

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 12 th October 2023
Report Subject	Budget 2024/25 – Stage 2
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value & Procurement
Report Author	Corporate Finance Manager, Chief Officer (Governance) and Senior Manager HR& OD
Type of Report	Strategic

EXECUTIVE SUMMARY

As in past years, the budget for 2024/25 will be built up in stages.

The first stage has been concluded by the establishment of a robust baseline of cost pressures together with Member workshops to ensure Members had a full understanding of service budgets including current cost pressures and risks.

In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2024/25, which showed that we had a minimum additional revenue budget requirement estimated at £32.386m.

The report also provided an update on the work undertaken by portfolios over the Summer to review pressures, the outturn position and to consider further proposals for efficiencies to be considered as part of strategy to balance the budget.

The review by Overview and Scrutiny Committees throughout October and November of budget pressures and proposed efficiency options will form Stage 2 of the budget setting process, alongside the receipt of the Welsh Local Government Provisional Settlement on 20th December - Stage 3 will be the identification of the full set of budget solutions required to ensure a legal and balanced budget is set.

A further meeting of the Corporate Resources Overview and Scrutiny Committee (open to all members) will be held on 16th November 2023 which will summarise the work undertaken so far to meet the budget gap.

The details of the cost pressures and proposed efficiency options for Corporate Services which fall within the remit of this Committee are included within this report. The Committee is invited to review and comment on these cost pressures, proposed efficiencies, and associated risks.

The Committee is also invited to advise on any additional areas of cost efficiency it believes should be explored further and the reasoning behind the request.

A slide presentation will be made at the meeting.

RECOMMENDATIONS

1	Review and comment on the Corporate Services cost pressures.
2	Review and comment on the Corporate Services options to reduce budgets.
3	Review and comment on the Governance Portfolio's cost pressures.
4	Review and comment on the Governance Portfolio's options to reduce budgets.
5	Review and comment on the Asset Portfolio's options to reduce budgets
6	To advise on any areas of cost efficiency it believes should be explored further.

REPORT DETAILS

1.00	EXPLAINING THE BUDGET POSITION 2024/25
1.01	The first stage for budget setting was concluded in September where we established a robust baseline of cost pressures. The review by Overview and Scrutiny Committees throughout October and November of these cost pressures and proposed efficiency options will form part of stage 2 with stage 3 being the identification of the full set of budget solutions required to ensure a legal and balanced budget is set.
1.02	In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2024/25, which showed that we had a minimum additional revenue budget requirement estimated at £32.386m. The report also provided an update on the work undertaken by portfolios over the Summer to review pressures, the outturn position and to consider further proposals for efficiencies to be considered as part of strategy to balance the budget.
1.03	The purpose of this report is to set out in detail the cost pressures and proposed efficiency options for the Corporate Services and the Governance portfolio, for consideration by the members of this Committee. Given the scale of the potential budget gap all services have been tasked with generating options to manage their service with a reduced budget. These options are included in the report for consideration by members of this Committee.

1.04 **Corporate Services – Cost pressures and proposals for budget reductions**

These are set out in the paragraphs which follow.

1.05 **Table 1: Corporate Services – Cost Pressures**

Cost Pressure Title	£m	Note
Prior Year Decision		
Minimum Revenue Provision (MRP)	0.300	1.
21 C Schools Band B Borrowing Costs	0.738	2.
Legislative/Unavoidable Indexation Pressures		
Fee Increases Coroners Service	0.031	3.
Independent Review Panel for Wales (IRPW)	0.084	4.
North Wales Fire and Rescue Authority	1.341	5.
Apprentice Tax Levy	0.070	6.
CJC / Growth Deal Inflation	0.017	7.
ADM's/CAT's Service Contract Inflation	0.365	8.
ADM's/CAT's Other Pressures	0.056	9.
National Funding Requirement		
NJC Pay Award Estimate (Non Schools) 2023/24	1.694	10.
NJC Pay Award Estimate (Non Schools)	4.767	11.
Other Corporate Pressures		
Capital Borrowing Costs 2022/23	0.056	12.
Joint Archive Service Borrowing Costs	0.018	13.
Croes Atti Residential Care Home Borrowing Costs	0.161	14.
Levelling Up Fund (Match Funding)	0.050	15.
ADM Resource	0.024	16.
Audit Fees	0.040	17.
Bank Charges	0.070	18.
Total Cost Pressures	9.882	

