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To: Cllr Clive Carver (Chairman)

Councillors: Sean Bibby, Haydn Bateman, Geoff Collett, Andy Dunbobbin, Mared Eastwood, Patrick Heesom, Richard Jones, Kevin Rush, Paul Shotton, Andy Williams and Arnold Woolley

27 October 2020

Dear Sir/Madam

NOTICE OF REMOTE MEETING
CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE
MONDAY, 2ND NOVEMBER, 2020 at 11.00 AM

Yours faithfully

Robert Robins
Democratic Services Manager

Please note: Due to the current restrictions on travel and the requirement for physical distancing, this meeting will not be held at its usual location. This will be a remote meeting and 'attendance' will be restricted to Committee Members. The meeting will be recorded.

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

A G E N D A

1 APOLOGIES

Purpose: To receive any apologies.

2 DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Purpose: To receive any Declarations and advise Members accordingly.

3 BUDGET 2021/22 - STAGE 1 (Pages 3 - 26)

Report of Chief Executive, Corporate Finance Manager - Cabinet Member for Finance

Purpose: That the Committee review and comment on the Corporate Services and Corporate Financing cost pressures and overall budget strategy. And advises on any areas of cost efficiency it would like to see explored further.



CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Monday 2 nd November 2020
Report Subject	Budget 2021/22 – Stage 1
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

A report to Cabinet in October provided an update on the financial forecast for 2021/22 and the following two financial years. The report is attached as Appendix 1.

A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of income against set targets.

Due to the current level of uncertainty scenarios have been presented in a range of low to high.

The report also sets out the limited solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government, a position which is unchanged since the budget for 2020/21 was set.

The details of the cost pressures for Corporate Services and Corporate Financing are included within this report. The Committee is invited to review the cost pressures and risks, and to advise on any potential efficiency options to explore.

A slide presentation will be made at the meeting.

RECOMMENDATIONS

1	That the Committee reviews and comments on the Corporate Services and Corporate Financing cost pressures.
2	That the Committee advises on any areas of cost efficiency it would like to be explored further.
3	That the Committee reviews and advises on the overall budget strategy.

REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL FORECAST
1.01	A report to Cabinet in October provided an update of the overall financial forecast for 2021/22.
1.02	Due to the current level of uncertainty scenarios have been presented in a range of low to high.
1.03	As in recent years the budget for 2021/22 will be considered in stages. This is a first stage report which details the forecast and the cost pressures which make-up the total budget requirement.
1.04	Revisions to the Forecast All inflationary, demand-led service and other cost pressures have been reviewed and evaluated. The cost pressures have been categorised as: <ul style="list-style-type: none">- Prior Year Decisions/ Approvals- Loss of Income- Legislative/Unavoidable Indexation- Issues requiring national resolution- National Funding Requirements (Pay Awards)- Strategic Considerations
1.05	The full details of the forecast are attached to this report in Appendix 1. A summary is given below.

Table 1. Revised Summary 2021/22

Summary of Pressures	21 / 22		
	L	M	T
	£m	£m	£m
Prior Year Decisions/Approvals	1.257	1.257	1.257
Income Loss	0.708	0.876	1.261
Legislative/Unavoidable Indexation Pressures	0.576	0.576	0.576
National Resolution Pressures	3.652	4.359	7.079
National Funding Requirement (Pay)	5.787	6.949	8.073
Strategic Decisions	2.444	5.619	9.090
Total Pressures	14.423	19.636	27.336

1.06 This report sets out in detail the cost pressures within the portfolio of this Committee.

1.07 **Corporate Portfolio Pressures**

These are set out in the paragraphs which follow.

1.08 **Table 2: Governance Pressures**

Pressure Title	£m	Note
Prior Year Decision/Approval		
Unrealised Efficiency		
• Legal Services/Industrial Estate Review	0.092	1.
• Council Tax – Postage	0.035	2.
Loss of Income		
• Registration Services	0.030 – 0.100	3.
Legislative/Unavoidable Indexation		
• Independent Review Panel for Wales (IRPW)	0.028	4.
Requiring National Resolution		
• Council Tax Collection Levels	0.600 – 1.600	5.

1. Legal Services/Industrial Estate Review – This covers an efficiency which has been included in the budget since 2015. This was in relation to the review of industrial units and the reduction of posts in legal services which has not been achievable.

