

CABINET

Date of Meeting	Tuesday 21st January, 2025
Report Subject	Revenue Budget Monitoring Report 2024/25 (Month 8)
Cabinet Member	Cabinet Member for Finance and Social Value
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 2024/25 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 £3.860m (this reduces to £0.860m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is a significant favourable movement of £2.515m from the deficit figure of £6.375m reported at Month 7, primarily due to the receipt of additional grant funding from Welsh Government.
- A contingency reserve balance remaining as at 31 March 2025 of £2.896m.

This significant projected overspend (and impact on our available reserves) continues to be of concern and needs to continue to be addressed to bring expenditure back in line with the approved budget. Based on current projections the council's contingency reserve will increase at Month 8 which it uses to deal with any significant in-year unforeseen events. It should be noted, however, that there are still a number of risks identified in the report that could lead to deterioration of the Council's financial position.

As required by Financial Procedure Rules, Action Plans have been compiled by Social Services, Streetscene and Transportation and Housing and Communities which detail the measures being put in place to improve the position by the end of the financial year and these plans have previously been referred to the relevant Overview and Scrutiny Committees.

Our ability to mitigate pressures and risks during the financial year predominantly centres on the 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 continues throughout 2024/25 and is being applied with rigour. Appendix 2 details the split of the moratorium savings to date.

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be on budget.
- A projected closing balance as of 31 March, 2025 of £4.451m

RECOMMENDATIONS

1.00	<p>That Cabinet</p> <ol style="list-style-type: none"> 1) Note and comment on the report and the estimated financial impact on the 2024/25 budget. 2) Support the measures being put in place to improve the financial position by the end of the financial year. 3) Approve the carry forward request of a £0.125m underspend in Customer Contact to the Digital Strategy Reserve (para 1.07 refers).
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2024/25
1.01	<p>This monthly report provides the latest detailed overview of the budget monitoring position for the 2024/25 financial year for the Council Fund and Housing Revenue Account and presents the position, based on actual income and expenditure as at Month 8.</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 £3.860m (this reduces to £0.860m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is a favourable movement of £2.515m from the deficit figure of £6.375m reported at Month 7, primarily due to the receipt of additional grant funding from Welsh Government. • A contingency reserve balance remaining as at 31 March 2025 of £2.896m.

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1.02	<p>Table 1. Projected Position by Portfolio</p> <p>The table below shows the projected position by portfolio:</p> <table border="1"> <thead> <tr> <th>Portfolio/Service Area</th> <th>Approved Budget £m</th> <th>Projected Outturn £m</th> <th>In-Year Over / (Under) spend £m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>93.567</td> <td>97.984</td> <td>4.417</td> </tr> <tr> <td>Out of County Placements</td> <td>19.299</td> <td>21.309</td> <td>2.010</td> </tr> <tr> <td>Education & Youth (Non Schools)</td> <td>10.509</td> <td>10.595</td> <td>0.086</td> </tr> <tr> <td>Schools</td> <td>117.424</td> <td>117.258</td> <td>(0.166)</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>43.570</td> <td>45.696</td> <td>2.125</td> </tr> <tr> <td>Planning Env & Economy</td> <td>7.998</td> <td>8.049</td> <td>0.050</td> </tr> <tr> <td>People & Resources</td> <td>4.507</td> <td>4.419</td> <td>(0.088)</td> </tr> <tr> <td>Governance</td> <td>12.375</td> <td>12.072</td> <td>(0.303)</td> </tr> <tr> <td>Assets</td> <td>11.471</td> <td>11.452</td> <td>(0.020)</td> </tr> <tr> <td>Housing & Communities</td> <td>18.354</td> <td>20.694</td> <td>2.340</td> </tr> <tr> <td>Chief Executive</td> <td>1.674</td> <td>1.654</td> <td>(0.020)</td> </tr> <tr> <td>Central & Corporate Finance</td> <td>27.357</td> <td>20.785</td> <td>(6.572)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>368.106</td> <td>371.966</td> <td>3.860</td> </tr> <tr> <td colspan="3">Utilisation of Budget Risk Reserve</td> <td>(3.000)</td> </tr> <tr> <td>Total – Revised Overspend</td> <td></td> <td></td> <td>0.860</td> </tr> </tbody> </table> <p>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.</p>	Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m	Social Services	93.567	97.984	4.417	Out of County Placements	19.299	21.309	2.010	Education & Youth (Non Schools)	10.509	10.595	0.086	Schools	117.424	117.258	(0.166)	Streetscene & Transportation	43.570	45.696	2.125	Planning Env & Economy	7.998	8.049	0.050	People & Resources	4.507	4.419	(0.088)	Governance	12.375	12.072	(0.303)	Assets	11.471	11.452	(0.020)	Housing & Communities	18.354	20.694	2.340	Chief Executive	1.674	1.654	(0.020)	Central & Corporate Finance	27.357	20.785	(6.572)					Total	368.106	371.966	3.860	Utilisation of Budget Risk Reserve			(3.000)	Total – Revised Overspend			0.860
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1.03	<p>Appendix 1 shows all monthly movements of £0.025m since Month 7 with relevant narratives. In addition, the reasons for the projected variances are summarised within Appendix 2 and shows the detail of all variances over £0.050m and a summary of minor variances for each portfolio.</p>																																																																				
	<p>Significant Movements at Month 8</p>																																																																				
1.04	<p>Social Services £0.045m</p>																																																																				

