ALN) service previously committed spend to cover the ALN Band C overspend within Primary Schools from the Local Authority Education Grant for ALN has now become available, therefore maximisation of the grant has allowed the Council to fund the Band C pressure within schools, releasing base budget as a saving (£0.055m). • Within the EAL/Traveller Service a £0.095m budget from 2022-23 was agreed to be carry forward to be used for Trauma Training. One course has been run at a reduced cost of £0.035m. The service has decided not to run any future courses, therefore leaving an underspend of the carry forward balance of (£0.060m). <p>There is a further movement is within Schools Improvement Service where further savings of (£0.034m) have been identified.</p> <p>Minor variances across the Portfolio account for the remainder (£0.037m).</p>
1.07	<p>Streetscene & Transportation (£0.130m)</p> <p>The favourable movement relates to:</p> <p>Transportation</p> <ul style="list-style-type: none"> • Vacancies and impact of moratorium on spend (£0.089m). <p>Regulatory Services</p> <ul style="list-style-type: none"> • Vacancies and impact of moratorium on spend (£0.072m). <p>Minor variances across the Portfolio account for the remainder £0.031m</p>
1.08	<p>Planning Environment & Economy (£0.154m)</p> <p>The reasons for the favourable movement are as follows:</p> <p>Staff savings from vacant posts across the Portfolio together with the maximisation of Grant Income for Countryside Projects (£0.136m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.018m).</p>
1.09	<p>Governance (£0.086m)</p> <p>The favourable movement relates to the delayed / deferred expenditure across the Portfolio, savings from vacant posts, reduction in the employer contribution percentage for Superannuation pension costs within Member Services and a slight increase in projected fee income (£0.117m). This is mitigated by an adverse movement in the projected Surplus on the Council Tax Fund resulting from potential exemptions following the impact of the recent Storms £0.031m.</p>

1.10	<p>Assets (£0.115m)</p> <ul style="list-style-type: none"> Corporate Property Maintenance & Design Services (£0.098m) due to increased fee income. <p>Minor variances across the Portfolio account for the remainder (£0.017m).</p>
1.11	<p>Central & Corporate (0.239m)</p> <p>Following an update on the Central Loans & Investment Account (CLIA), with continuing increased income from investments and reduced borrowing, a further favourable movement of £0.250m is reported at Month 8.</p> <p>Minor variances account for the remainder £0.011m.</p>
1.12	<p>Cumulative minor variances across the Council of (£0.028m) account for the remainder of the total monthly movement.</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>The 'in-year' collection level is 75.2% compared to 75.3% the previous year. The reduction in collections of 0.1% is mainly because the rising costs-of-living are impacting on the ability of some households to make payment of council tax on time. Other local authorities in Wales are also seeing similar, if not greater, reductions in collections.</p>
1.15	<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 compared to the estimated £2.727m that was referred to previously.</p> <p><u>Teachers Pay</u></p> <p>Increases as previously outlined have been accepted by all teaching unions.</p>
1.16	<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>
1.17	<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 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>
1.18	<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>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 currently £0.382m. One favourable impact of the increase in costs and demand is the ability to recover additional Housing</p>

Benefit income over and above the amount budgeted which is currently helping to offset the projected overspend by £0.447m.

A separate report on the issues and potential mitigations around homelessness was considered by Community and Housing Overview and Scrutiny Committee in November.

1.19 Storm Babet

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 Ciaran, which although saw less impact, still necessitated significant resources in response.

The storm caused severe disruption to travel with many roads closed, railways flooded, schools closed, and properties being affected by flood water. Storm Ciaran also required a priority response and caused some additional costs.

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 £1m.

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. Therefore, if an Emergency Financial Assistance Scheme is activated, the authority affected will be expected to meet all eligible expenditure up to the level of its threshold.

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. WG have been notified of our intention to allocate the costs against the EFAS scheme, which will require Minister approval.

There is a Severe Weather Earmarked Reserve totalling £0.250m which can assist in funding some of these costs.

The financial impact of Storms Babet and Ciaran 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		0.500	0.500
Other storm damage costs		0.050	0.050
Total Projected Costs	0.300	0.700	1.000
Severe Weather Reserve			-0.250
EFAS Funding @ 85%*			-0.246

	Projected net cost of storms			0.504
*£1.0m less £0.711m threshold = £0.289m x 85% = £0.246m				
1.20	Other Tracked Risks In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.			
1.21	Medium Term Financial Strategy (MTFS) Impact The Council received its provisional Welsh local government settlement on 20 December as planned and a separate report on this agenda provides an update on budget planning for 2024/25. 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.			
1.22	Out of County Placements The risks include 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. However, there remains a projected overspend for the current cohort of placements of circa £1.526m, although with 4 months of the year remaining this is likely to increase and a contingency of £0.200m is currently built into the outturn position for this, £0.100m for Children’s Services and £0.100m for Education placements. 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.			
1.23	Streetscene & Transportation <u>Fleet Contract Renewal</u> 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. <u>Sustainable Waste Management Grant (SWMG)</u> 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			

	<p>be required to use the grant to reach 70% and be required to demonstrate this. It has also been confirmed that the SWMG grant will likely become part of the Revenue Support Grant (RSG) funding from 2024/25. The current value of the grant is £0.742m per annum, but it is not yet confirmed whether the proportion that Flintshire will receive within the Welsh Local Government settlement will be similar to current levels.</p>
1.24	<p>Education & Youth (Non-Schools)</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>
1.25	<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>
1.26	<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>

	It is projected that 99% of efficiencies will be achieved in 2023/24 and further details can be seen in Appendix 3.
1.27	<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 and 2 in 2023/24 totalling £0.531m for Holywell Leisure Centre, Cambrian Aquatics, Streetscene & Transportation and Free School Meals covering the Christmas holiday period have been approved so far. The current balance remains at £3.212m.</p> <p>The projected contingency reserve available as at 31 March, 2024 is £4.918m (after the actual impact of final pay awards and previously approved allocations) and is shown in Appendix 4.</p>
1.28	<p>Housing Revenue Account</p> <p>The 2022/23 Outturn Report to Cabinet on 18th July 2023 showed an un-earmarked closing balance at the end of 2022/23 of £3.786m and a closing balance of earmarked reserves of £2.690m.</p>
1.29	The 2023/24 budget for the HRA is £39.418m which includes a movement of (£0.589m) from reserves.
1.30	<p>Net in-year revenue expenditure forecast to be £0.018m higher than budget with a projected closing balance as at 31st March, 2024 of £3.179m.</p> <p>This is an adverse movement of £0.118m since Month 7.</p> <ul style="list-style-type: none"> • Repairs & Maintenance increase in Sub Contractor spend £0.250m • Adjustment to bad debt provision (£0.075m) • Reduction in equipment hire in Laundries (£0.029m) <p>Minor variances account for the remainder (£0.028m).</p>
1.31	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.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 7 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 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>

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.