Notes:

- 1. Minimum Revenue Provision (MRP) £0.300m**
Annual inflationary uplift in line with the approved policy.
- 2. 21st Century (21C) Schools and Band B Borrowing Costs £0.738m**
Projected interest and repayment (using the minimum revenue provision policy approved by Council) of the prudential borrowing required for each capital scheme. This includes the annual service charge for the MIM project.
- 3. Fee Increase Coroners Service £0.031m**
Projected Inflationary Uplift on Fees and Salaries for the Coroners Service.
- 4. Independent Review Panel for Wales (IRPW) £0.084m**
Projected Inflationary Uplift on Members Allowances

5. North Wales Fire and Rescue Authority £1.341m

The pressure is for the projected inflationary increase on the North Wales Fire and Rescue Authority Levy.

6. Apprentice Tax Levy £0.070m

The Apprentice Tax Levy is a UK Tax on employers which is 0.5% of payroll costs. Over the last few years increases from National Pay Awards have increased payroll costs and this has subsequently increased the amount that the Council needs to pay which has led to a budget pressure.

7. Corporate Joint Committee (CJC)/Growth Deal Inflation £0.017m

Projected annual inflationary impact on CJC and Growth Deal.

8. ADM's/CAT's Service Contract Inflation £0.365m

Inflationary provision set aside for ADM's and CATs as part of agreements in place.

9. ADM's/CAT's Other Pressures £0.056m

Pressure in respect of additional costs anticipated for legal work on extension and renewal of ADM contracts. 50% is one off funding.

10. NJC Pay Award Estimate Non Schools 2023/24 £1.694m

Pay negotiations are ongoing however the current pay offer is an increase on each scale point of £1,925. This is in excess of the 5% set within the 2023/24 budget and will need to be met from reserves in the current financial year. This will need to be built into the base in 2024/25 as a recurring amount. It should be noted that this has not yet been agreed by all Trade Unions and therefore remains a risk.

11. NJC Pay Award Estimate Non Schools 2024/25 £4.767m

Estimated pay inflation of 5% has been included in the forecast for 2024/25.

12. Capital Borrowing Costs £0.056m

Estimated revenue costs of borrowing for the relocation of the current Tri-ffordd day service provision to an integrated learning disability centre in Maes Gwern. This is net of external funding for the project.

13. Joint Archive Service Borrowing Costs £0.018m

The scheme recognises and responds to the need and demand of the two Councils archive services. Both services occupy old buildings, unfit for purpose. They lack suitable public spaces and appropriate storage, are too full to accept new collections and are listed buildings lacking scope for adaptation, requiring expensive maintenance. The proposal is to construct a new building adjacent to Theatr Clwyd, Mold, to house both the physical archives and the new service operations.

14. Croes Atti Residential Care Home Borrowing Costs £0.161m

Estimated revenue costs of borrowing for the relocation of the current Croes Atti Residential Care Home, net of all external funding for the project.

