

## CABINET

<b>Date of Meeting</b>	Tuesday 19 <sup>th</sup> September 2023
<b>Report Subject</b>	Medium Term Financial Strategy and Budget 2024/25
<b>Cabinet Member</b>	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

This report provides an update on the Council's revenue budget position for the 2024/25 financial year in advance of consideration by relevant Overview and Scrutiny meetings.

In July, Cabinet and Corporate Resources Overview and Scrutiny Committee were advised of an additional budget requirement for the 2024/25 financial year of £32.222m.

This position included the impact of the latest national offer on pay awards, continuing high inflation and increases to service demands. The report also included details of some ongoing risks that could still change the budget requirement.

Budget workshops were held on the afternoon and evening of 31 July 2023 to allow members the opportunity to request any further detail on the overall budget position and timeline for formal budget setting.

The latest budget position for 2024/25 is reflected in this report including an update on the work undertaken by Portfolios over the Summer.

The Council still has a major challenge to identify solutions that will enable it to agree a legal and balanced budget by March next year which it needs to address with urgency.

## RECOMMENDATIONS

1	To receive and note the revised additional budget requirement for the 2024/25 financial year and refer to the relevant Overview and Scrutiny Committees.
2	To note the ongoing work on budget solutions that will need to be urgently considered to enable the Council to set a legal and balanced budget in February 2024.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MEDIUM-TERM FINANCIAL STRATEGY AND BUDGET 2024/25</b>																		
1.01	This report provides an update on the Council's revenue budget position for the 2024/25 financial year in advance of consideration by relevant Overview and Scrutiny meetings.																		
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	<b>THE REVISED ADDITIONAL BUDGET REQUIREMENT</b>																		
1.05	<p>Since July there have been some changes to the additional budget requirement, and these are set out in the table below:</p> <p><b><u>Table 1: Changes to the Additional Budget Requirement 2024/25</u></b></p> <table border="1"> <thead> <tr> <th></th> <th>£m</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td><b>July Cabinet Report</b></td> <td><b>32.222</b></td> <td></td> </tr> <tr> <td><b>Increases to Pressures:</b></td> <td></td> <td></td> </tr> <tr> <td>Business Systems inflationary increase (1)</td> <td>0.039</td> <td>(1)</td> </tr> <tr> <td>Reprofile of Mayrise System replacement</td> <td>0.075</td> <td>(2)</td> </tr> <tr> <td><b>New Pressures</b></td> <td><b>0.050</b></td> <td><b>(3)</b></td> </tr> </tbody> </table>		£m	Note	<b>July Cabinet Report</b>	<b>32.222</b>		<b>Increases to Pressures:</b>			Business Systems inflationary increase (1)	0.039	(1)	Reprofile of Mayrise System replacement	0.075	(2)	<b>New Pressures</b>	<b>0.050</b>	<b>(3)</b>
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	<p>School Health and Safety Monitoring Officer</p> <table border="1" data-bbox="320 208 1394 241"> <tr> <td data-bbox="320 208 1145 241"><b>Revised Additional Budget Requirement</b></td> <td data-bbox="1145 208 1394 241"><b>32.386</b></td> </tr> </table> <p>Note:</p> <ol style="list-style-type: none"> <li>1. Further inflationary increases on business systems have been identified which increases the overall pressure to £0.075m.</li> <li>2. A further update on the timing of the replacement of the Mayrise System has brought forward the pressure from 2025/26 to 2024/25.</li> <li>3. The post is related to the increasing demand generally from schools for health and safety advice and particularly related to the increased rigour from Estyn and more recommendations about Health and Safety matters.</li> </ol>	<b>Revised Additional Budget Requirement</b>	<b>32.386</b>
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1.06	<p><b><u>ONGOING RISKS</u></b></p> <p>The July report included a number of ongoing risks, and an update is provided below (para 1.07 to 1.14) for those that still remain and which may change the additional budget forecast requirement further.</p>		
1.07	<p><b><u>Pay Awards</u></b></p> <p><u>Impact of National Pay Awards</u></p> <p>National Pay awards have still not been agreed; the latest offer for NJC (Green Book) employees has been rejected and Trade Union Members have been balloted for potential industrial action.</p> <p>Assumptions for teachers pay are in line with current awards communicated by the Minister for Education and Welsh Language. These have not been accepted by all teaching unions and a formal dispute is still ongoing.</p> <p>Whilst the impact of the current offers are included in the forecast, any increase to these will add to the amount that will need to be found for 2024/25.</p> <p><u>Pay Modelling</u></p> <p>No figures are currently included for any impact of the pay modelling review which has commenced to address the difficulties currently being experienced in recruitment and retention. The review is due to be completed later this year.</p>		
1.08	<p><b><u>Homelessness</u></b></p> <p>The homelessness service is continuing to see increasing numbers presenting for support and the projected overspend in the current financial year has increased to £2.4m over the summer and there is a significant risk of this increasing further by the end of the financial year. An additional amount of £2m is currently included in the forecast so will need to be kept under close review.</p>		

