

CABINET

Date of Meeting	Thursday, 23 rd February 2023
Report Subject	Council Fund Revenue Budget 2023/24 – Final Closing Stage
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value & Procurement
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

Council has received full reports on previous stages of the budget setting process for 2023/24.

Cabinet received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement at its meeting on 17 January, together with an update on the increased additional budget requirement of £32.978m.

The report also provided 1) feedback from the series of specific Overview and Scrutiny committees held in December 2) an update on the ongoing risks to the additional budget requirement and 3) an update on the work being undertaken on the range of budget solutions available to the Council to set a legal and balanced budget.

This work has now been concluded and the outcome is set out in the report.

The report sets out recommendations for the Council to be able to reach a legal and balanced budget position for the 2023/24 financial year.

This report also sets out the Council Tax recommendation for setting local taxation levels for 2023/24. We are also able to propose the formal resolution to Council when it meets later on today as we have received notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.

Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail as set out in this report.

A full presentation will be made at County Council.

The report includes the following tables:

- Table 1: Revised Additional Budget Requirement 2023/24
- Table 2: Proposed Budget Solutions 2023/24
- Table 3: Proposed Budget 2023/24
- Table 4: School Budget Adjustments
- Table 5: Social Care Budget Adjustments
- Table 6: Medium Term Forecast 2024/25 – 2025/26

RECOMMENDATIONS

1	That Cabinet notes and approves the revised additional budget requirement for 2023/24.
2	That Cabinet approves the final proposals for the cost reductions that will contribute to the budget.
3	That Cabinet recommends to Council a legal and balanced budget based on the calculations as set out within this report.
4	That Cabinet notes the open risks which remain to be managed in the 2023/24 financial year.
5	That Cabinet recommends an overall annual increase in Council Tax for 2023/24 of 3.99% for Council Services and 0.96% for contributions to North Wales Fire and Rescue Service, Regional Coroners Service and the Regional Education Consortium (GwE) – an overall uplift of 4.95%.
6	That Cabinet invites Council to pass the formal Council Tax resolution now that we have had notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.
7	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium-Term Financial Strategy (MTFS).

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2023/24
1.01	<p>The Additional Budget Requirement</p> <p>The additional budget requirement for 2023/24 has been continuously revised to take into account the latest available information and has been presented to members in stages throughout the budget planning and setting process.</p> <p>Cabinet received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement at its meeting on 17 January together with an update on an increased additional budget requirement of £32.978m for the 2023/24 financial year.</p> <p>The report also provided: -</p> <ol style="list-style-type: none">1) feedback from the series of specific Overview and Scrutiny committees held in December2) an update on the ongoing risks to the additional budget requirement and3) an update on the work being undertaken on the range of budget solutions available to the Council to set a legal and balanced budget. <p>This work has now been concluded and the outcome is set out in the report.</p>
	Additional Budget Requirement - Changes since the January Report
1.02	<p>Pay Awards 2023/24</p> <p>Welsh Government confirmed in the provisional settlement that the full costs of all future pay awards (teaching and non-teaching) will need to be met from the overall funding allocations provided to councils, and that there will be no supplementary allocations made should final pay awards exceed budgetary provision.</p> <p>Pay inflation of 3.5% has previously been included in the 2023/24 budget requirement - however this is now considered an unrealistic estimate based on current market conditions and therefore this has been increased to 5% for both teaching and non-teaching pay which is also more in line with assumptions being made by other Welsh Authorities.</p> <p>An additional amount of £2.438m has been included in the budget.</p>
1.03	<p>Homelessness demand</p> <p>The Council continues to experience high and increasing demand for temporary accommodation to meet its statutory obligations to accommodate families and persons that present themselves as homeless and this is expected to continue.</p> <p>The Council has been able to fund this in 2022/23 from temporary measures including specific funding from Welsh Government. Although the Council has recently had confirmation on the continuation of some specific grants, the funding is insufficient to meet estimated demand.</p>

