

Medium Term Financial Strategy and Budget Setting 2024/25

**Corporate Resources
Overview & Scrutiny Committee
12th October 2023**



Purpose and Background



Purpose and Background

- We are now entering Stage 2 of the budget process for the 2024/25 financial year.
- Cabinet have formally referred specific cost pressures and initial cost reductions to a series of Overview and Scrutiny meetings taking place throughout October and November.
- Expectation that all of the Overview and Scrutiny Committees should undertake a rigorous challenge of the cost pressures and cost reductions within their area of responsibility and to advise of any additional areas to be explored
- Today we consider pressures and cost reductions for Governance, Corporate Services and Assets Portfolios

The Additional Budget Requirement for the Council 2024/25

Summary of Pressures	£m
Prior Year Decisions / Approvals	0.986
Legislative/Unavoidable Indexation	2.260
National Funding Requirement (Pay Awards)	14.506
Social Care	7.022
Education & Youth	0.511
Out of County Placements	0.500
Planning, Environment & Economy	0.191
Housing & Communities	2.518
Streetscene & Transportation	2.759
Governance	0.732
Corporate	0.401
Total Pressures	32.386

Additional Budget Requirement – Ongoing Risks

- Education and Youth – uncertainty around the potential increase in employer teacher pension contributions and risks around continuation of grant funding
- Social Care – ongoing recruitment and retention challenges, new statutory responsibilities and continuing high service demand and inflation
- Out of County Placements – remains a significant risk with a projected in-year overspend of £1m and expected to continue to rise
- External Partners – subject to same cost pressures on pay and inflation and a risk and likelihood that additional funding contributions will be sought

Additional Budget Requirement – Ongoing Risks

- In-year pay awards for both teaching and non-teaching have yet to be concluded. Impact of current offers are included in the forecast - any increases will add to additional budget requirement in 2024/25
- 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 concluded later this year.
- Homelessness Service – continuing to see increasing numbers presenting for support with a projected net overspend of £2.7m in the current financial year
- Streetscene and Transportation – potential infraction fines, risks and uncertainty around key grants e.g. SWMG

Overall Position after initial solutions

	£m	£m
Additional Budget Requirement 2024/25		32.386
Budget Solutions		
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 (Subject to RAG)	1.766	
Fees and Charges 2023 Review	0.310	
Actuarial Review (Year 2 of 3)	2.000	
Total Solutions		18.344
Remaining Gap		14.042

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 of 3.1% in the settlement.
- An increase is extremely unlikely unless there is significant 'consequential funding' arising from the UK Budget announcement on 22 Nov – this cannot be assumed
- A 'minimum' amount of cost reductions of £14m remains to be identified to enable the Council to meet its statutory obligation of setting a legal and balanced budget
- A need for a strategic programme of transformational change to ensure that the Council is developing cost reductions over the medium term to protect its ongoing future financial position and ensure it is prepared for inevitable future budget challenges

Governance Cost Pressures



Summary Governance Cost Pressures

Cost Pressure Title	£m
Business Systems Inflation Rises	0.075
Schools Information Management System	0.123
Microsoft Power BI Licences	0.032
IT Technician Cyber Security	0.037
Microsoft E5 Security Licences	0.266
Security Information & Event Management Solution	0.162
Network Connected Device Compliance & Assurance Solution	0.042
IT Technician Schools	0.032
Total Cost Pressures	0.769

Governance Cost Pressures

- **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.
- **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.

Governance Cost Pressures

- **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.
- **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.

Governance Cost Pressures

- **IT Technician Cyber Security (Continued)**

- 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.

Governance Cost Pressures

- **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.
- **Security, Information & 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.

Governance Cost Pressures

- **Network Connected Device Compliance & 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.
- **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.

Governance Budget Reductions



The 2024/25 Budget Challenge – our approach

- Review of previous efficiencies achieved
- Review of Outturn 2022/23
- Review of current budget pressures for 2024/25
- Any new efficiencies
- Review of Balances and Reserves



Summary Governance Budget Reductions

Budget Reductions	£m	RAG
Revenues Discretionary Rate Relief	0.004	Green
Revenues Cash in Transit	0.012	Green
Procurement Reduction in Contribution	0.009	Green
Internal Audit Removal of Vacant Post	0.049	Green
IT Equipment Reduction in Requirements	0.018	Green
IT Mobile Phone Contract	0.094	Green
Connects Reduction in Budget	0.010	Green
Single Person Discount Review	0.225	Green
Total Budget Reductions	0.421	

Governance Budget Reductions

- **Revenues Discretionary Rate Relief (£0.004m)** Green Risk – Reduced budget provision for the provision of Discretionary Business Rate Relief Awards due to historic underspends.
- **Revenues Cash in Transit (£0.012m)** Green Risk – Reduced take up of the current service provision.
- **Procurement Reduction in Contribution (£0.009m)** Green Risk – Amendment to the split funding formula with Denbighshire County Council for the Joint Procurement function, adjusted from 55% to 50% funding contribution.
- **Internal Audit Removal of Vacant Post (£0.049m)** Green Risk – Removal of vacant post.
- **IT Equipment Reduction in Requirements (£0.018m)** Green Risk – Equipment no longer in receipt of maintenance due to decommissioning.

Governance Budget Reductions

- **IT Mobile Phone Contract (£0.094m)** Green Risk – 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.
- **Flintshire Connects Reduction in Budget (£0.010m)** Green Risk – Staffing underspend in current financial year that will be recurring.
- **Single Person Discount Review (£0.225m)** Green Risk – Planned review of the single person discounts for 2024/25 to identify and remove discounts from those no longer entitled to receive the 25% discount.