1.09	<p><b>Social Care</b></p> <p>A number of risks remain within the service such as on-going recruitment and retention challenges, new statutory responsibilities and the impact of inflationary increases as well as match funding for projects such as the Regional Integration Fund (RIF).</p> <p>On-going support from existing grants is an area on which the service depends, so the continuation of these is critical. Any reduction would clearly present a risk to service delivery.</p>
1.10	<p><b>Streetscene and Transportation</b></p> <p>The review of the Waste Strategy is likely to impact on future costs of the service in relation to the ongoing risk of potential infraction fines for failing to achieve Welsh Governments statutory recycling targets in 2022-2023 (estimated to be in the region of £470k).</p> <p>The risk that the Sustainable Waste Management Grant may be ceased or reduced is still a concern. This is a revenue grant of £0.742m provided by Welsh Government to support the provision of re-use and recycling services, as well as preventing waste. Any reduction of this grant from the current level could impact on further revisions to the forecast.</p> <p>The funding arrangements for the Bus Emergency Scheme and the Bus Transition Fund is still unknown beyond March 2024 so will need to be kept under close review.</p>
1.11	<p><b>Education and Youth</b></p> <p>As previously reported, an increase in the cost of employer teachers' pension contributions is anticipated from April 2024 this could be significant.</p> <p>There are no specific indications of the likely scale of the increase at this stage, although it is expected that it will be fully funded by UK Government.</p> <p>Increases in demand and complexity for Additional Learning Needs, Specialist Provision and Education Other Than At School (EOTAS) is currently being funded by additional Welsh Government grant. There are a number of risks relating to the continuation of grant funding into 2024/25 which will need to be kept under review.</p> <p>Further work is being undertaken on demography and the impact of any changes on revenue costs due to the school modernisation programme.</p>
1.12	<p><b>Out of County Placements</b></p> <p>The position on Out of County placements remains an ongoing risk and the projected overspend in the current financial year is now more than £1m. An amount of £0.500m is included in the current forecast which will need to be kept under review throughout the budget process.</p>