2. Council Tax Postage – This covers an efficiency which planned to increase the number of electronic invoices issued. Though the number of electronic invoices has increased, overall activity has also increased making the remaining efficiency unachievable.
3. Registration Services – The service has suffered a loss of income due to the number of services cancelled or postponed as a result of the emergency. The range reflects an estimate of scenarios. The income loss in 2020/21 is estimated to be £0.100m though an application has been made to WG for funding for part of this cost.
4. Independent Remuneration Panel for Wales (IRPW) – An estimate of the annual increase to Members allowances which is due to be notified to Councils by the end of the year.
5. Council Tax Collection Levels – This pressure comes from the reduction in income from Council Tax collection due to the suspension of formal recovery action. Plans are in place to improve collection levels.

1.09

Table 3: People and Resources Pressures

Pressure Title	£m	Note
Prior Year Decisions/Approvals		
<ul style="list-style-type: none"> • Unachieved Efficiency - Salary Sacrifice – AVC's 	0.070	1.
Strategic Decisions		
<ul style="list-style-type: none"> • P2P Upgrade 	0.024	2.

1. Unachieved Efficiency for Salary Sacrifice through AVC's - The Council has a number of employees who are paying AVC into their pension funds. The method for deducting these contributions is done through a Salary sacrifice scheme which benefits the employee through a reduction in the tax paid and also creates a saving to the Council from a saving in employer contribution amount paid. The actual take up of the new service has not realised the original estimates and as such has left a balance of unrealised efficiency.
2. P2P Upgrade – The Purchase to Pay system (P2P) is the system by which purchase orders are raised within the Council and is an integral system that enables electronic invoicing. The system is provided by Proactis and is due an upgrade to enable continuation of support beyond 2021.

Table 4: Corporate Financing Pressures

Pressure Title	£m	Note
Prior Year Decisions/Approvals		
• Minimum Revenue Provision (MRP)	0.300	1.
• Capital Programme Borrowing Costs	0.015	2.
Legislative/Unavoidable Indexation		
• Coroner Service Fee Increase	0.025	3.
• North Wales Fire and Rescue Authority	0.160	4.
National Funding Requirement		
• NJC Pay Award (Non Schools)	2.538 – 3.759	5.
Strategic Decisions		
• 21C Schools – Band B Borrowing Costs	0.015	6.
• Feasibility Study Provision Top Up	0.050	7.

1. Minimum Revenue Provision (MRP) – This is the amount set aside for the repayment of debt for historical capital spend following the change of policy to the annuity method a couple of years ago.
2. Capital Programme Borrowing Costs – These are the borrowing costs for the schemes that have already been approved.
3. Fee Increase for Coroners Service – An estimate of the increase required for the next financial year.
4. North Wales Fire and Rescue Authority (NWFRA) – An estimate of the increase required for the next financial year.
5. NJC Pay Award – The national negotiations for annual cost-of-living agreed pay have not yet opened. A range of potential outcomes from 2% to 3.5% are shown. The figures also include the estimated impact of the 2020/21 pay awards over and above the 2% provision in the budget.
6. 21C Schools Band B Borrowing Costs – These are the estimated costs for the band B schemes.
7. Feasibility Study Provision Top up – The pressure is to fund feasibility studies for future Capital Projects.

1.11

Table 5: Summary of Pressures

Portfolio	Low (£m)	Medium (£m)	Top (£m)
Governance	0.785	1.155	1.855
People & Resources	0.094	0.094	0.094
Corporate Financing	3.103	3.732	4.324
Total	3.982	4.981	6.273

1.12

Strategic Funding Solutions

The solutions available to the Council to fund the cost pressures outlined in the report are three-fold:-

- Government Funding (Aggregate External Finance)
- Local Taxation and Income
- Service Transformation and Efficiencies

We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as 'Open Risks' to be managed in-year.

The funding strategy is highly dependent on sufficient national funding for local government.

1.13

Budget Timeline

The draft Welsh Government Budget has provisionally been set for 8 December 2020 with the Final Budget set for 2 March 2021. However, UK Government has recently announced that they will not be publishing an autumn budget as planned, so the Welsh Government dates may be subject to change.

An outline of the local budget timeline at this stage is set out in the table below:

Table 6: Budget Timeline

Date	Event
November	Overview and Scrutiny Committees
8/9 December	WG Draft Budget/Provisional Settlement
15 December	Cabinet
19 January	Cabinet
16 February	Cabinet and Council
2/3 March	WG Final Budget/Settlement

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	As set out in the report.

