

CABINET

Date of Meeting	Tuesday 18th February, 2025
Report Subject	Revenue Budget Monitoring Report 2024/25 (Month 9)
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 9.

The projected year end position is as follows:

Council Fund

- An operating deficit of £3.389m (this reduces to £0.389m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is a favourable movement of £0.471m from the deficit figure of £3.860m reported at Month 8.
- A contingency reserve balance remaining as at 31 March 2025 of £2.987m.

This 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 9 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. Despite the actions being undertaken to reduce the underlying pressures on a permanent basis, current indications are that many of the pressures being faced by the Council this year are likely to continue into the next financial year and beyond.

Housing Revenue Account

- Net in-year revenue expenditure is forecast to be £0.747m higher than budget.
- A projected closing balance as of 31 March, 2025 of £3.705m

RECOMMENDATIONS

1.00	That Cabinet <ol style="list-style-type: none"> 1) Note and comment on the report and the estimated financial impact on the 2024/25 budget. 2) Approve funding from the Contingency Reserve for further illegal tipping costs as detailed in paragraph 1.17. 3) Support 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>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 9.</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 £3.389m (this reduces to £0.389m with the utilisation of the budget risk reserve of £3m agreed when setting the budget) which is a favourable movement of £0.471m from the deficit figure of £3.860m reported at Month 8. • A contingency reserve balance remaining as at 31 March 2025 of £2.987m.

Housing Revenue Account

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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	93.567	98.917	5.350
Out of County Placements	19.299	21.134	1.835
Education & Youth (Non Schools)	10.509	10.333	(0.175)
Schools	117.424	117.234	(0.190)
Streetscene & Transportation	43.570	45.427	1.856
Planning Env & Economy	7.998	8.126	0.128
People & Resources	4.507	4.421	(0.087)
Governance	12.375	12.002	(0.372)
Assets	11.471	11.439	(0.032)
Housing & Communities	18.354	20.694	2.340
Chief Executive	1.674	1.653	(0.022)
Central & Corporate Finance	27.357	20.114	(7.242)
Total	368.106	371.495	3.389
Utilisation of Budget Risk Reserve			(3.000)
Total – Revised Overspend			0.389

1.03 Appendix 1 shows all monthly movements of £0.025m since Month 8 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.

Significant Movements at Month 9

1.04 Social Services £0.933m

Older Peoples Service

	<ul style="list-style-type: none"> Localities – £0.376m. Residential care costs increased by £0.280m due to ongoing demand. Homecare costs increased by £0.143m which includes a contribution of (£0.113m) Welsh Government grant for the Charging Policy cap. Workforce costs have decreased by (£0.034m) and Daycare reduced by (£0.013m). <p><u>Adults of Working Age</u></p> <ul style="list-style-type: none"> Resources & Regulated Services £0.352m. There was a decrease in costs of (£0.054m) within the Physical Disabilities and Sensory Impaired service due to net changes to care packages. In-house supported living service costs have increased by £0.040m and Learning Disability costs increased by £0.380m due to changes to care packages. Day services costs reduced by (£0.014m). Intensive Support (£0.026) – There has been an increase in income due to a back dated claim. Residential Placements £0.055m – due to changes in care packages. <p><u>Children’s Services</u></p> <ul style="list-style-type: none"> Residential Placements (£0.042m) – Due to the closure of an in-house short term care facility. Professional Support £0.317m. The managed agency teams have ceased but to meet demand and safeguarding requirements additional agency staff have been required. <p><u>Safeguarding & Commissioning</u></p> <ul style="list-style-type: none"> Charging Policy Income (£0.075m) – There is an increase to the expected income amounts from charging for homecare. <p>There is a net (£0.024m) in minor movements across the portfolio.</p>
1.05	<p>Out of County Placements (£0.175m)</p> <ul style="list-style-type: none"> Children’s Services (£0.228m) – Various new placements, offset by ending placements and a significant increase to Home Office income relating to 2023/24 and 2024/25, has caused a positive movement. A £0.200m contingency has been included to cover any future new placements to mitigate any significant variance movements between now and year end. Education and Youth £0.053m – Due to a number of new Education placements being agreed during the period.
1.06	<p>Education and Youth (Non Schools) (£0.262m)</p> <ul style="list-style-type: none"> Inclusion and Progression (£0.235m) – Due to an additional in-year grant from Welsh Government for the Local Authority Education Grant - Additional Learning Needs Provision which provided additional funding for 1:1 tuition within Creative and Excellence and also provision within Canolfan Enfys. These two areas within the service that had an in-year pressure due to an increase in pupil numbers requiring additional support.