	<p><u>Older Peoples Service</u></p> <ul style="list-style-type: none"> Localities – (£0.155m). Residential care costs increased by £0.067m due to additional demand. Homecare reduced by (£0.230m) due to the inclusion of (£0.429m) Welsh Government grant income for winter pressures confirmed in early December. Minor variances accounted for the balance. <p><u>Adults of Working Age</u></p> <ul style="list-style-type: none"> Resources & Regulated Services £0.174m. Increase in the Physical Disabilities and Sensory Impairment service of £0.031m due to net changes to care packages. The in-house supported living service costs have increased by £0.026m and the Learning Disability service costs increased by £0.119m due to changes in care packages. Day service costs reduced by £0.002m. <p><u>Children’s Services</u></p> <ul style="list-style-type: none"> Professional Support £0.065m. Increase in the Direct Payments for children with disabilities. <p>There is a net (£0.039m) in minor movements across the portfolio.</p>
1.05	<p>Out of County Placements £0.284m</p> <ul style="list-style-type: none"> Childrens Services £0.058m – Due to various new placements, offset by ending placements and an increase to Home Office income. Education and Youth £0.226m – Due to a number of agreed new Education placements.
1.06	<p>Streetscene and Transportation £0.326m</p> <ul style="list-style-type: none"> Highways Network £0.276m – increase to winter maintenance costs of £0.120m following a period of heavy snow early in November (para 1.16 also refers) together with extensive remedial works carried out in the aftermath of Storms Bert and Darragh £0.150m. Service Delivery £0.032m - additional costs as a result of the workforce response to Storm Darragh. <p>There are net minor movements across the portfolio of £0.018m</p>
1.07	<p>Governance £0.079m</p> <p><u>Request for carry forward - Customer Services - £0.125m</u></p> <p>The Digital Strategy Reserve (DSR) was created in 2018 using the invest to save budget of £0.550m and has subsequently been topped-up with £0.563m from various revenue budget underspends bringing the overall allocation to £1.113m. The DSR supports the Council’s ambitious Digital Strategy and transformation programme. To date, £0.580m has been</p>

	<p>spent with future projections of £0.296m and £0.312m for 2025/26 and 2026/27 leaving a projected shortfall of (£0.075m).</p> <p>The DSR is required to meet salary costs for the following posts:</p> <ul style="list-style-type: none"> • Digital Officers (G04) x 2 FTE • Digital Solutions Technician (G04) x 1 FTE • Transformation Officer (G06) x 0.6 FTE <p>These posts are critical to the success of the Digital Strategy and transformation programme, and it is recommended that Cabinet approve the carry forward of £0.125m to meet the projected shortfall also and provide extra capacity within the Reserve.</p> <p>There are also net minor movements across the portfolio of (£0.046m) in Legal Services and ICT.</p>
1.08	<p>Central & Corporate (£3.331m)</p> <p>The positive movement is as a result of:</p> <ul style="list-style-type: none"> • Further review of the Central Loans and Investment Account (CLIA) at Month 8 indicates a further favourable movement of (£0.150m). • Additional funding to support pay pressures for Teachers and Non-Teachers has been confirmed by Welsh Government which makes a positive contribution of (£3.255m). <p>Minor adverse movements across the service account for the remainder of £0.074m.</p>
1.09	<p>Cumulative minor variances across the Council of £0.082m account for the remainder of the total monthly movement of (£2.515m).</p>
1.10	<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>
1.11	<p>Council Tax Income</p> <p>As at the end of November, in-year collections were 74.96%, compared to 75.26% in the previous financial year. In recently published benchmarking data, the Council's in-year collections for 2024/25 remain in the upper quartile across Wales, despite a marginal reduction in collections at Month 8.</p>
1.12	<p>Pay Awards (Teacher and Non-Teacher)</p> <p><u>Teachers Pay and Pensions</u></p>

	<p>The 2024/25 budget provided additional funding for a 5% pay award from September 2024. The Independent Wales Pay Review Body (IWPRB) had recommended a 4.3% increase, but Welsh Government increased this to 5.5% due to the “no detriment” principle, which means that teacher pay rises in Wales keep pace with those in England. In September 2024, the First Minister accepted the recommendations of the Independent Pay Review bodies for 2024-25.</p> <p>Welsh Government have now confirmed additional funding in 2024/25 of £0.910m towards the costs of the teacher pay award and £3.041m for the increase in Employer Teacher Pension costs. Both elements have also been included in our funding allocation for 2025/26 as set out in the Provisional Settlement. Therefore, schools will be provided with sufficient funding to meet the full additional costs of both elements.</p> <p><u>NJC Pay Award</u></p> <p>Welsh Government has confirmed an additional funding contribution towards the costs of the 2024/25 pay award of £2.455m and this has also been included in our funding allocation 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 ongoing recruitment and retention of staff.</p>
1.13	<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>
1.14	<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 (WG) 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 reported.</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 total financial risk across all three financial years has previously been reported as £1.203m.</p> <p>However, confirmation has recently been received from Welsh Government that the penalty of £0.663m for 2021/22 is now waived.</p>