	<p>An additional amount of £1m has been included in the budget.</p>
1.04	<p>North Wales Corporate Joint Committees (CJC)</p> <p>The North Wales Corporate Joint Committee (CJC) has a statutory requirement to set a budget each year and approve a levy on constituent authorities.</p> <p>The budget for 2023/24 has now been approved and is based on the CJC's initial functions of preparing, monitoring, and reviewing the Strategic Development Plan and developing a Regional Transport Plan.</p> <p>The Council's levy contribution for 2023/24 has been confirmed at £0.171m, which is £0.090m more than the £0.081m previously included.</p> <p>An additional amount of £0.090m has been included in the budget.</p>
1.05	<p>School Transport</p> <p>Since the start of the Autumn school term, there have been several transport pressures emerging relating to increased costs in the provision of additional key service routes for Additional Learning Needs (ALN) and Pupil Referral Units (PRU). These have arisen from a combination of re-procurement increases, additional statutory provision, and increased contractor costs due to fuel, insurance, driver costs etc.</p> <p>There is also a further pressure relating to additional capacity required on a commercial bus route for school transport requirements from September.</p> <p>A detailed review of current demand and costs projected through the next financial year has resulted in a significant additional budget requirement of £0.851m.</p> <p>An additional amount of £0.851m has been included in the budget.</p>
1.06	<p>Out of County Placements</p> <p>Additional funding of £1.500m was included in the 2022/23 budget although this area continues to increase in terms of service demand and cost. As at the Month 9 2022/23 budget monitoring report there is a net projected in-year overspend of £0.969m compared to the £0.500m previously included in estimates.</p> <p>An additional amount of £0.500m has been included in the budget.</p>
1.07	<p>Streetscene and Transportation – Additional Cost Pressures</p> <p>Additional in-year cost pressures have been identified that will continue into the following financial year:</p> <ul style="list-style-type: none"> - reduced levels of income from recharges to town and community councils (£0.075m)

	<ul style="list-style-type: none"> - additional costs for security of Household Recycling Centre sites (£0.100m) - additional costs for weed spraying and public conveniences (£0.050m) - additional costs of public events (£0.025m) <p>An additional amount of £0.250m has been included in the budget.</p>
1.08	<p>Aura Leisure and Libraries</p> <p>The previous additional budget requirement included an estimated recurring amount of £1.050m as a contribution towards the continuation of shortfalls in income targets and above inflationary increases for pay and energy.</p> <p>The amount has been refined and now reflects a recurring amount of £0.670m and a time-limited amount of £0.380m which would need to be claimed from the Council's Emergency Reserve in the same way as in the current financial year.</p> <p>The budget requirement has been reduced by an amount of £0.380m to reflect this adjustment.</p>
1.09	<p>Social Care Commissioning</p> <p>Further work has been undertaken on the fee modelling which has led to an adjustment of £0.476m that will reduce the amount previously included from £7.877m to £7.401m.</p> <p>The budget requirement has been reduced by an amount of £0.476m to reflect this change</p>
1.10	<p>Other minor changes</p> <p>The contribution to the North Wales Fire and Rescue Authority has now been confirmed as an increase of £0.881m (9.9%) compared with the 10% included in previous estimates.</p> <p>The contribution to the Regional Education Consortium (GwE) has also been confirmed as having no inflationary increase for 2023/24. The proportion each council contributes is updated annually to reflect changes in pupil data, and therefore an increase of £0.005m is still required. This is a reduction of £0.032m to the figure previously included.</p> <p>A cost pressure of £0.060m for Income from Land Gas extraction has been removed due to an improvement in the current year position.</p> <p>The cost pressure for capital borrowing costs has been reduced from £0.372m to £0.312m - a reduction of £0.060m.</p> <p>The budget requirement has been reduced by an amount of £0.153m to reflect these changes.</p>