	<p>15. Levelling Up Fund (Match Funding) £0.050m Estimated revenue costs of borrowing for the match funding of the LUF bids, which may be required for works to be carried out at some bid locations.</p> <p>16. Alternative Delivery Model (ADM) Resource £0.024m A new fixed term post to support ADM's and reflects the estimated number of staff hours required to support the additional workload demand.</p> <p>17. Audit Fees Increase £0.040m Estimated inflationary increase for Audit Wales Annual Fees (Performance Fee, Audit Fee and Grants Audit).</p> <p>18. Bank Charges £0.070m Inflationary increase for Bank Charges, where the charges have steadily been increasing over the previous financial years due to increased numbers and value of charges received.</p>																
1.06	<p><u>Table 2: Corporate Services – Budget Reductions</u></p> <table border="1" data-bbox="288 853 1423 1115"> <thead> <tr> <th data-bbox="288 853 963 927">Budget Reduction Proposals – (From Outturn Review)</th> <th data-bbox="963 853 1200 927">£m</th> <th data-bbox="1200 853 1326 927">RAG</th> <th data-bbox="1326 853 1423 927">Note</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 927 963 965"></td> <td data-bbox="963 927 1200 965"></td> <td data-bbox="1200 927 1326 965"></td> <td data-bbox="1326 927 1423 965"></td> </tr> <tr> <td data-bbox="288 965 963 1039">Central Loans & Investment Account (CLIA) Reduction of borrowing payments.</td> <td data-bbox="963 965 1200 1039">0.500</td> <td data-bbox="1200 965 1326 1039">Amber</td> <td data-bbox="1326 965 1423 1039">1.</td> </tr> <tr> <td data-bbox="288 1039 963 1115">Total</td> <td data-bbox="963 1039 1200 1115">0.500</td> <td data-bbox="1200 1039 1326 1115"></td> <td data-bbox="1326 1039 1423 1115"></td> </tr> </tbody> </table> <p>Notes:</p> <p>1. Central Loans & Investment Account (CLIA) Reduction of lease and borrowing payments</p> <p>The CLIA is projecting a positive improvement due to the Council not taking out any new short or long-term borrowing and continuing to invest a significant amount of short-term cash flow funds gaining an investment return. This pattern has continued from 2022/23 and through 2023/24 to date and is partly due to continued high and increasing bank interest rates.</p>	Budget Reduction Proposals – (From Outturn Review)	£m	RAG	Note					Central Loans & Investment Account (CLIA) Reduction of borrowing payments.	0.500	Amber	1.	Total	0.500		
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Schools Information Management System	0.123	2.
Microsoft Power BI Licences	0.032	3.
IT Technician Cyber Security	0.037	4.
Microsoft E5 Security Licences	0.266	5.
Security Information and Event Management Solution (SIEM)	0.162	6.
Network Connected Device Compliance and Assurance Solution	0.042	7.
IT Technician Schools	0.032	8.
Total Cost Pressures	0.769	

1. Business Systems Inflation Rises £0.075m

The majority of business systems software has an annual increase in maintenance built into the contract. This tends to be 3%. In some cases, it is higher and in some lower so the 3% reflects the average. In 2019/20, 2020/21 and 2022/23, we have been able to absorb the pressure to a degree as a number of staff have not reached top of grades. This will not be the case from 2023/24 onwards.

2. Schools Information Management System (SIMs) £0.123m

All schools in Flintshire use a schools information management system called Capita Sims. Four servers are used split between the Council's two datacentres to provide individual SIMs servers for every school in Flintshire, 80 in total. A new supplier has taken over the contract for SIMS and has indicated that the current arrangements for on premise hosting must cease in December 2023 and that all Flintshire schools must move to a cloud hosted version of the software provided by the supplier which will be subject to an implementation and hosting charge over and above the existing licence.

3. Microsoft Power BI Licences £0.032m

As the council moves forward with its Digital and Information Management strategies, additional technologies will be required to enable the merging, analysis and dashboarding of information to support improved decision making and planning. A range of products are available to support this work but as the council already has a Microsoft Enterprise licence, the most cost-effective solution would be to utilise Microsoft Power BI for this purpose. In addition, where the council procures new business systems, the majority now utilise Power BI as its reporting tool. These licences will provide technical staff the ability to become familiar with, utilise and support the product more effectively moving forward.

4. IT Technician Cyber Security £0.037m

Cyber Security Centre (NCSC). Responding to these incidents and reviewing the guidance and best practice is having an impact on capacity within IT teams and their ability to deliver on corporate priorities and business as usual work. Often of a highly technical nature the response needs to be immediate as it is essential to ensure speedy investigation / containment of potential Cyber Security incidents. Currently responsibility is split across 4 technical teams and incidents are managed by the managers within those teams. Delays can occur due to the lack of centralised coordination of these incidents.

Employing Cyber Security resource would facilitate this centralised coordination of incidents and response also ensuring guidance and advisories are investigated with the utmost speed. In addition, this resource would be responsible for facilitating the IT security accreditation processes we as an authority require.

Best practice states that cyber resilience scenario testing should be undertaken. Because of capacity issues within the service these are not being undertaken, this resource would manage and support that activity. In addition, cyber security tools are continually being developed and the resource would review these and assess their suitability and usefulness to protect the organisation.