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	Appendix 1: Cabinet Report 20 th October 2020 – Medium Term Financial Strategy and Budget 2021/22

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Cabinet Report 20th October 2020 – Medium Term Financial Strategy and Budget 2021/22</p> <p>Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: (01352) 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Annual Settlement: the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</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</p>

for the repayment of debt, including interest, and may include direct financing of capital expenditure.

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.



CABINET

Date of Meeting	Tuesday, 20 th October 2020
Report Subject	Medium Term Financial Strategy and Budget 2021/22
Cabinet Member	Cabinet Member for Finance for Finance
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

The Council works to a cycle of reviewing its Medium Term Financial Strategy (MTFS) on an annual basis.

This report provides an update on the financial forecast for 2021/22 and the following two financial years.

A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of key income targets.

The main purpose of this report is to set out in detail the forecast cost pressures for 2021/22 prior to referral for review and challenge to Overview and Scrutiny Committee.

The report also sets out the solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government and is unchanged since the budget for 2020/21 was set.

RECOMMENDATIONS

1	To (1) note the overall forecast for the period 2021/22 – 2023/24 and (2) refer the list of cost pressures for 2021/22 to Overview and Scrutiny Meetings in November for review and challenge.
2	To note the solutions available to meet these cost pressures and re-set the funding strategy for 2021/22.

REPORT DETAILS

1.00	EXPLAINING THE MEDIUM TERM FINANCIAL STRATEGY FORECAST 2021/22 – 2023/24
1.01	<p>The Council has a cycle of reviewing its Medium Term Financial Strategy (MTFS) on an annual basis.</p> <p>This report provides an update on the forecast position, last reported in full in February, for 2021/22 and the following two financial years.</p>
1.02	<p>When setting the budget for 2020/21 a projected estimate was reported for the major cost pressures predicted over the next two years. The forecast was based on (1) annual pay increases trending at 2% (2) similar level of commissioning cost pressures within Social Services and (3) other known pressures at that time. The total of all cost pressures identified at the time totaled £9.829m for 2021/22 and £7.433m for 2022/23.</p>
1.03	<p>A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of key income targets.</p>
	The National Position
1.04	<p>The impact of the pandemic continues to have a significant impact on the Council's cost base and its ability to generate income. The Welsh Government has made a number of funding announcements over the last few months which have given some certainty as to how these additional costs and income losses can be recouped in the current financial year.</p>
1.05	<p>The Autumn Budget of the UK Government has been postponed. This, in turn, has caused budget uncertainty for Welsh Government. It is expected that there will still be some form of a UK Spending Review on a date to be announced.</p>

	Updates to the Financial Forecast
1.06	Over the summer the inflationary and demand led service cost pressures have been assessed and this report provides in detail the outcome of this work.
1.07	<p>The cost pressures have been categorised as:</p> <ul style="list-style-type: none"> - Prior Year Decisions/ Approvals - Loss of Income - Legislative/Unavoidable Indexation - Issues requiring national resolution - National Funding Requirements (Pay Awards) - Strategic Considerations <p>Appendix 1 sets out the latest position for the Medium Term Financial Forecast in detail and includes ranges where pressures are subject to sensitivities such as national pay awards, ongoing uncertainty due to the pandemic or where they can be subject to some choice regarding the level of service to be provided. In summary the ranges are:</p> <ul style="list-style-type: none"> - 2021/22 - £14.423m - £27.336m - 2022/23 - £9.447m - £13.036m - 2023/24 - £8.982m - £11.996m <p>Forecasts for 2022/23 and 2023/24 will continue to be refined alongside the work to agree the 2021/22 budget as decisions made throughout the process will impact on the projections for later years.</p> <p>The main purpose of this report is to set out in detail the forecast cost pressures for 2021/22 prior to referral for review and challenge to Overview and Scrutiny Committee.</p>
1.08	<p>Prior Year Decisions/ Approvals</p> <p>These are built-up of commitments and adjustments made in prior years and include:</p>
1.09	<p>Marleyfield Residential Care Home</p> <p>The cost pressure of £0.425m for the additional revenue costs of the expansion of in house residential care services to meet increasing demand.</p>
1.10	<p><u>Minimum Revenue Provision</u></p> <p>This is the amount set aside for the repayment of debt for historic capital spend. The policy was changed to the annuity method a couple of years ago and the annual inflationary uplift of £0.300m needs to be included in the budget on a recurring basis.</p>
1.11	<p><u>One-Off Efficiencies/Pressures Dropping Out</u></p> <p>The benefit of a Single Person Discount review has a one-off benefit in the current financial year and will be built into the overall Council Tax base</p>