1.11	<p>The changes in the budget requirement are summarised below:</p> <p>Table 1: Additional Budget Requirement 2023/24</p> <table border="1" data-bbox="300 264 1433 884"> <thead> <tr> <th></th> <th>£M</th> <th>Paragraph</th> </tr> </thead> <tbody> <tr> <td>Budget Requirement - January Report</td> <td>32.978</td> <td></td> </tr> <tr> <td>Additional Cost Pressures:</td> <td></td> <td></td> </tr> <tr> <td>Increase in provision for Pay Awards</td> <td>2.438</td> <td>1.02</td> </tr> <tr> <td>Homelessness Service</td> <td>1.000</td> <td>1.03</td> </tr> <tr> <td>Corporate Joint Committee</td> <td>0.090</td> <td>1.04</td> </tr> <tr> <td>School Transport</td> <td>0.851</td> <td>1.05</td> </tr> <tr> <td>Out of County Placements</td> <td>0.500</td> <td>1.06</td> </tr> <tr> <td>Streetscene Cost Pressures</td> <td>0.250</td> <td>1.07</td> </tr> <tr> <td>Reduced Cost Pressures:</td> <td></td> <td></td> </tr> <tr> <td>Aura Leisure and Libraries</td> <td>(0.380)</td> <td>1.08</td> </tr> <tr> <td>Social Care Commissioning</td> <td>(0.476)</td> <td>1.09</td> </tr> <tr> <td>Other Minor Changes</td> <td>(0.153)</td> <td>1.10</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Total Revised Budget Requirement</td> <td>37.098</td> <td></td> </tr> </tbody> </table>		£M	Paragraph	Budget Requirement - January Report	32.978		Additional Cost Pressures:			Increase in provision for Pay Awards	2.438	1.02	Homelessness Service	1.000	1.03	Corporate Joint Committee	0.090	1.04	School Transport	0.851	1.05	Out of County Placements	0.500	1.06	Streetscene Cost Pressures	0.250	1.07	Reduced Cost Pressures:			Aura Leisure and Libraries	(0.380)	1.08	Social Care Commissioning	(0.476)	1.09	Other Minor Changes	(0.153)	1.10				Total Revised Budget Requirement	37.098	
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1.12	<p>The Welsh Local Government Provisional Settlement</p> <p>The Welsh Local Government Provisional Settlement was announced on 14 December and full details were included in the January report.</p> <p>The provisional Aggregate External Funding (AEF) represents a cash uplift of £19.568m over the 2022/23 amount of £232.179m which is an increase of 8.4%. (All Wales Average is an increase of 7.9%)</p>																																													
1.13	<p>Portfolio Cost Reductions</p> <p>Options for portfolio cost reductions were referred to a series of specific Overview and Scrutiny meetings which were held from the 1st to 15th December 2022 together with relevant cost pressures. Each of the committees also received a complete list of all potential cost reductions for all portfolios for completeness, RAG (Red, Amber, and Green) rated in order of deliverability and risk.</p> <p>No new cost reduction areas were identified at these meetings.</p> <p>Further work has been undertaken on these options and all “green” proposals have been included together with the “amber” proposals that are deemed deliverable at this stage.</p> <p>“Red” options have not been included in 2023/24 although these, and the remaining “Amber” options will need to be taken forward for review as part of the work on 2024/25 and 2025/26.</p> <p>The total amount included from portfolio cost reductions is £4.073m.</p>																																													

	<p>It should be noted that some of these cost reductions amounting to £1.892m relate to the removal of cost pressures from the budget requirement as reported to Scrutiny Committees in December. The remaining cost reductions totalling £2.181m are listed in appendix 4.</p>
1.14	<p>Corporate Financing – Cost Reductions</p> <p><u>Employers National Insurance</u></p> <p>The rate of National Insurance for employer and employee contributions has been reduced from November 2022 by 1.25%. The impact of this reduction is a positive benefit to the 2023/24 budget of £2.082m which includes an adjustment of £0.751m to the amount of pay inflation previously included and the removal of the pressure included in 2022/23 of £1.331m.</p> <p><u>Triennial Actuarial Review of the Clwyd Pension Fund</u></p> <p>The triennial review of the Clwyd Pension Fund is reaching its latter stages which will determine employer pension contributions for the next three years.</p> <p>Clwyd Pension Fund Committee approved the Funding Strategy Statement at its meeting on 15th February and individual results have been shared with employing organisations as part of consultation.</p> <p>As the Fund is now more than 100% funded the outcome will make a significant positive contribution to the budget 2023/24 – 2025/26 and the profiling of this benefit over the three years has been carefully considered taking into account affordability and sustainability.</p> <p>As a result, it is recommended that a reduction of £2.650m is included in 2023/24 which will enable further efficiencies to be built into the MTFS in 2024/25 and 2025/26.</p>
1.15	<p>Efficiencies / Cost Reductions – Schools</p> <p>Given the unprecedented scale of the financial challenge the Council has faced this year there has been a need for all portfolios to make cost reductions, and a reduction will also need to be applied to the delegated school budgets.</p> <p>A 3% reduction on delegated school budgets (at 2022/23 level) will be required and this provides a contribution of £3.103m towards the budget requirement.</p> <p>(Para 1.28 provides further analysis of the overall school budgets).</p>
1.16	<p>Council Tax</p> <p>The level of annual increase in Council Tax is a decision for Full Council.</p> <p>Based on the final additional budget requirement of £37.098m an overall annual increase of 3.99% is required on Council Tax for Council Services and 0.96% for additional contributions to North Wales Fire and Rescue Service, Regional Coroners Service and Regional Education Consortium (GwE).</p>

This equates to an overall uplift of 4.95% and provides overall additional yield of £5.622m in 2023/24.

This amounts to an annual increase of £71.75 per annum and brings the amount to £1,521.33 on a Band D equivalent (£1.38 per week equivalent).