Governance Budget Reductions (2)

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.

Corporate Services Cost Pressures



Summary Corporate Services Cost Pressures

Cost Pressure Title	£m
Minimum Revenue Provision MRP	0.300
21 C Schools Band B Borrowing Costs	0.738
Fee Increases Coroners Service	0.031
Independent Review Panel for Wales (IRPW)	0.084
North Wales Fire and Rescue Authority	1.341
Apprentice Tax Levy	0.070
CJC / Growth Deal Inflation	0.017
ADM's/CAT's Service Contract Inflation	0.365
ADM's/CAT's Other Pressures	0.056
NJC Pay Award Estimate (Non Schools) 2023/24	1.694
NJC Pay Award Estimate (Non Schools) 2024/25	4.767
Capital Borrowing Costs 2022/23	0.056
Joint Archive Service Borrowing Costs	0.018
Croes Atti Extension Borrowing Costs	0.161
Levelling Up Fund (Match Funding)	0.050
Alternative Delivery Model (ADM) Resource	0.024
Audit Fees	0.040
Bank Charges	0.070
Total Cost Pressures	9.882

Corporate Services Cost Pressures

PRIOR YEAR DECISIONS :

- **Minimum Revenue Provision (MRP) £0.300m**

Annual inflationary uplift in line with the approved policy.

- **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.

Corporate Services Cost Pressures

LEGISLATIVE / UNAVOIDABLE INDEXATION (1):

- **Fee Increases Coroners Service £0.031m** – Projected Inflationary Uplift on Fees and Salaries for the Coroners Service.
- **Independent Review Panel for Wales (IRPW) £0.084m** – Projected Inflationary Uplift on Members Allowances.
- **North Wales Fire and Rescue Authority £1.341m** – Projected inflationary increase on the North Wales Fire and Rescue Authority Levy.
- **Apprentice Tax Levy £0.070m** – The Apprentice Tax Levy is a UK Tax on employers equating to 0.5% of payroll costs. Recent National Pay Awards have increased payroll costs and this has subsequently increased the amount that the Council needs to pay

Corporate Services Cost Pressures

- **LEGISLATIVE / UNAVOIDABLE INDEXATION (2):**
- **Corporate Joint Committee (CJC)/Growth Deal Inflation £0.017m**
- Projected annual inflationary impact on CJC and Growth Deal.
- **ADM's/CAT's Service Contract Inflation £0.365m** - Inflationary provision set aside for ADM's and CATs as part of agreements in place.
- **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.

Corporate Services Cost Pressures

NATIONAL FUNDING REQUIREMENT :

- **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% included within the 2023/24 budget and will need to be met from reserves in the current financial year. This will also need to be built into the base budget 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.
- **NJC Pay Award Estimate (Non Schools) £4.767m** – Estimated pay inflation of 5% has been included in the forecast for 2024/25.

Corporate Services Cost Pressures

OTHER CORPORATE PRESSURES (1):

- **Capital Borrowing Costs 2022/23 £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.
- **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.
- **Croes Atti Extension 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.

Corporate Services Cost Pressures

- **OTHER CORPORATE PRESSURES (2):**
- **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.
- **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.
- **Audit Fees £0.040m** – Estimated inflationary increase for Audit Wales Annual Fees (Performance Fee, Audit Fee and Grants Audit).
- **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.

Corporate Services Budget Reductions



Summary Corporate Budget Reductions

Budget Reductions	£m	RAG
Central Loans and Investment Account - Reduction of lease and borrowing payments	0.500	Amber
Total Budget Reductions	0.500	

Corporate Services Budget Reductions

1. Central Loans & Investment Account (CLIA) Reduction of Lease and Borrowing Payments (£0.500m Amber risk)

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.

Assets - Budget Reductions



Summary Assets Budget Reductions

Budget Reductions	£m	RAG
Policy - withdrawal of Stonewall membership	0.003	Green
Rent Review - Commercial Estate additional income	0.104	Amber
Valuation & Estates – mini restructure	0.010	Green
Policy – third sector funding	0.028	Red
Total Budget Reductions	0.145	

Assets - Budget Reductions

- **Policy – withdrawal of Stonewall membership subscription (£0.003m)** Green Risk – doesn't negate the Council's obligations to equalities but loss of ability to use the Stonewall logo and access to support, training and advice
- **Rent review commercial estate – additional income (£0.104m)** Amber Risk – review of rents for tenancies within commercial estates where rent reviews are due – expected to raise £0.104m if implemented
- **Valuation & Estates – mini restructure (£0.010m)** Green Risk – Merging of job functions following a retirement
- **Policy – Third Sector Funding (£0.028m)** Red Risk – potential reduction of funding to multiple third sector organisations without which they may be unable to continue to operate – core/strategic funding review is ongoing however some funding agreements are contracted over a 3 year period hence the Red risk status

Next Steps for the Budget Setting Process 2024/25



Budget Process – Stage 2

- 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 outcome of all OSC sessions.
- The draft Welsh Government budget is now scheduled on 19th December with the Welsh Local Government Provisional Settlement expected on 20th December.
- The latest budget position and the implications of the Provisional Settlement will be reported to members in December

This will close Stage 2 of the Budget Process

Budget Process – Stage 3 (Final)

- Further overview and scrutiny meetings are likely to be needed in January to consider the further budget reductions required to meet the remaining budget gap.
- Update to Cabinet and Corporate Resources Overview and Scrutiny 2024– Initial Budget Proposals
- 20th February – Cabinet and Council – Final Budget Proposals and the setting of Council Tax
- WG Final Budget – To be confirmed