	calculation for 2021/22. In addition a pressure in relation to social services day services that was included in 2019/20 budget is no longer required.
1.12	<p><u>Unrealised Efficiencies</u></p> <p>There are a number of areas relating to previous year efficiencies which are not able to be achieved. Some of these are due in part to changes in demand on services or lower than anticipated take-up on schemes such as the salary sacrifice scheme.</p>
1.13	<p>Loss of Income</p> <p>Reductions in demand is impacting on budgeted income levels across a wide range of service areas and include:</p>
1.14	<p><u>Reduced Energy Sales</u></p> <p>Due to a reduction in the levels of income generated by sales of Electricity which is dependent on the availability of gas produced by two closed landfill sites.</p>
1.15	<p><u>Recyclates</u></p> <p>Due to fluctuations in both the volumes of recycling waste and the amount of rebate available for certain recyclates in the current market. The volatility of the market makes it difficult to predict an accurate figure so at this stage a range of £0.299m to £0.730m is included.</p>
1.16	<p><u>Sale of Newtech Square</u></p> <p>Due to the loss of revenue income to the Council as a result of the sale of the asset which will result in a capital receipt to support our Capital Programme.</p>
1.17	<p><u>Markets</u></p> <p>Due to the need to reflect the current level of activity which has reduced over time as well as footfall being impacted due to the impact of the pandemic.</p>
1.18	<p>Legislative/Unavoidable Indexation</p> <p>The pressures within this category are a combination of legislative changes and indexation increases to organisations where we have no direct control and include:</p>
1.19	<p><u>'Sleep-In' Pay Ruling</u></p> <p>The outcome of a ruling by the Supreme Court for Sleep-In Shifts is due shortly which may mean allowances will need to be increased.</p>
1.20	<p><u>Private Water Supplies</u></p> <p>Due to the need to meet statutory obligations in relation to risk assessments for all water supplies in the Local Authority area. These include initial assessment, ongoing monitoring and enforcement where necessary.</p>

1.21	<p><u>North Wales Fire and Rescue Authority (NWFRA)</u></p> <p>The NWFRA levy is agreed each year and the Council is likely to need to contribute an inflationary uplift. The principle of adding NWFRA levy increase to the local taxation bill will need to be continued.</p>
	<p>Issues Requiring National Resolution</p>
1.22	<p><u>Council Tax Income / Council Tax Reduction Scheme</u></p> <p>The Pandemic has resulted in a significant increase in demand for the Council Tax Reduction Scheme (CTRS) and the receipt of Council Tax income is currently well below target.</p> <p>Both of these issues are acknowledged by Welsh Government and discussions will need to continue to secure additional funding supported by the WLGA.</p> <p>The cost of indexation for social care commissioning is also included here and the same principle applies, particularly in view of the current demand pressures in this area.</p>
	<p>National Pay Awards</p>
1.23	<p>The impact of the nationally agreed pay awards for Teacher Pay and Non Teacher Pay are included in this category. The increases are not yet known so a range of potential impacts from 2% - 3.5% have been included at this stage for modelling purposes.</p> <p>The figures also include the estimated impact of the 2020/21 pay awards being higher than the 2% included in the budget. Whilst the in-year impact of a higher pay award will need to be met by reserves in the current financial year, the recurring impact will need to be built into the budget for 2021/22.</p>
1.24	<p>Strategic Considerations</p> <p>There are a number of areas where further strategic consideration are required over the coming months before the outcome can be included in the formal budget process.</p>
1.25	<p><u>Transport</u></p> <p>School Transport – to address fluctuations in the number of school days per year based on current operator costs as well as additional demand due to change of routes.</p> <p>Post 16 transport – to reflect shortfall in efficiency due to a policy change following changes in regulations - flagged as a risk in the 2020/21 budget.</p> <p>Social Care Transport – due to an increase in demand within both Adult and Children’s Services.</p>