Police Precept/Town and Community Councils

The Police Precept and Town and Community Council Precepts for 2023/24 have all been notified to the Council as the Council Tax collection authority and a separate report on the Council agenda later today sets out the formal resolutions.

1.17 Table 2: Summary of Proposed Budget Solutions

	£M
Revised Minimum Additional Budget Requirement (as in Table 1)	37.098
Less:	
Provisional Settlement	(19.568)
Portfolio Efficiencies (Including removal of pressures)	(4.073)
Reversal of National Insurance Increase	(2.082)
Actuarial Valuation	(2.650)
Schools Budgets at 3%	(3.103)
Council Tax (4.95%)	(5.622)
Amount Remaining	0.000

1.18 SUMMARY AND CONCLUSIONS

A legal and balanced budget for 2023/24 can be recommended by Cabinet to Council based on (1) the calculations and assumptions set out above, and (2) the detailed proposed budget as set out below.

1.19 Table 3: Proposed Budget 2023/24

Funding	£m
Aggregate External Funding (AEF) / RSG NNDR	251.747
Council Tax	100.126
SSA/Budget Requirement	351.873
Specific Grants (Appendix 6)	43.012
Total Funding	394.885

<u>Expenditure</u>		£m
	Base Budget Rolled Forward	362.551
	Previous Years Growth/Items Dropping Out (Appendix 1)	0.629
	Inflation (Appendix 2)	18.494
	Pressures & Investments (Appendix 3)	15.333
	<u>Cost Reductions</u>	
	Portfolio (Appendix 4)	(2.181)
	Corporate Financing (Appendix 5)	(7.084)
	<u>Grants</u>	
	Less Specific Grants 2022/23	(35.869)
	Plus Specific Grants 2023/24 (Estimated Appendix 6)	43.012
	Total Expenditure	394.885
	Balance	0.000
	Open Risks 2023/24	
1.20	<p>Pay</p> <p>The proposed budget includes pay inflation for 2023/24 at 5% for both teaching and non-teaching staff. Should national pay agreements conclude at a higher level, this would mean the difference would need to be met from Council Reserves in 2023/24.</p> <p>The outcome of the pay modelling to be undertaken in 2023/24 to address ongoing recruitment and retention challenges represents a further risk which will need to be considered as part of its agreement and prior to implementation.</p>	
1.21	<p>Supreme Court Judgement – Harpur Trust and Brazel</p> <p>The Council has been assessing the outcome and likely implications of the recent Supreme Court Judgement in the above case which may have a financial impact, due to the potential for an amendment to the holiday pay calculations for irregular hour's workers, including those who are contracted to work term time only.</p> <p>Analysis undertaken to date has concluded that there is a cost in 2022/23 of around £0.108m for the term time only element but that there is no additional pressure for 2023/24 anticipated.</p>	

	<p>The cost of £0.108m for 2022/23 may also be subject to a claim for compensation for a period up to 6 years and therefore it may be necessary to set aside a future amount from the contingency reserve.</p> <p>There is a residual risk remaining for additional costs for employees who may be entitled to additional pay due to regular irregular additional hours but this is considered minimal.</p>
1.22	<p>Out of County Placements</p> <p>This remains an open risk as set out in 1.06 above.</p>
1.23	<p>Homelessness</p> <p>This remains an open risk as set out in 1.03 above.</p>
1.24	<p>Emerging Risk – Ukraine resettlement</p> <p>The UK government announced several significant and unexpected changes to the funding programme for Ukraine resettlement and Welsh Government have not yet confirmed the level of financial support available for 2023/24.</p> <p>Cost pressures relating to commitments to rental top ups as we move families out of host and hotel accommodation will need further consideration in 2023/24.</p> <p>There is a risk that if the Welsh Government do not provide the appropriate level of funding for these costs, as such there may be a financial impact on the Council which would need to be met from the Contingency reserve in year.</p>
1.25	<p>Waste Recycling – Infraction Charges</p> <p>Due to the Council not meeting the statutory minimum target for the percentage of municipal waste which must be recycled, prepared for re-use and composted (64% in 2021/22), Welsh Government (WG) can now take steps to impose a penalty on the Council by way of an infraction fine.</p> <p>This has been confirmed as a penalty of up to £0.663m in 2022/23 and is a further potential risk for 2023/24.</p> <p>Discussions are set to take place between WG and the Council as to the reason for not achieving the target and whether the penalty will be levied, so this presents a significant financial risk to the Council.</p>
1.26	<p>On-going Inflationary Impact on Energy and other Costs</p> <p>Market volatility means that the risk of increases in energy cost remains and will need to be kept under review.</p> <p>There is an ongoing risk that the current high level of inflation will impact on suppliers of services and that we will see higher costs as a result.</p>

1.27 **Specific Grants**

We still await confirmation of some specific grants.