1.13	<p><b>Utility Costs</b></p> <p>Utility costs remain a risk; significant additional funding had to be added to the 2023/24 budget. At this stage we do not anticipate any further increase for 2024/25, but this will be monitored closely throughout the year in line with intelligence from the market and our current energy providers.</p>														
1.14	<p><b>External Partners</b></p> <p>Our external partners are also subject to the same cost pressures on pay and inflation which will present them with similar challenges to the Council. There is a risk and likelihood that additional contributions will be sought from the Council which will need to be considered in line with overall affordability.</p>														
	<p><b>Funding Solutions</b></p>														
1.15	<p>Over the summer all Portfolios have undertaken a review of the following areas:</p> <ul style="list-style-type: none"> <li>• Impact of reducing/removing cost pressures</li> <li>• Review of proposals not taken forward in 2023/24 and any new proposals for 24/25</li> <li>• Review of the 2022/23 Outturn</li> <li>• Review of Earmarked Reserves</li> </ul> <p>The outcome of this work is detailed in paras 1.16 – 1.19.</p>														
1.16	<p><u>Review of Existing Cost Pressures</u></p> <p>A further review of all cost pressures included in the forecast has been undertaken across all services. This has identified the following changes:</p> <p><b><u>Table 2: Pressures to be removed/reduced</u></b></p> <table border="1" data-bbox="320 1384 1236 2085"> <thead> <tr> <th data-bbox="320 1384 895 1429">Pressure</th> <th data-bbox="895 1384 1236 1429">Amount (£m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1429 895 1462"><b>Social Care Pressures:</b></td> <td data-bbox="895 1429 1236 1462"></td> </tr> <tr> <td data-bbox="320 1462 895 1608">Reduction of Homecare Pressure due to current underspend</td> <td data-bbox="895 1462 1236 1608">0.050</td> </tr> <tr> <td data-bbox="320 1608 895 1794">Reduction in North East Wales Community Equipment Service (NEWCES) Inflationary Pressure – partially offset by grant</td> <td data-bbox="895 1608 1236 1794">0.050</td> </tr> <tr> <td data-bbox="320 1794 895 1906">Special Guardianship Order Pressure – to be met from existing budget.</td> <td data-bbox="895 1794 1236 1906">0.050</td> </tr> <tr> <td data-bbox="320 1906 895 2018">Deferral of Regional Collaboration Team Pressure</td> <td data-bbox="895 1906 1236 2018">0.050</td> </tr> <tr> <td data-bbox="320 2018 895 2085"><b>Housing and Community Pressures:</b></td> <td data-bbox="895 2018 1236 2085"></td> </tr> </tbody> </table>	Pressure	Amount (£m)	<b>Social Care Pressures:</b>		Reduction of Homecare Pressure due to current underspend	0.050	Reduction in North East Wales Community Equipment Service (NEWCES) Inflationary Pressure – partially offset by grant	0.050	Special Guardianship Order Pressure – to be met from existing budget.	0.050	Deferral of Regional Collaboration Team Pressure	0.050	<b>Housing and Community Pressures:</b>	
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1.17	<p><u>Review of Outturn 2022/23</u></p> <p>The Final Outturn for 2022/23 was a net underspend of £3.013m (excluding the impact of the pay award which was met from reserves).</p> <p>A significant proportion of the underspend was within central and corporate due to one-off NDR revaluations and temporary reductions in borrowing compounded by increased investment income.</p> <p>A review of the outturn position for 2022/23 has been undertaken to assess any opportunities for recurring cost reductions and an amount of £0.150m has been identified as detailed below:</p> <p><b><u>Table 3: Review of Outturn</u></b></p> <table border="1"> <thead> <tr> <th>Budget Change</th> <th>Amount (£m)</th> </tr> </thead> <tbody> <tr> <td><b>Planning Economy and Environment:</b></td> <td></td> </tr> <tr> <td>Increase to Income budget for planning fee application</td> <td>0.100</td> </tr> <tr> <td><b>Social Care:</b></td> <td></td> </tr> <tr> <td>Increase to Income budget Older People Commissioning</td> <td>0.050</td> </tr> <tr> <td><b>Total from Review of Outturn</b></td> <td><b>0.150</b></td> </tr> </tbody> </table>	Budget Change	Amount (£m)	<b>Planning Economy and Environment:</b>		Increase to Income budget for planning fee application	0.100	<b>Social Care:</b>		Increase to Income budget Older People Commissioning	0.050	<b>Total from Review of Outturn</b>	<b>0.150</b>
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1.18	<p><u>Revisiting of 2023/24 options not included</u></p> <p>Options totalling £6.625m were identified for consideration during budget setting for 2023/24 and were given a risk status (Red/Amber/Green)</p> <p>Options totalling £4.073m were taken forward and included in the final approved budget for 2023/24.</p> <p>All portfolios have reviewed the proposals not taken forward (£2.552m) which has resulted in £0.445m being brought forward for consideration in 2024/25.</p> <p>Further additional options for 2024/25 of £1.321m have also been identified bringing the total amount of proposals for consideration to £1.766m.</p>												

**Table 4: Options to be considered**

<b>Portfolio</b>	<b>Amount (£m)</b>
<b>Education &amp; Youth:</b>	
• Review of Youth Services	0.100
<b>Social Care</b>	
• Welsh Government Grants	0.050
• Newydd Cleaning Contract	0.100
<b>Streetscene and Transportation</b>	
• Part time opening of Household Waste Recycling Centres (HWRC)	0.150
• Garden Waste collections	0.025
• Review/Reduce Service Standards	0.025
• Food Waste Bag charges	0.010
• Review/Reduce Service Standards – Cemetery Maintenance	0.025
• Review of School Transport routes	0.035
• Introduce Night working	0.025
• Cleansing Standards/Zero tolerance - Littering	0.030
• Charge for Compost material at HWRC sites	0.010
• In house services e.g. weed spraying, traffic management	0.010
• Increased charging for Car Parking including changes to permit schemes	0.050
• Full Cost Recovery for supporting community events	0.010
<b>Assets</b>	
• Stonewall subscription	0.003
• Rent Review of commercial estate	0.104
• Valuation and Estates - restructure	0.010
• Reduction in Third Sector funding	0.028
• Social Value	0.048
• Strategy Office restructure	0.072
<b>Governance</b>	
• Revenues – Discretionary Rate relief	0.004
• Revenues – Cash in Transit	0.012
• Revenues – Single Person Discount Review	0.150
• Procurement – Reduction in contribution	0.009
• Internal Audit – Vacant Post	0.049
• IT – Reduction in Equipment requirements	0.018
• IT – Mobile Phone contract	0.094
• Connects – Reduction in budget	0.010