1.26	<p><u>Social Care</u></p> <p>Transition to Adulthood – to reflect the additional cost of young people transitioning from Children to Adult Services. The range reflects different scenarios based on demand estimates and levels of support requirements.</p> <p>Children’s Registered Care Home – The Council is looking at options to support a reduction in the number of Out of County Placements and is reviewing options to deliver care in house. Support from Welsh Government is also being sought.</p>																																						
1.27	<p><u>Education</u></p> <p>Secondary School Funding – due to a requirement to address school deficits which was a recommendation within the Estyn report. The issue is twofold 1) to address the existing deficit position and 2) to try and ensure that schools are funded to the level needed. This may need to be a longer term strategy.</p> <p>Additional Learning Needs – due to a statutory obligation to meet the requirements of the new Additional Learning Needs & Educational Tribunal Act which is due to be implemented in 2021/22. This will require additional resources for both schools and for the local authority in relation to the provision of support for Children.</p>																																						
1.28	<p>The table below summarises all cost pressures:</p> <p>Table 1: Updated Budget Requirement Forecast 2021/22</p> <table border="1" data-bbox="300 1111 1342 1655"> <thead> <tr> <th rowspan="3">Summary of Pressures</th> <th colspan="3">2021 / 22</th> </tr> <tr> <th>L</th> <th>M</th> <th>H</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Prior Year Decisions/Approvals</td> <td>1.257</td> <td>1.257</td> <td>1.257</td> </tr> <tr> <td>Income Loss</td> <td>0.708</td> <td>0.876</td> <td>1.261</td> </tr> <tr> <td>Legislative/Unavoidable Indexation Pressures</td> <td>0.576</td> <td>0.576</td> <td>0.576</td> </tr> <tr> <td>National Resolution Pressures</td> <td>3.652</td> <td>4.359</td> <td>7.079</td> </tr> <tr> <td>National Funding Requirement (Pay)</td> <td>5.787</td> <td>6.949</td> <td>8.073</td> </tr> <tr> <td>Strategic Decisions</td> <td>2.444</td> <td>5.619</td> <td>9.090</td> </tr> <tr> <td>Total Pressures</td> <td>14.423</td> <td>19.636</td> <td>27.336</td> </tr> </tbody> </table>	Summary of Pressures	2021 / 22			L	M	H	£m	£m	£m	Prior Year Decisions/Approvals	1.257	1.257	1.257	Income Loss	0.708	0.876	1.261	Legislative/Unavoidable Indexation Pressures	0.576	0.576	0.576	National Resolution Pressures	3.652	4.359	7.079	National Funding Requirement (Pay)	5.787	6.949	8.073	Strategic Decisions	2.444	5.619	9.090	Total Pressures	14.423	19.636	27.336
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1.29	<p>Risks Issues</p> <p><u>North Wales Growth Bid</u></p> <p>The above is reaching a key stage and it is likely that some capital borrowing costs will be incurred by the partnership for advance capital access to ‘front-load’ investment for priority projects, noting that the Government grant is paid over to the partnership on an annualised bases over fifteen years. The detail of the Growth Deal is being finalised and the partnership aim to keep capital</p>																																						

	borrowing costs to the lowest possible level. Final cost estimates, and how they are to be shared, will be reported when available.														
	Strategic Funding Solutions														
1.30	<p>The solutions available to the Council to fund the cost pressures outlined in the report can be spilt into three themes:-</p> <ul style="list-style-type: none"> - Government Funding (Aggregate External Finance) - Local Taxation and Income - Service Transformation and Efficiencies <p>We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as ‘Open Risks’ to be managed in-year.</p> <p>The funding strategy is highly dependent on sufficient national funding for local government and is unchanged since the budget for 2020/21 was set.</p>														
1.31	<p>Government Funding (Aggregate External Finance)</p> <p>The Council receives the largest amount of its funding from Welsh Government in the form of the Revenue Support Grant (RSG).</p> <p>For the Council to be sustainable future settlements will need to reflect the national financial pressures imposed on councils that are outside of their e.g. pay awards and legislative cost pressures.</p>														
1.32	<p>In 2020/21 the Council received an increase of 3.7% on its RSG – 0.6% below the Welsh Average of 4.3%.</p> <p>The impact of a range of RSG scenarios ranging from 0% to 5% are set out below.</p> <p>Table 2 – RSG Uplift Scenarios</p> <table border="1"> <thead> <tr> <th>Percentage Increase</th> <th>0%</th> <th>1%</th> <th>2%</th> <th>3%</th> <th>4%</th> <th>5%</th> </tr> </thead> <tbody> <tr> <td>Increase (£m)</td> <td>0</td> <td>1.994</td> <td>3.988</td> <td>5.982</td> <td>7.975</td> <td>9.969</td> </tr> </tbody> </table>	Percentage Increase	0%	1%	2%	3%	4%	5%	Increase (£m)	0	1.994	3.988	5.982	7.975	9.969
Percentage Increase	0%	1%	2%	3%	4%	5%									
Increase (£m)	0	1.994	3.988	5.982	7.975	9.969									
1.33	<p>Local Taxation and Income</p> <p>No assumptions have been made on the level of Council Tax increases for future years at this stage and a decision will need to be made during the budget process in the context of the overall position.</p> <p>The impact of a range of scenarios are detailed below ranging from 0% - 5%:</p>														