The most significant is the Sustainable Waste Management Grant which is still to be confirmed on an all Wales basis for 2023/24 onwards.

Details of the specific grants we are aware of are at this time are included in Appendix 6.

SCHOOL AND SOCIAL CARE BUDGETS

1.28 **Schools' Budget**

Ensuring our learners receive the highest standards of education in our schools has always, and continues to be, a priority for the Council. The Council has always sought to protect front line education services (schools' budget) as far as possible.

The school's budget is the largest budget within the Council and given the scale of the challenge in setting a balanced budget this year it has not possible to protect the schools budget from reductions this year.

However, the Council recognises the increasing demands, challenges, and risks that schools are currently facing.

The table below provides the details of an overall increase of 5.3% in funds for education and schools in 2023/24.

Table 4: School Budget Adjustments

Pressures / Cost Reductions	£m
Teachers Pay Awards (2022/23 & 2023/24)	4.518
Non-teaching Pay Awards (2022/23 & 2023/24)	3.201
Energy Inflation	2.236
Eligibility for Free School Meals	0.139
Demography (increase in learners and complexity of their needs)	0.403
Schools share of the reduction in Employers National Insurance contributions	(0.857)
Schools share of the triennial actuarial review of the Clwyd Pension Fund	(0.776)
3% budget reduction	(3.103)
Total School Pressures & Cost Reductions 2023/24	5.761

The level of school reserves rose again in the year ending 31st March 2022 mainly due to significant additional grants from Welsh Government to assist schools in managing the effects of the pandemic on learners.

Welsh Government have continued to provide significant additional grants during the year and have indicated that some grants will continue into future years.

	<p>The Provisional Settlement received from Welsh Government was higher than the indicative allocation due to a combination of consequential funding arising from UK Budget announcements in the autumn statement (November 2022) and the positive impact of data set adjustments used in the formula.</p> <p>As a result of spending decisions to education in England, the Welsh Government received a consequential of £117m a year in the Autumn Statement. It is understood that £10m of this funding will be issued in specific grants to schools in 2023/24, and that the remaining £107m has been included in the Welsh Local Government Settlement.</p> <p>Whilst it is not possible to state exactly how much of the £107m the Council has received from Welsh Government, our share of the published School Services Indicator Based Assessment (IBA) across Wales is 4.97% (a range of service IBAs are used to calculate each Council's funding from WG).</p> <p>Applying 4.97% to the £107m equates to £5.313m being the best estimate available of the Council's share of the additional education consequential funding. The funding being allocated to schools is £0.448m above this estimate.</p>
1.29	<p>Social Care Budget</p> <p>Within the 2023/24 budget the Council has included a 12.8% increase to the Social Care budget to meet the pressures from Care Commissioners and to support residents. This includes the additional pressure for Out of County Placements which is all in relation to Social Care placements.</p> <p>The Social Care sector remains under pressure from increased demand and inflationary pressures and in recent weeks we have seen the loss of a number of placements for residential care due to the closure of some independent residential care providers. Costs for commissioned care will therefore see significant increases to enable care providers to continue to operate safely and maintain market stability.</p> <p>There exists a continued challenge to recruit and retain Care Workers within the social care sector and particularly in homecare. Whilst the Real Living Wage has been adopted for all registered carers in Flintshire the sector does pay below in terms of hourly pay rates with comparable sectors such as Supermarkets. Homecare is one of the most cost-effective types of social care and service shortages will result in increased pressure and demand on other, more expensive, types of care.</p> <p>The recruitment and retention of experienced Social Workers is a significant challenge which is resulting in a higher turnover of staff and increasing long term vacancies which will result in an increased use of more expensive agency workers. Should social worker vacancies not be filled then safeguarding risks will increase for some of the most vulnerable people within Flintshire.</p> <p>The table below provides the details to the overall increase of 12.8% in funds to Social Care in 2023/24.</p>

Table 5: Social Care Adjustments

Pressures / Cost Reductions	£m
Social Care Pay Awards (2022/23 & 2023/24)	2.423
Social Care Commissioning	7.401
Out of County Placements	1.000
Transition to Adulthood	0.993
Childrens Services Group Homes	0.300
Increased Homecare Capacity	0.150
Special Guardianship Orders	0.050
Social Worker Pay Review	0.179
Less 2023/24 Portfolio Cost Reductions (net of removal of pressures)	(0.101)
Social Care share of the reduction in Employers National Insurance contributions	(0.182)
Social Care share of the triennial actuarial review of the Clwyd Pension Fund	(0.683)
Total Social Care Pressures & Cost Reductions 2023/24	11.530

1.30 RESERVES AND BALANCES**Earmarked Reserves**

The Council holds earmarked reserves which are set aside for specific purposes. Some are restricted in their use by, for example, the terms and conditions of grant where their source is government funding. An update on current projected levels of earmarked reserves shows that the amount is likely to reduce from £12.7m to £8.0m by the end of the 2023/24 financial year as these reserves are 'drawn down' (See Appendix 7).

