



# Council Fund Budget 2023/24 Final Closing Stage

Cabinet and Council  
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# Setting a Legal and Balanced Budget

- » The duty to set a legal balanced budget is for Council as a collective (a reserved matter)
- » **Legal:** all budget proposals are within our powers
- » **Balanced:** income and planned cost reductions combined match planned and expected expenditure
- » **Risk Balance:** not overloading the budget with risks e.g. speculative or imprecise/un-costed budget proposals
- » **Implementation:** proposals have realistic timescales
- » **Provisions:** sufficient financial set-aside for main risks
- » **Advice and Opinions:** statutory roles of the S151 Officer and the Chief Executive in advising Council

# The Journey so far... (Part 1)

- » In July last year an additional budget requirement of £16.503m was forecast for 2023/24 financial year
- » The additional budget requirement had increased to £24.348m by September predominantly due to the impact of emerging pay awards and utilities costs
- » A further increase to £32.448m was reported in November mainly due to inflationary increases for Social Care Commissioning partner organisations
- » All cost pressures and options for cost reductions reviewed by relevant Overview & Scrutiny Committee throughout December

## The Journey so far...(Part 2)

- » A further update to Cabinet in January advised of a revised budget requirement of £32.978m and also..
- » Updated on feedback from Overview and Scrutiny Committees in December with no suggested changes
- » Included the key headlines and financial impacts of the Welsh Local Government Provisional Settlement
- » Updated on risks to the additional budget requirement for 2023/24 and work to be concluded
- » Updated on the work on the range of budget solutions available to set a legal and balanced budget



# Changes to the Additional Budget Requirement 2023/24



# Pay Awards 2023/24

- » Welsh Government have confirmed that the full costs of future pay awards (teacher and non-teacher) will need to be met from within the Council's funding allocation
- » Pay inflation of 3.5% has previously been included in the budget requirement
- » Pay assumptions revised to 5% for both teachers and non-teachers which increases budget requirement by £2.438m
- » Risk remains that national pay negotiations could conclude at a higher level but is a more prudent and realistic assumption

# Homelessness Demand

- » Continuation of high and increasing demand for temporary accommodation to meet statutory obligations
- » In 2022/23 temporary funding has been available to offset additional costs
- » The Council has recently received confirmation of the continuation of some specific grants into 2023/24
- » However this funding is insufficient to meet the estimated impacts of recent increasing demand
- » Therefore an additional pressure of £1m has been included in the budget requirement

# School Transport

- » Emerging transport pressures relating to increased costs in the provision of additional key service routes for Additional Learning Needs (ALN) and Pupil Referral Units (PRU)
- » Due to a number of factors, re-procurement, additional statutory provision and increased contractor costs
- » Detailed review of current demand and increased costs for 2023/24 has resulted in a significant additional budget pressure of £0.851m

# Streetscene & Transportation – Additional Cost Pressures

- » Reduced levels of income from recharges to town and community councils (£0.075m)
- » Additional costs for security of Household recycling sites (£0.100m)
- » Additional Costs for weed spraying and public conveniences (£0.050m)
- » Additional costs of public events (£0.025m)
- » These cost pressures add an additional £0.250m to the budget requirement

# Aura Leisure and Libraries

- » Previous budget requirement included an estimated recurring amount of £1.050m as an additional contribution for pressures including income shortfalls and above inflationary increases for pay and energy
- » Further work has been undertaken and now reflects a recurring amount of £0.670m
- » Time limited pressures of £0.380m can be claimed from the Councils Emergency Reserve in the same way as the current financial year.
- » The budget requirement has been reduced by £0.380m to reflect this adjustment

# Other Changes to Pressures

- » Corporate Joint Committees (CJC) – final funding requirements confirmed for this statutory levy - increases the budget requirement by £0.090m
- » Out of county placements budget increased by a further £0.500m based on current caseload (overall £1m)
- » Social Care Commissioning – further work on modelling has led to a reduction of £0.476m (Pressure reduced from £7.877m to £7.401m)
- » Other minor changes North Wales Fire and Rescue Authority confirmed at 9.9%, reduced contribution to GwE, removal of Land Gas Income Pressure and reduction of pressure for capital borrowing costs (£0.153m)

# Additional Budget Requirement 2023/24

Requirement as at January	£m
<b>Additional Budget Requirement as reported in January</b>	<b>32.978</b>
<b>Additional Pressures:</b>	
Additional Funding for Pay Awards	2.438
Homelessness	1.000
Corporate Joint Committee	0.090
School Transport	0.851
Out of County Placements	0.500
Streetscene Pressures	0.250
Aura Leisure and Libraries	(0.380)
Social Care Commissioning	(0.476)
Other Minor Changes	(0.153)
<b>Total Revised Budget Requirement</b>	<b>37.098</b>



# Budget Solutions 2023/24



# Bridging the Additional Budget Requirement (1)

- » Provisional Settlement – cash uplift of 8.4% (£19.568m)
- » Portfolio and Corporate Cost Reductions (£4.073m)
  - » All Greens included with some Amber proposals deemed deliverable at this stage
  - » Comprises of £2.181m budget reductions and £1.892m reduction of cost pressures previously included
- » Corporate Financing – Employers NI (£2.082m)
  - » Comprises £0.751m adjustment to previous pay inflation included and £1.331m removal of base budget