	<p>However, the minister did highlight his consideration of whether to levy the potential fines for 2022/23 and 2023/24 would be based on the progress made against the service improvements that have been identified within the agreed plan to impact on the Council's recycling rate.</p> <p>The remaining infraction fine risk for 2022/23 and 2023/24 is £0.540m.</p>
1.15	<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 when changes in policy by Welsh Government were implemented 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 and a grant for £0.112m to assist with the early release of prisoners. 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 £0.573m.</p> <p>Within the Provisional Settlement, it was confirmed that No One Left Out Grant, Discretionary Homelessness Prevention and Homelessness Strategic Co-ordinator funding all totalling £0.839m will be getting transferred directly into our base settlement figure from 2025/26.</p>
1.16	<p>Storm Ashley, Storm Bert and Storm Darragh</p> <p>In October the County was hit by severe flooding and storm damage due to Storm Ashley. In November, Storm Bert also brought further flooding to the County. Subsequently, Storm Darragh caused significant damage across Wales in December. The initial response and subsequent clean-up from these storms are built into the Month 8 position and any further financial implications will be included in future reports. Welsh Government have confirmed their Emergency Financial Assistance Scheme (EFAS) has been activated for these storms for which we are only entitled to claim eligible costs at 85% over the agreed threshold amount of £0.743m.</p>
1.17	<p>Winter Maintenance</p> <p>Heavy snowfall in November led to additional Winter Maintenance costs being incurred and 1,700 tonnes of additional salt being required for spreading over the six days, at a cost of £0.120m. The outturn for this service has increased at Month 8 to £0.470m, so further costs will be</p>

	<p>closely monitored through the winter period and any variation to the current projected outturn reported in future reports.</p>
1.18	<p>Mutual Investment Model (MIM) – Mynydd Isa School Project</p> <p>Due to the delay in the opening of the new school in Mynydd Isa, there will be an in-year saving due to the Annual Service Agreement not commencing from November, as previously anticipated.</p> <p>We will update on the impact of the savings in the Month 9 report.</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)</p> <p>Cabinet considered the latest projection for the MTFS in December which showed a revised budget requirement of £47.493m.</p> <p>The Council has been advised of its Welsh Local Government Provisional Settlement allocation on 11 December 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 £0.789m 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 £0.789m 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. There are currently 319 live employment</p>

	<p>tribunal claims in respect of this. The next preliminary hearing is scheduled for 8th May 2025.</p> <p>It is hopeful that we will get to a position where we could seek to settle on a without prejudice basis, but there is some further work to undertake first. There is also a risk that it will cost considerably more than the £0.254m currently held in reserves.</p>
1.23	<p>Achievement of Planned Budget Reductions</p> <p>The 2024/25 budget contains £14.921m of specific budget reductions 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 budget reductions in the previous financial year.</p> <p>It is projected that 95% of budget reductions will be achieved in 2024/25 and further details can be seen in Appendix 3.</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.</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 into account the current projected final outturn and previously agreed allocations the contingency reserve available is £2.896m.</p> <p>As required by Financial Procedure Rules all Portfolios are 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) continues to be of concern and needs to continue to be addressed to bring expenditure back in line with the approved budget.</p> <p>Based on current projections the council's contingency reserve will increase at Month 8 which it uses to deal with any significant in-year unforeseen events. It should be noted however that there are still a number of risks identified in the report that could lead to deterioration of the Council's financial position.</p> <p>As required by Financial Procedure Rules, Action Plans have been compiled by Social Services, Streetscene and Transportation and Housing and Communities which detail the measures being put in place to improve the position by the end of the financial year and these have been referred to relevant Overview and Scrutiny Committees.</p>

	Our ability to mitigate pressures and risks during the financial year 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.
1.26	Housing Revenue Account (HRA) 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.
1.27	The 2024/25 budget for the HRA is £42.166m which includes a movement of (£0.193m) from reserves.
1.28	The projected outturn for the HRA shows an in-year revenue expenditure at the same level as the Annual Budget with a closing un-earmarked balance as at 31 st March, 2025 of £4.451m.
1.29	The budget contribution towards capital expenditure (CERA) is £10.967m.

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The financial impacts as set out in the report are a combination of actual costs and losses to date and estimates of costs and losses for the future. There is the possibility that the estimates will change over time. The budget will be monitored closely, and mitigation actions taken wherever possible.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

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

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.