The Council reviews its remaining earmarked reserves on an ongoing basis, and only those for which there is a strong business case will be retained with the remainder being released for use as part of the Medium-Term Financial Strategy.

1.31 Un-Earmarked Reserves

The Council holds a base level of reserve of £5.769m and this position remains unchanged for 2023/24. This is a relatively low level of base reserves and has not been increased for some time. Levels of unearmarked reserves over and above this figure are referred to as the Contingency Reserve. This reserve is projected to be at £6.464m at year end based on the Month 9 2022/23 budget monitoring report.

The Contingency Reserve is the Council's main 'defence' against in-year cost pressures. It is used to meet the impact of an overall overspend in any given financial year and to mitigate against potential financial risks. The main open risks that the Council will face in 2023/24 are detailed in paras 1.20 – 1.27.

The Council also set aside an emergency fund at the outset of the pandemic which had a balance of £2.066m at 31/03/22 and an additional amount of £3.250m was allocated as part of the 2022/23 budget to safeguard against

	<p>ongoing financial risks from the pandemic following the cessation of the Welsh Government Hardship Fund providing a balance of £5.316m.</p> <p>An amount of £3.722m remains in the fund at this stage and it is projected there will be around £3.1m remaining at the end of the financial year.</p> <p>It is recommended that this Reserve is retained as a safeguard against the continuation of covid sickness cover and addressing existing pressures such as homelessness and to continue to support our partner organisations as they deal with the impact of high energy costs and other uncontrollable factors.</p>
1.32	<p>Formal Advice of the Corporate Finance Manager</p> <p>Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions on its budget.</p>
1.33	<p>The 2023/24 budget has again been set within the context of the Medium Term Financial Strategy and during a year which has seen significant changes in the economy particularly around very high energy and inflation levels and increasing interest rates. The Council has utilised its Emergency Reserve to deal with some of the legacy impacts of the pandemic.</p>
1.34	<p>For the estimates contained within the budget, all figures are supported by a clear and robust methodology with the cost reduction proposals included considered the more achievable. Higher risk cost reduction options will need to be revisited for 2024/25 and beyond so it is important that the budget is set in the context of the medium term. The cost pressures are supported by evidenced method statements.</p>
1.35	<p>The Council's Reserves and Balances Protocol sets out how the Council will determine, manage and review the level of its Council Fund Balance and earmarked reserves, taking into account legislation and professional guidance. An outcome of this protocol was to report to both Cabinet and Corporate Resources Overview and Scrutiny Committee the level of earmarked reserves held on a quarterly basis. This has been continued throughout 2022/23 through the monthly budget monitoring report, with a detailed challenge of earmarked reserves undertaken throughout Summer 2022 which resulted in an amount of £1.208m being released from earmarked reserves back to the general contingency reserve. This process ensures that members can have a good understanding of all the reserves held by the Council.</p>
1.36	<p>I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2023/24 and the financial context within which the budget is being set. It is clear that there continue to be some significant open risks within the 2023/24 budget proposals - particularly around pay provision and specific service demands within social care and homelessness services. The increase in our Aggregate External Finance (AEF) for 2023/24 is welcome although the increase still only equates to around 50% of identified cost pressures. The revised</p>