Table 3: Council Tax Scenarios

Percentage Increase	0%	1%	2%	3%	4%	5%
Increase (£m)	0.677	1.550	2.423	3.296	4.169	5.041

Based on Estimated Council Tax Base for 21/22 and 98.7% collection rate

Fees and charges remain unchanged and will be subject to indexation as per the Council Policy for Fees and Charges with the aim of achieving full cost recovery wherever possible.

1.34 Service Transformation and Efficiencies

There are no local budget choices presented at this stage. There are no efficiencies of scale remaining and the position has not changed since we set the last annual budget. The need for safe and resilient services has been highlighted by the response to the emergency situation. A realistic minimum target of £1m has been estimated as a contribution to the budget for 2021/22.

1.35 'Open Risks'

The forecast as presented is subject to decisions on the level of the financial pressures to be included in the base and whether to take some 'open risks' as explained in 1.30 above.

1.36 Summary and Conclusions

Table 4: Potential Scenarios

Gap at the Lower Level	14.423	14.423	14.423	14.423	14.423	14.423
Percentage Increase	0%	1%	2%	3%	4%	5%
	£m	£m	£m	£m	£m	£m
RSG	0	1.994	3.988	5.982	7.975	9.969
Efficiencies	1.000	1.000	1.000	1.000	1.000	1.000
Council Tax	0.677	1.550	2.423	3.296	4.169	5.041
Total Potential Funding	1.677	4.544	7.411	10.278	13.144	16.010
Remaining Gap	12.746	9.879	7.012	4.145	1.279	(1.587)

1.37 As shown in table 4 a minimum RSG uplift of between 4% and 5% is required to cover the current level of cost pressures at the lower end.

1.38 **Budget Timeline**

The draft Welsh Government Budget has provisionally been set for 8 December 2020 with the Final Budget set for 2 March 2021. However, UK Government have recently announced that they will not be presenting an Autumn budget this year so the Welsh Government dates may be subject to change.

An outline of the local budget timeline at this stage is set out in the table below:

Table 5: Budget Timeline

Date	Event
20 October	Cabinet
November	Overview & Scrutiny Committees
8/9 December	WG Draft Budget/Provisional Settlement
15 December	Cabinet
19 January	Cabinet
16 February	Cabinet and Council
2/3 March	WG Final Budget/Settlement

2.00 RESOURCE IMPLICATIONS

2.01 **Revenue:** the revenue implications for the 2021/22 budget are set out in the report.

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

Human Resources: there are no implications for additional capacity or for any change to current workforce structures or roles at this stage.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT																					
3.01	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1" data-bbox="320 309 1383 1070"> <tr> <td data-bbox="320 309 743 674">Long-term</td> <td data-bbox="743 309 1383 674">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 data-bbox="320 674 743 712">Prevention</td> <td data-bbox="743 674 1383 712">As above</td> </tr> <tr> <td data-bbox="320 712 743 750">Integration</td> <td data-bbox="743 712 1383 750">Neutral Impact</td> </tr> <tr> <td data-bbox="320 750 743 931">Collaboration</td> <td data-bbox="743 750 1383 931">Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.</td> </tr> <tr> <td data-bbox="320 931 743 1070">Involvement</td> <td data-bbox="743 931 1383 1070">Communication with Members, residents and other stakeholders throughout the budget process.</td> </tr> </table> <p>Well-Being Goals Impact</p> <table border="1" data-bbox="320 1182 1383 2101"> <tr> <td data-bbox="320 1182 743 1480">Prosperous Wales</td> <td data-bbox="743 1182 1383 1480">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.</td> </tr> <tr> <td data-bbox="320 1480 743 1662">Resilient Wales</td> <td data-bbox="743 1480 1383 1662">Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.</td> </tr> <tr> <td data-bbox="320 1662 743 1809">Healthier Wales</td> <td data-bbox="743 1662 1383 1809">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.</td> </tr> <tr> <td data-bbox="320 1809 743 1957">More equal Wales</td> <td data-bbox="743 1809 1383 1957">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.</td> </tr> <tr> <td data-bbox="320 1957 743 2101">Cohesive Wales</td> <td data-bbox="743 1957 1383 2101">Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.</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 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.	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.
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	Vibrant Wales	As Healthier and Cohesive Wales above
	Globally responsible Wales	Neutral impact.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The Forecast for 2021/22 – 2023/24 will be considered by Overview and Scrutiny Committees during November.