To ensure the capacity exists to manage and coordinate the response, undertake essential research, review guidance and best practice and facilitate accreditations it is essential that there is more than one individual to undertake these duties. It is therefore proposed that a Cyber Security Technician is employed to support the Engineer who has responsibility for higher-level activities associated with the duties.

5. Microsoft E5 Security Licences £0.266m

There is an increasing Cyber threat to the councils IT infrastructure and information highlighted by the recent elevation of the threat nationally by UK Government and the National Cyber Security Centre. There are a range of security products and technologies that are identified as best practice and whilst investment in them does not guarantee the protection of our assets, it heightens the protection level. The council currently operates a range of Microsoft security technologies but with the increasing threat there is a requirement to move from the existing basic provision included within the current Microsoft Agreement to enhanced technologies recognised as best practice through recent security accreditation processes and engagement with the wider industry and security community.

6. Security, Information and Event Management Solution (SIEM) £0.162m

Security Information and Event Management (SIEM) is a technology solution increasingly regarded as a minimum requirement in combatting the increased cyber security threat facing both the council and the wider technology community. Software products and services combine security information management and security event management. They provide real-time analysis of security alerts generated by applications and network hardware. It is an alerting technology allowing for identification of suspected breaches and risks. The systems and technologies operated by the council generate a massive amount of information through logging of information and events and this technology, when fully implemented will support the focus of resource on appropriate activities. In itself, the technology requires constant support, monitoring and review which is reflected in the requirement for additional resource to support its implementation and ongoing operation. The technology has featured highly in the range of security assessments that the authority has recently had to respond to.

**7. Network Connected Device Compliance and Assurance Solution
£0.042m**

A Network Connected Device Compliance and Assurance Solution system can deny network access to noncompliant devices, place them in a quarantined area, or give them only restricted access to computing resources, thus keeping insecure nodes from infecting the network. The increased use of personal devices has raised the risk of non-compliant devices being attached to the corporate network. This solution will ensure devices meet minimum security requirements before they can connect to a corporate network. It was recommended by our independent accredited security advisers.

8. IT Technician Schools £0.032m

The increased cyber security threat along with the enhanced network infrastructure in schools and the commitment to maintain this infrastructure in line with grant conditions has seen significant pressure on the existing post and has meant that corporate resources have had to be diverted in order to complement that individual meaning we have been unable to deliver a number of corporate priorities in the required timescales. This is not sustainable as the requirement to maintain and improve corporate network security increases.

1.09

Table 4: Governance – Budget Reductions Proposals

Budget Reduction Proposals 2024/25	£m	RAG	Note
Revenues Discretionary Rate Relief	(0.004)	Green	1.
Revenues Cash in Transit	(0.012)	Green	2.
Procurement Reduction in Contribution	(0.009)	Green	3.
Internal Audit Removal of Vacant Post	(0.049)	Green	4.
IT Equipment Reduction in Requirements	(0.018)	Green	5.
IT Mobile Phone Contract	(0.094)	Green	6.
Flintshire Connects Reduction in Budget	(0.010)	Green	7.
Single Person Discount Review	(0.225)	Green	8.
Total	(0.421)		

Notes:

1. Revenues Discretionary Rate Relief (£0.004m)

Reduced budget provision for the provision of Discretionary Business Rate Relief Awards due to historic underspends.

2. Revenues Cash in Transit (£0.012m)

Reduced take up of the current service provision.

3. Procurement Reduction in Contribution (£0.009m)

Amendment to the split funding formula with Denbighshire County Council for the Joint Procurement function, adjusted from 55% to 50% funding contribution.

4. Internal Audit Removal of Vacant Post (£0.049m)

Removal of vacant post.

5. IT Equipment Reduction in Requirements (£0.018m)

Equipment no longer in receipt of maintenance due to decommissioning.

6. IT Mobile Phone Contract (£0.094m)

Renewal of the existing contract creating a further potential efficiency calculated from spend last financial year and the predicted spend on going based on the new contracted rate.

7. Flintshire Connects Reduction in Budget (£0.010m)

Staffing underspend in current financial year that will be recurring.