	<p>indicative AEF uplift for 2024/25 is just 3.1%. Therefore, it is important that the Council protects its current level of reserves to safeguard against these risks. Effective and disciplined in-year financial management is essential to ensure that budgets are managed effectively - with prompt action taken to mitigate any impacts should variances occur.</p>
1.37	<p>I recommend that Council should maintain its Base Level of Reserves of £5.769m and retain its contingency reserve in full as a safeguard to manage any in-year cost pressures and variances.</p> <p>As the Base Level has not been increased for a number of years it is recommended that this is reviewed for the 2024/25 budget.</p> <p>In addition, the Emergency Reserve needs to be retained to provide safeguards for the continuing impacts of additional costs and lost income arising from the pandemic.</p>
1.38	<p>The recurring budget proposals do not require the use of temporary reserves which builds on our approach in recent years and the proposed budget is funded on a predominantly recurrent and sustainable basis. This approach was essential in ensuring that we had sufficient reserves available to meet the unexpected higher pay award in 2023/24. The outlook for 2024/25 and beyond shows an essential need to continue with this approach.</p>
1.39	<p>Formal Advice of the Chief Executive</p> <p>My professional advice complements that of the Corporate Finance Manager, as set out above.</p>
1.40	<p>The draft budget as presented follows the Medium-Term Financial Strategy (MTFS) adopted by the Council. It has been developed according to the budget setting model which has been adopted by the Council, and our principles and values.</p>
1.41	<p>We have taken a prudent and balanced approach to our annual budget, as required by law and the principles of good governance, whilst protecting the improvement objectives and public service duties and obligations of the Council. Our budget-setting process is an intricate one with all decisions being carefully risk-assessed.</p>
1.42	<p>We have advised Council throughout that this is a challenging budget set in a period of great economic volatility, much of this is outside of our control. Portfolios have scrutinised their respective service areas closely and in the context of risk considered these and the wider impacts on the council and the communities it serves. There are no further cost reductions or cost efficiencies of scale beyond those reported in stages one and two of the budget-setting process. Council, as advised by Cabinet and the six Overview and Scrutiny Committees, has concurred with this advice and has not asked for any further reviews of corporate or service portfolio budgets to be undertaken to reduce cost provisions. Our strategy for achieving a legal and balanced budget was heavily reliant on the sufficiency of Government funding for local government and public services; the improved provisional settlement at 8.4% is welcomed but falls short and will lead to an increased risk profile for the Council going forward.</p>

1.43	Looking ahead the outlook remains uncertain with energy costs and inflation impacting negatively on the wider economy, although the Bank of England forecasts inflation falling throughout 2024, economic growth will remain weak, and the impacts of Brexit and the Pandemic have still to work through the economic systems, as such the future financial position will continue to remain volatile and subject to many challenges through the coming financial years.																					
1.44	As noted, a number of ‘open risks’ remain to be managed and we will again be challenged to manage our budget in-year throughout 2023/24. Our advice on risk management and how it affects setting a prudent budget needs to be carefully heard.																					
1.45	It is important that we continue to plan for the medium-term and work with Governments on a sustainable funding model for local government avoiding an over-reliance on Council Tax as a form of local income. Positive work on a sustainable funding model does seem to be gaining traction with encouraging discussions coming from within Welsh Government on the funding formula, this is to be welcomed but greater urgency is needed.																					
1.46	<p>Concluding Advice to Close the Budget</p> <p>Council is able to set a legal and balanced budget for 2023/24 based on the calculations and advice set out in this report and can fulfil its collective legal responsibility. All calculations are based on an overall Council Tax rise of 4.95% (3.99% for Council Services and 0.96% for the regional contributions to the North Wales Fire and Rescue Service, the Coroners Service and the Regional Education Consortium GwE).</p>																					
1.47	<p>Medium Term Financial Forecast</p> <p>The financial forecast for the medium-term, for the financial years– 2024/25 – 2025/26, have been reviewed in readiness to update the MTFS. A high-level estimate on the major cost pressures predicted over the next two years following this budget is included in Table 6. The forecast includes (1) potential annual pay awards of 3.5%; (2) commissioning cost pressures within Social Services, and (3) other known cost pressures.</p> <p>The figures below show the minimum budget requirement.</p> <p>Table 6: Medium Term Forecast</p> <table border="1" data-bbox="300 1630 1366 1935"> <thead> <tr> <th data-bbox="300 1630 836 1671">Cost Pressure Group</th> <th data-bbox="836 1630 1102 1671">2024/25 (£m)</th> <th data-bbox="1102 1630 1366 1671">2025/26 (£m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1671 836 1711"></td> <td data-bbox="836 1671 1102 1711"></td> <td data-bbox="1102 1671 1366 1711"></td> </tr> <tr> <td data-bbox="300 1711 836 1751">Pay Inflation</td> <td data-bbox="836 1711 1102 1751">7.084</td> <td data-bbox="1102 1711 1366 1751">7.441</td> </tr> <tr> <td data-bbox="300 1751 836 1792">Non-Pay Inflation</td> <td data-bbox="836 1751 1102 1792">0.776</td> <td data-bbox="1102 1751 1366 1792">0.769</td> </tr> <tr> <td data-bbox="300 1792 836 1832">Social Care Pressures</td> <td data-bbox="836 1792 1102 1832">6.751</td> <td data-bbox="1102 1792 1366 1832">5.656</td> </tr> <tr> <td data-bbox="300 1832 836 1872">Other Pressures</td> <td data-bbox="836 1832 1102 1872">2.376</td> <td data-bbox="1102 1832 1366 1872">1.893</td> </tr> <tr> <td data-bbox="300 1872 836 1935">Total</td> <td data-bbox="836 1872 1102 1935">16.987</td> <td data-bbox="1102 1872 1366 1935">15.759</td> </tr> </tbody> </table>	Cost Pressure Group	2024/25 (£m)	2025/26 (£m)				Pay Inflation	7.084	7.441	Non-Pay Inflation	0.776	0.769	Social Care Pressures	6.751	5.656	Other Pressures	2.376	1.893	Total	16.987	15.759
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1.48	The 2023/24 Provisional Settlement included an indicative all-Wales revenue allocations for 2024/25 of 3.1% (Average) for Local Government.																					