5.00	APPENDICES
5.01	Appendix 1. MTFS Forecast 21/22 – 23/24.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

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

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>

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.

MTFS - SUMMARY OF PRESSURES	Revisions			Revisions			Revisions		
	2021/22			2022/23			2023/24		
	Bottom	Middle	Top	Bottom	Middle	Top	Bottom	Middle	Top
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Prior Year Decisions / Approvals									
One Off Efficiencies dropping out (20/21)	0.300	0.300	0.300						
One Off Pressures dropping out (19/20)	(0.056)	(0.056)	(0.056)						
Unrealised Efficiency - Legal Svcs/Ind Est Review	0.092	0.092	0.092						
Unrealised Efficiency - Postage - Council Tax	0.035	0.035	0.035						
Unrealised Efficiency - Postage - Benefits	0.041	0.041	0.041						
Unrealised Efficiency - Market Review	0.035	0.035	0.035						
Unrealised Efficiency - Salary Sacrifice - AVC's	0.070	0.070	0.070						
Minimum Revenue Provision (MRP) - Existing	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Further borrowing costs for Capital Programme	0.015	0.015	0.015	0.001	0.001	0.001	0.001	0.001	0.001
Marleyfield Revenue Costs	0.425	0.425	0.425						
Total - Prior Years Decisions / Approvals	1.257	1.257	1.257	0.301	0.301	0.301	0.301	0.301	0.301
Loss of Income									
Reduced Energy Sales - Reduction in gas generation	0.120	0.120	0.120						
Markets - Scale of markets reducing	0.074	0.086	0.114						
Pest Control - Reduction in customer led demand	0.040	0.046	0.052						
Sale of Newtech Square - Rent no longer collected	0.095	0.095	0.095						
Enterprise Centres - Reduction in occupancy levels	0.050	0.050	0.050						
Recyclate Markets - Volatility in price & volume	0.299	0.479	0.730						
Registration Service - Cancellation of events	0.030		0.100	(0.030)		(0.100)			
Total - Loss of Income	0.708	0.876	1.261	(0.030)		(0.100)			
CUMULATIVE TOTAL	1.965	2.133	2.518	0.271	0.301	0.201	0.301	0.301	0.301
Legislative / Unavoidable Indexation Pressures									
Sleep in Pay Ruling	0.125	0.125	0.125						
Private Water Supplies	0.104	0.104	0.104				(0.052)	(0.052)	(0.052)
SUDS	0.112	0.112	0.112						
Fee Increases - Coroners	0.025	0.025	0.025	0.027	0.027	0.027	0.029	0.029	0.029
Independent Review Panel for Wales (IRPW)	0.028	0.028	0.028	0.029	0.029	0.029	0.030	0.030	0.030
North Wales Fire and Rescue Authority	0.160	0.160	0.160	0.162	0.162	0.162	0.164	0.164	0.164
Adoption Service	0.022	0.022	0.022						
Liberty Protection Safeguards				0.150	0.275	0.400			
Total - Legislative / Unavoid Index'n Pressures	0.576	0.576	0.576	0.368	0.493	0.618	0.170	0.170	0.170
CUMULATIVE TOTAL	2.541	2.709	3.094	0.639	0.794	0.819	0.471	0.471	0.471
Requiring National Resolution									
Benefits - CTRS	1.172	1.414	1.654	0.608	0.621	0.633	0.639	0.652	0.664
Council Tax Collection Levels	0.600	1.000	1.600						
Social Care Commissioning	1.880	1.945	3.825	2.037	2.037	2.037	2.116	2.116	2.116
Total - National Resolution Pressures	3.652	4.359	7.079	2.646	2.658	2.670	2.755	2.767	2.780
CUMULATIVE TOTAL	6.193	7.068	10.173	3.285	3.452	3.489	3.226	3.239	3.251
National Funding Requirement									
NJC Pay Award Estimate (Non Schools)	1.926	2.556	3.147	1.817	2.428	3.051	1.636	2.289	2.949
NJC Pay Award Estimate (Non Schools) - 20/21	0.612	0.612	0.612						
NJC Pay Award Estimate (Schools)	0.709	0.922	1.134	0.765	0.990	1.219	0.784	1.023	1.063
NJC Pay Award Estimate (Schools) - 20/21	0.206	0.206	0.206						
Teacher Pay Award Estimate	1.798	2.118	2.438	1.564	2.131	2.703	1.609	2.209	2.822
Teacher Pay Award Estimate - 20/21	0.536	0.536	0.536						
Total - National Funding Requirement	5.787	6.949	8.073	4.145	5.549	6.973	4.029	5.521	6.834
CUMULATIVE TOTAL	11.980	14.017	18.246	7.430	9.001	10.461	7.254	8.759	10.085