	<b>Corporate Finance</b>	
	• Central Loans and Investment Account	0.500
	<b>Total options to be considered</b>	<b>1.766</b>
	<p>Further work on understanding the risks associated with the above proposals will be undertaken prior to them being considered by Overview and Scrutiny Committees.</p> <p>There are a number of further options being considered and work on these is ongoing.</p>	
1.19	<p><u>Review of Reserves and Balances</u></p> <p>A detailed review of all earmarked reserves has been undertaken and the overall position is due to be concluded by the end of September. The outcome of this work will be reported as part of the month 5 revenue monitoring report.</p> <p>Whilst this is not a solution that can be used on a recurring basis, any earmarked reserve that can be released will increase the amount available within the contingency reserve.</p>	
1.20	<p><u>Fees and Charges</u></p> <p>The Council has adopted a comprehensive policy for fees and charges for chargeable services. The annual review was approved by Cabinet in July and will contribute £0.310m to the 2024/25 budget.</p>	
1.21	<p><u>Actuarial Review</u></p> <p>As part of the triennial review of the Clwyd Pension Scheme an indicative figure of £2m was identified for 2024/25 (2<sup>nd</sup> year of 3) as a potential reduction in employer pension contributions for 2024/25.</p>	
1.22	<p><u>Aggregate External Finance (AEF)</u></p> <p>The 2023/24 Welsh Local Government settlement provided an updated indicative figure for 2024/25 of 3.1% which equates to an uplift of around £7.8m for the Council.</p> <p>Although the indicative allocation was welcome, it is at a significantly lower level than previous years so will present major challenges and will increase the requirement for budget contributions from other sources.</p>	
1.23	<p><u>Local Taxation</u></p> <p>It is too early to make an assumption on council tax levels for 2024/25 as this will be largely dependent on how successful the Council is in identifying portfolio and corporate efficiencies. As in previous years council tax levels will be a key consideration in the final stage of the budget process.</p>	



If there was a similar increase in Council Tax as in 2023/24 this would provide an additional £5.6m.

1.24

**Table 5 : Summary of Revised Overall Position**

	£m	£m
<b>Additional Budget Requirement 2024/25</b>		<b>32.386</b>
<b>Budget Solutions</b>		
Increase in AEF 3.1%	7.800	
Council Tax (Indicative figure only 5%)	5.600	
Review of Pressures	0.718	
Review of Outturn	0.150	
Efficiencies/Review of RAGs	1.766	
Fees and Charges Review	0.310	
Actuarial Review (year 2 of 3)	2.000	
<b>Total Solutions</b>		<b>18.344</b>
<b>Remaining Gap</b>		<b>14.042</b>

1.25

**Summary and Conclusions**

The Council clearly has a major budget challenge for the financial year 2024/25 if there is no movement in the indicative uplift in the settlement of 3.1% from Welsh Government. This is significantly below the level required to meet current service demand and inflationary impacts – most of which are outside of the Council’s control.

We will continue to make representations for a better settlement alongside all Welsh Councils through the Welsh Local Government Association (WLGA), although it does appear clear that Welsh Government also have a challenging budget situation which they are grappling with, and which means that an improved increased settlement figure cannot be assumed.

At this stage the amount remaining to be found to reach a legal and balanced budget is £14.042m and the Council will need to urgently consider further cost reductions of significant scale to bridge that gap as a matter of priority.

There is a need for a radical and strategic programme of service transformation to ensure that the Council is developing cost reductions over the medium term in order to protect its ongoing future financial position and ensure it is further prepared for inevitable future budget challenges.

The cost pressures and cost reductions identified to date will now be considered by relevant overview and scrutiny committees and a second budget workshop is being scheduled for 5 October which is open to all members.

Regular updates will be provided to members throughout the budget process in conjunction with the budget timeline detailed in the report.

1.26	<b>Table 2: Budget Timeline</b>																		
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p><b>Revenue:</b> the revenue implications for the 2024/25 budget are set out in the report.</p> <p><b>Capital:</b> the borrowing needs for the capital programme are built into the revenue estimates for 2024/25.</p>

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>				
3.01	<p><b>Ways of Working (Sustainable Development) Principles Impact</b></p> <table border="1"> <tbody> <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 positive and sustainable position for the Council in the longer term.</td> </tr> <tr> <td>Prevention</td> <td>As above</td> </tr> </tbody> </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 positive and sustainable position for the Council in the longer term.	Prevention	As above
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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 encourage 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.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	Consultation has taken place with Portfolio Management Teams and the Chief Officer Team, the Finance Team, Cabinet Members, Group Leaders and Scrutiny Committees. Further consultation will be undertaken through Member briefings and specific Scrutiny meetings during the Autumn.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None to this report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Cabinet Report 18 July 2023

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Gary Ferguson Corporate Finance Manager <b>Telephone:</b> 01352 702271 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Medium Term Financial Strategy (MTFS):</b> 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><b>Revenue:</b> 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> <p><b>Capital:</b> Expenditure on the acquisition of <b>non-current assets</b> or expenditure which extends the useful life of an existing asset.</p> <p><b>Budget:</b> 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><b>Revenue Support Grant:</b> 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</p>

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.

**External Partners:** Organisations outside of the Council that we work alongside to deliver services.