	<p>Whilst this an improvement of the indicative amount announced as part of the 2022/23 settlement, this is considerably lower than this year's settlement and will present the Council with a significant challenge over the medium term.</p>
1.49	<p>The timetable for the closing stages of the annual budget setting process is as follows: -</p> <p>23rd February 2023 Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax and the passing of the Council Tax Resolution</p> <p>1 March 2023: Announcement of the Final Welsh Local Government Settlement.</p> <p>There is one change anticipated to the Final Settlement when it is announced on 1 March. This relates to the Transfer of the Fire and Rescue SCAPE funding into the Revenue Support Grant. This grant relates to Employer Pension Contribution rates for the Firefighter Pension Scheme. This grant will be paid directly by the council to the North Wales Fire and Rescue Authority (NWFRA) therefore there should be no impact on the funding available to the council.</p> <p>If there are any further minor changes it is recommended that a relevant contribution to / from reserves is included as an adjustment to the budget.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>Revenue: the revenue implications for the 2023/24 budget are set out in the report.</p> <p>Capital: there are no new implications for the approved capital programme for either the current financial year or for future financial years.</p> <p>Human Resources: Any implications for increased/reduced capacity within Portfolios are as set out in the report. Any implications for schools would be a consideration for each individual school based on the funding received through the Schools Funding Formula.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT		
3.01	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <tr> <td>Long-term</td> <td>Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging for the longer term. Sustainable funding from Welsh Government that provides additional funding for Indexation, Service demands and new legislation will provide a</td> </tr> </table>	Long-term	Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging for the longer term. Sustainable funding from Welsh Government that provides additional funding for Indexation, Service demands and new legislation will provide a
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	positive and sustainable position for the Council in the longer term.
Prevention	As above
Integration	Neutral Impact
Collaboration	Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.
Involvement	Communication with Members, residents and other stakeholders throughout the budget process.

Well-Being Goals Impact

Prosperous Wales	Longer term funding settlements from Welsh Government that provide additional funding for indexation, service demands and new legislation will aid sustainability and support a strong economy that encourages business investment in the region. The opposite will be true if settlements are inadequate.
Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.
Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
Vibrant Wales	As Healthier and Cohesive Wales above
Globally responsible Wales	Neutral impact.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	<p>Member briefings in September/October 2022 Specific Scrutiny meetings December 2022 Workforce Briefings January 2023 Consultation with the principle NNDR payers has been undertaken School Budget Forum Primary and Secondary Headteacher Federations Education Consultative Committee Budget Briefing for Headteachers and Chairs of Governors Group Leader briefings</p>

5.00	APPENDICES
5.01	<p>Appendix 1: Prior Year Decisions Appendix 2: Inflation Appendix 3: Pressures Appendix 4: Cost Reductions - Portfolios Appendix 5: Cost Reductions – Corporate Financing Appendix 6: Specific Grants 2023/24 Appendix 7: Balances & Reserves</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>The series of preparatory budget reports for the 2023/24 financial year. The series of presentations made to Cabinet and Council for the 2023/24 financial year.</p>

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</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>

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.

Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

Financial Year: the period of 12 months commencing on 1 April.

Local Government Funding Formula: The system through which the annual funding needs of each council is assessed at a national level and under which each council's Aggregate External Finance (AEF) is set. The revenue support grant is distributed according to that formula.

Aggregate External Finance (AEF): The support for local revenue spending from the Welsh Government and is made up of formula grant including the revenue support grant and the distributable part of non-domestic rates.

Provisional Local Government Settlement: The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final Local Government Settlement is set following the consultation.

Funding Floor: a guaranteed level of funding for councils who come under the all-Wales average change in the annual Settlement. A floor has been a feature of the Settlement for many years.