MTFS - SUMMARY OF PRESSURES	Revisions			Revisions			Revisions		
	2021/22			2022/23			2023/24		
	Bottom	Middle	Top	Bottom	Middle	Top	Bottom	Middle	Top
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Strategic Decisions									
School Transport - General	0.163	0.163	0.163						
School Transport - Closure of John Summers	0.050	0.050	0.050						
Post 16 Transport	0.047	0.047	0.047						
Social Services Adults Transport	0.063	0.063	0.063						
Social Services Childrens Transport	0.044	0.044	0.044						
Carelink - Alarm Monitoring Contract	0.125	0.125	0.125						
Carelink - Budget Issue (HSG)	0.216	0.216	0.216	0.109	0.109	0.109			
Transition to Adulthood	0.495	0.656	1.100	1.176	1.176	1.176	0.656	0.656	0.656
Secondary School Funding Review		0.764	1.529						
Secondary School Deficits		1.474	2.948		1.914	0.440		0.180	0.180
ALN - Reforms	0.144	0.340	0.597	0.223	0.223	0.223	0.017	0.017	0.017
ALN - Schools		0.413	0.825						
PRU new Build (Increased capacity)		0.061	0.074		0.045	0.113			
New PRU Building - Revenue Costs	0.027	0.027	0.027	0.019	0.019	0.019			
Children's Registered Residential Care Home	0.138	0.138	0.138	0.413	0.413	0.413			
P2P Upgrade	0.024	0.024	0.024	(0.019)	(0.019)	(0.019)			
Addressing Poverty - FSM - Demand	0.253	0.253	0.253						
Addressing Poverty - FSM - Increase in Allowance		0.107	0.174						
Joint Archive Service - Borrowing Costs							0.142	0.142	0.142
Joint Archive Service - Revenue costs			0.039			0.004			0.004
Benefits - Additional Staffing	0.300	0.300	0.300						
Ash Dieback	0.060	0.060	0.060						
21C Schools - Band B Borrowing Costs	0.015	0.015	0.015	0.097	0.097	0.097	0.912	0.912	0.912
Business Manager - Streetscene	0.072	0.072	0.072						
Home Education	0.046	0.046	0.046						
Primary Learning Advisor	0.080	0.080	0.080						
Missing from Home Coordinator	0.034	0.034	0.034						
Feasibility Study Provision Top Up	0.050	0.050	0.050						
Total - Strategic Decisions	2.444	5.619	9.090	2.017	3.977	2.575	1.727	1.907	1.911
CUMULATIVE TOTAL	14.423	19.636	27.336	9.447	12.978	13.036	8.982	10.666	11.996

Summary of Pressures 21/22 - 23/24

Summary of Pressures	21 / 22			22 / 23			23 / 24		
	L	M	T	L	M	T	L	M	T
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Prior Year Decisions/Approvals	1.257	1.257	1.257	0.301	0.301	0.301	0.301	0.301	0.301
Income Loss	0.708	0.876	1.261	(0.030)	0.000	(0.100)	0.000	0.000	0.000
Legislative/Unavoidable Indexation Press	0.576	0.576	0.576	0.368	0.493	0.618	0.170	0.170	0.170
National Resolution Pressures	3.652	4.359	7.079	2.646	2.658	2.670	2.755	2.767	2.780
National Funding Requirement (Pay)	5.787	6.949	8.073	4.145	5.549	6.973	4.029	5.521	6.834
Strategic Decisions	2.444	5.619	9.090	2.017	3.977	2.575	1.727	1.907	1.911
Total Pressures	14.423	19.636	27.336	9.447	12.978	13.036	8.982	10.666	11.996

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