8. Single Person Discount Review 2024/25 (£0.225m)

Planned review of single person discounts for 2024/25 to identify and remove discounts from those no longer entitled to receive the 25% discount.

1.10 **Use of Balances and Reserves**

In addition to the budget reduction, following a review of the portfolio's balances and reserves, there is a one-off amount of £0.250m relating to the COVID-19 Council Tax Fund Reserve held which is not required and can contribute to the overall general reserves.

1.11

Table 5: Assets - Budget Reduction Proposals

Budget Reduction Proposals 2024/25	£m	RAG	Note
Policy – withdrawal of Stonewall membership subscription	(0.003)	Green	1.
Rent review commercial estate (additional income)	(0.104)	Amber	2.
Valuation & Estates – mini restructure	(0.010)	Green	3.
Policy – third sector funding	(0.028)	Red	4.
Total	(0.145)		

Notes:

1. Withdrawal from Stonewall subscription (£0.003m)

The subscription removal does not negate the Council's obligations to equalities. However, the Council would not be able to use the Stonewall logo or have access to resources, support, training and advice offered through the subscription.

2. Rent review commercial estate (£0.104m)

Rent review of areas of commercial estate where a review is due, if implemented is likely to raise additional income by circa £0.104m.

	<p style="text-align: center;">3. Valuation & Estates mini re-structure (£0.010m)</p> <p>A mini restructure in the merging of Job functions, following a retirement, savings can be implemented in 2024/25</p> <p style="text-align: center;">4. Policy – third sector funding (£0.028m)</p> <p>The Council would be reducing funding from a/multiple third sector organisations, without which they may not be able to continue to operate. The Core/Strategic Funding Review is ongoing. However, some funding agreements are contracted over a 3-year period, hence the red risk rating.</p> <p>For completeness, two further options as reported in the recent Cabinet report, 19th September 2023 to the value of (£0.120m) are not included in this report as they are no longer supported.</p>																		
1.12	<p>Budget Timeline</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><u>Table 5: Budget Timeline</u></p> <table border="1" data-bbox="288 898 1353 1290"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>October/November 2023</td> <td>Overview and Scrutiny Committees</td> </tr> <tr> <td>19 December 2023</td> <td>Welsh Government Draft Budget</td> </tr> <tr> <td>19 December 2023</td> <td>Cabinet</td> </tr> <tr> <td>20 December 2023</td> <td>Provisional Local Government Settlement</td> </tr> <tr> <td>11 January 2024</td> <td>Corporate Resources Overview and Scrutiny Committee</td> </tr> <tr> <td>16 January 2024</td> <td>Cabinet – Budget Review</td> </tr> <tr> <td>20 February 2024</td> <td>Cabinet and Council – Final Budget Setting</td> </tr> <tr> <td>1 March 2024</td> <td>WG Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	October/November 2023	Overview and Scrutiny Committees	19 December 2023	Welsh Government Draft Budget	19 December 2023	Cabinet	20 December 2023	Provisional Local Government Settlement	11 January 2024	Corporate Resources Overview and Scrutiny Committee	16 January 2024	Cabinet – Budget Review	20 February 2024	Cabinet and Council – Final Budget Setting	1 March 2024	WG Final Budget/Settlement
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2.00	RESOURCE IMPLICATIONS
2.01	<p>Revenue: the revenue implications for the 2024/25 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 – the capital programme will be subject to a separate report.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<ul style="list-style-type: none"> • Cabinet • Member Budget Briefings July and October 2023 • Specific Overview and Scrutiny Committees • Corporate Resource Overview and Scrutiny Committee Meetings

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • MTFS and Budget 2024/25 Cabinet Report July 2023 • MTFS and Budget 2024/25 Cabinet Report September 2023 • Member Briefing Slides

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Gary Ferguson Corporate Finance Manager</p> <p>Telephone: 01352 702271</p> <p>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> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Budget Requirement: The amount of resource required to meet the Councils financial priorities in a financial year.</p> <p>Forecast: An estimate of the level of resource needed in the future based on a set of demands or priorities.</p>

Capital: Expenditure on the acquisition of **non-current assets** or expenditure which extends the useful life of an existing asset.

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.