## Bridging the Additional Budget Requirement (2)

- » Corporate Financing – Actuarial Review (£2.650m)
- » Triennial review of the Clwyd Pensions Fund determines employers contributions for next three years
- » As at 31 March 2022 we were 104% funded providing a significant positive benefit over the three years
- » Taking into account affordability and sustainability it is recommended £2.650m is included in 2023/24 from the total figure enabling further efficiencies to be built into the MTFS in 2024/25 and 2025/26

## Bridging the Additional Budget Requirement (3)

- » Schools' Budget – Cost Reductions
- » Scale of financial challenge for 2023/24 has required all portfolios to make cost reductions.
- » Schools' Budget is the largest in the Council and a 3% reduction on delegated school budgets is required which provides a contribution of £3.103m
- » Levels of school reserves increased again at 31<sup>st</sup> March 2022 due to additional grants from Welsh Government to assist schools in managing effects of the pandemic on learners. Grants continued in 2022/23, and WG have indicated some grants will continue into future years.

## Bridging the Additional Budget Requirement (4)

- » Council Tax (£5.622m)
- » 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)
- » Overall uplift of 4.95% which provides an 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)

# Summary of Proposed Solutions

Summary of Proposed Solutions	£m
Revised Budget Requirement	37.098
Less:-	
Provisional Settlement Uplift	(19.568)
Portfolio Efficiencies	(4.073)
Reversal of National Insurance Increase	(2.082)
Actuarial Valuation	(2.650)
School Budgets (3%)	(3.103)
Council Tax (4.95%)	(5.622)
<b>Remainder to be found</b>	<b>0</b>



# Council Tax 2023/24





# Council Tax

- » Council has previously set a clear direction to keep the increase in Council Tax to below 5%
- » Budget proposals include an overall increase of 4.95% to meet the Council's additional budget requirement
- » This comprises 3.99% for Council budgets and 0.96% as regional contributions to the North Wales Fire and Rescue Authority, Regional Education Consortium (GwE) and the Coroners Service.
- » Precepts for Police and Crime Commissioner and Town and Community Councils are separate to the above

# Band D Charges – Annual, Monthly, Weekly

Band D Charge	2023/24 £	Annual Difference £	Monthly Difference £	Weekly Difference £
Flintshire County Council	1,521.33	71.75	5.98	1.38
North Wales Police & Crime Commissioner	333.09	16.29	1.36	0.31
Town & Community Councils	51.98	2.96	0.25	0.06
<b>Total Band D Charge</b>	<b>1,906.40</b>	<b>91.00</b>	<b>7.59</b>	<b>1.75</b>

# Analysis of Band D Charges

Band D Charge	2023/24 £	2022/23 £	Difference £	Difference %
Flintshire County Council	1,521.33	1,449.58	71.75	4.95
North Wales Police & Crime Commissioner	333.09	316.80	16.29	5.14
Town & Community Councils	51.98	49.02	2.96	6.04
Total Band D Charge	1,906.40	1,815.40	91.00	5.01

# Analysis of Band D Charges

	Charge £	Increase %
Flintshire's Band D Charge	1,521	4.95
Wales Average	1,548	5.50
Difference	-27	-0.55
Comparative English Council Average	1,746	4.99
Difference	-225	-0.04



# Schools and Social Care Budgets



# Schools' Budget 2023/24 (1)

» Net uplift for Schools' Budget of £5.761m (5.3%) which includes:

<b>Pressures / Cost Reductions</b>	<b>£m</b>
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)
<b>Total School Pressures &amp; Cost Reductions 2023/24</b>	<b>5.761</b>

# Schools' Budget 2023/24 (2)

- » Welsh Government received an education consequential of £117m a year in the Autumn Statement.
- » £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.
- » Council's share of £107m education consequential funding estimated at 4.97% = £5.313m.
- » School's budget increase of £5.761m is therefore, £0.448m above the additional funding.

# Social Care Funding 2023/24

- » Net uplift for Social Care of £11.5m (12.8%) which includes funding for:
  - » Increases in demand for Out of County Placements
  - » Transition to Adulthood
  - » Social Care commissioning costs
  - » Increased demand and support for Adults and Children's Services
  - » Special Guardianship Orders
  - » Net of Portfolio Cost Reductions
  - » Net of reductions for Employers National Insurance and share of the Clwyd Pension Fund Actuarial Review

# Open Risks



## Open Risks in 2023/24 (1)

- » Potential Annual Pay Awards negotiated higher for 2023/24 and impact of any in year pay modelling
- » Outcome of work assessing impact of Supreme Court Judgement – Harpur Trust and Brazel
- » Further increases in demand for Out of County Placements
- » Further increases in demand for Homelessness