	<ul style="list-style-type: none"> School Improvement Systems (£0.037m) – In-year additional grant variation relating to the Local Authority Education Grant - School Standards. This grant will be utilised against Early Entitlement top-up payments to non-maintained settings and mitigate the current shortfall on the grant. <p>Minor variances across the Portfolio account for the remainder £0.010m.</p>
1.07	<p>Streetscene and Transportation (£0.269m)</p> <ul style="list-style-type: none"> Highways Network (£0.450m) – Following the insolvency of our fleet management provider in May 2024, the Council ensured continuity of essential services such as waste collection and highways maintenance by taking the fleet service in-house and reviewing the fleet. Many vehicles were outdated and costly to maintain, leading to the need for their replacement with more efficient models. The sale of replaced vehicles throughout the following months has generated additional funds returned to the service. Rebuilding supply chains has been crucial for accessing cost-efficient vehicles, but this has been time consuming and costly in terms of disruption to fleet services. Despite being able to release funds at this time, this funding will be required in future years to enable the council to meet its commitments to reduce carbon production from its vehicle fleet. Transportation £0.148m – Increase in projected school transport costs to financial year end. Regulatory Services £0.053m – Due to adverse recycling income market prices. <p>There are net minor movements across the portfolio of (£0.020m)</p>
1.08	<p>Central & Corporate (£0.670m)</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 9 indicates a further favourable movement of (£0.110m). Adjustment to the amount of funding required to meet the additional costs of the Teachers Pay Award from Sep. Annual saving of the Service Agreement from Mynydd Isa school of (£0.495m) due to delays in opening. <p>Minor adverse movements across the service account for the remainder of £0.012m.</p>
1.09	<p>Cumulative minor variances across the Council of (£0.028m) account for the remainder.</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 December, in-year collections were 83.97%, compared to 84.25% 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 9.</p>
1.12	<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. At Month 9, a contingency of £0.200m for potential future placements has been built into Children's Service outturn projections.</p>
1.13	<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 been received from Welsh Government that the infraction charge of £0.663m for 2021/22 has been waived. Although, the minister did stress that further considerations on whether to levy the potential infraction charges 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 positively impact the Council's recycling rate.</p> <p>The remaining infraction fine risk for 2022/23 and 2023/24 is £0.540m.</p>
1.14	<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</p>

	<p>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 Approach' 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 Approach 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>
1.15	<p>Storm Ashley, Storm Bert and Storm Darragh</p> <p>In October the County was impacted 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 were 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. Costs across the Council are being compiled for all storm related costs plus consideration of further costs as a result of Storm Eowyn in January.</p>
1.16	<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 increased at Month 8 to £0.470m, plus heavy snow resulted in another major response and heavy workload in January so further costs will be closely monitored through the remaining winter period and any variation to the current projected outturn reported in future reports.</p>

1.17	<p>Illegal Tipping Costs</p> <p>An amount of £0.402m has previously been approved from the contingency reserve (Month 7 report). This was an estimated figure associated with the removal of mixed waste illegally tipped and which has resulted in a high-volume of tipping on Council owned land in Queensferry. The Council have been working with key partners such as Police, Fire Service, and Natural Resources Wales (NRW) and have needed to contract licensed waste contractors and carriers to clear the waste, the clearance of the site will be complete during week commencing 11th February 2025.</p> <p>However, the volume of waste is higher than estimated, and in addition all waste must be sorted, weighed and taken to appropriate licensed waste facilities. As such the associated costs have increased significantly and the potential full cost of disposal, clearing and securing the site is now estimated to be between £0.780m and £0.800m. It is recommended that an additional amount of £0.380m is approved from the Contingency Reserve to fund these additional costs.</p> <p>The incident is being investigated by external agencies with those responsible likely to be pursued through legal channels. The cost of the clean-up operation will be pursued as part of any associated legal action.</p>
1.18	<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>
1.19	<p>Medium Term Financial Strategy (MTFS)</p> <p>The Council was advised of its Welsh Local Government Provisional Settlement allocation on 11 December.</p> <p>Cabinet considered the latest projection for the MTFS in January which showed a revised budget requirement of £18.004m.</p> <p>Overview and Scrutiny Committees will review portfolio cost reduction proposals through early February and the Final Budget and Council Tax setting proposals will be considered by Cabinet and County Council on 24 February.</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>
1.20	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are projected to be £0.791m over budget, although this will be monitored closely throughout the year due to the potential for growth.</p>

	<p>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 £0.791m can be fully mitigated by use of the Reserve previously set aside.</p>
1.21	<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 tribunal claims in respect of this. The next preliminary hearing is scheduled for 8th May 2025.</p> <p>It is hoped 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>
1.22	<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 99% of budget reductions will be achieved in 2024/25 and further details can be seen in Appendix 3.</p>
1.23	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2024/25 was £2.987m 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 £2.987m.</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>
1.24	<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 9 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> <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 for the remainder of 2024/25 and is being applied with rigour.</p>
1.25	<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>
1.26	<p>The 2024/25 budget for the HRA is £42.166m which includes a movement of (£0.193m) from reserves.</p>
1.27	<p>The projected outturn for the HRA shows an in-year revenue expenditure £0.747m higher than budget with a closing un-earmarked balance as at 31st March, 2025 of £3.705m, which at 8.64% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3% - see Appendix 5.</p> <p>The adverse movement £0.747m is as a result of:</p> <ul style="list-style-type: none"> • Income (£0.093m) – positive movement on the Bad Debt Provision (£0.100m) mitigated by movement on voids and minor variances £0.007m. • Capital Financing Loan Charges (£0.100m) – reduction in borrowing costs against the Capital Programme, grant funding utilised. • Estate Management (£0.200m) – Additional Housing Support Grant (£0.170m) together with movement on salaries and minor variances. • Repairs & Maintenance £1.154m - resulting from the drive to reduce the backlog of void properties within the HRA. <p>Minor variances account for the remainder (£0.014m).</p>

1.28	The budget contribution towards capital expenditure (CERA) is £14.467m.
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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 8 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Budget Reductions 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
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8.01

Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.

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

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

Housing Revenue Account: The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.

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

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

Reserves: these are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.

Revenue: a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Variance: difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.

Virement: the transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.