## Open Risks in 2023/24 (2)

- » Emerging Risk – Ukraine resettlement and ongoing funding support from Welsh Government
- » Waste Recycling – Infraction Charges for 2022/23 and 2023/24
- » Ongoing Inflationary Impact on Energy and other Costs across all Services
- » Confirmation of Specific Grants

# Reserves



# Un-Earmarked Reserves

- » Contingency Reserve estimate of £6.464m available (over the base reserve of £5.769m).
- » Base level is “last line of defence” and has not been increased for some time.
- » A balance of £3.722m is remaining in the Emergency Fund which was set aside to meet the continuing costs of the emergency. This is estimated to be £3.1m at the end of this financial year.
- » Contingency reserve needs to remain to fund any known and other unforeseen risks and variations in 2023/24.
- » Important to retain and build reserves to safeguard against open risks and for the medium term in the light of the reduced settlements in 2024/25 and 2025/26.



# Earmarked Reserves

- » Set aside for specific purposes
- » Regularly reviewed and reported as part of the budget monitoring process under our Reserves and Balances Protocol
- » Appendix 7 of the report lists the reserves to be retained for known future commitments or to mitigate known risks
- » They will be kept under review as part of Medium Term Financial Strategy (MTFS) planning
- » We have one of the lowest reserve levels in Wales (source: Audit Wales)



# Formal Advice on Reserves

- » Section 25 of the LGA 2003 places a specific duty on the CFO to formally advise Council when considering its budget
- » There are some significant open risks before the Council as we enter 2023/24 and the future is very uncertain due to the current economic situation and ongoing impacts of the emergency
- » Reserves can only be used once and cannot support the recurring costs of services year on year
- » We used £6.9m of reserves to balance budgets between 2017/18 and 2019/20 and ended this unsustainable practice in 2020/21 – essential that this continues in view of reduced settlements from 2024/25
- » Recommend that the Council maintains its base level of reserves and safeguards the Contingency Reserve and Emergency Reserve - this will allow the budget to continue to be set on a recurrent and sustainable basis

# Professional Opinions and Concluding Remarks

# Professional Opinions

## **Section 151 Officer/Corporate Finance Manager:**

Setting a budget whilst the Council continues to meet the challenges of the recovery from a national emergency continues to be difficult. This together with the ongoing economic volatility has posed significant financial challenges which will continue; the budget also includes some significant open risks around pay, homelessness, and ongoing funding of Ukraine resettlement together with pressures and demands across all services; The outlook for future years is particularly concerning and we need to start planning immediately to meet the challenges arising from indicative funding settlements; it is essential to protect the Contingency and Emergency Reserves to safeguard against these risks; the recommended budget represents a balanced risk based approach within resources available

# Professional Opinions

## Chief Executive:

The budget has been built-up according to our adopted budget-setting model; we have taken a prudent and balanced approach as required by law and the principles of good governance; the Council accepts that there are no new cost reductions or efficiencies of scale; Council, as advised by Cabinet and the five Overview and Scrutiny Committees, has concurred with this advice

# Conclusions

- » The Council is able to set a legal and balanced budget today based on the recommendations of Cabinet and the advice of officers
- » We have been successful in protecting all services at a safe level whilst meeting known cost pressures and protecting our priorities e.g. schools and social care
- » The recommended Council Tax increase allows us to balance additional responsibilities with risk whilst remaining focussed on the medium term
- » The overall increase of 4.95% means that the overall Band D charges for Flintshire is expected to be lower than the welsh average
- » We should not draw upon reserves to fund recurring expenditure as it is unsustainable

# Looking Forward

# Medium Term Forecast

<b>Minimum Budget Requirement</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Pay Inflation	7.084	7.441
Non Pay Inflation	0.776	0.769
Social Care	6.751	5.656
Other Known Costs Pressures	2.376	1.893
<b>Totals</b>	<b>16.987</b>	<b>15.759</b>

# Professional Advice – The Future

- » Welsh Government have included an indicative All Wales revenue allocation for 2024/25
- » This equates to 3.1% in 2024/25
- » This is at a considerably lower than this and previous years settlements
- » We will need to consider further service change and efficiencies over the medium term as inflationary and service demand will inevitably exceed the resources available.
- » Early planning for 2024/25 - 2025/26 is essential and underway

# Next Steps and Timelines

- » **Today:** Final budget setting decision including final agreement on the level of Council Tax and passing of the Council Tax Resolution
- » **1<sup>st</sup> March:** Announcement of the Final Welsh Local Government Settlement
- » **Future dates:** the budget announcements of the UK Government and the Chancellor of Exchequer

# Recommendations for Cabinet

1. Note and approve the revised budget requirement
2. Approve the final proposals for cost reductions which will contribute to the budget
3. Recommend to Council a legal and balanced budget
4. Note the 'open risks' which remain to be managed
5. Recommend to Council an annual increase in Council Tax for 2023/24 of 3.99% for Council Services and 0.96% for contributions to Regional Partners (overall 4.95% uplift)
6. Invite Council to pass the formal Council Tax Resolution
7. Note the medium-term forecast



# Recommendations for Council

1. To approve a legal and balanced budget on the recommendation of Cabinet
2. To approve the level of Council Tax for 2023/24