

CABINET

Date of Meeting	Tuesday, 20 th February 2024
Report Subject	Council Fund Revenue Budget 2024/25 – Final Closing Stage
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

From July 2023, Members have received regular updates on the Council's challenging budget position for the 2024/25 financial year and the additional budget requirement for 2024/25 has been continuously revised to consider the latest available information.

Cabinet and Corporate Resources Overview and Scrutiny Committee received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement in January, together with an update on the increased additional budget requirement of £33.187m. At that stage there was a remaining 'budget gap' of £12.946m.

Two Member briefings were also held in January prior to additional cost reduction proposals being considered by specific Overview and Scrutiny Committees in February. Work has continued to review the overall position in conjunction with a recent announcement from Welsh Government on an expected consequential from UK Government.

This work has now been concluded and the outcome is set out in the report.

The report sets out a proposal by Cabinet for the Council to be able to reach a legal and balanced budget position for the 2024/25 financial year. The report also includes another option following the receipt of a proposal by the Independent Group.

This report sets out the Council Tax recommendations for setting local taxation levels for 2024/25. We are also able to propose the formal resolution to Council when it meets later today as we have received notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.

Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail as set out in this report.

A full presentation will be made at County Council.

The report includes the following tables:

- Table 1: Remaining Additional Budget Requirement 2024/25
- Table 2: Final Proposed Budget Solutions 2024/25
- Table 3: Proposed Budget 2024/25
- Table 4: School Budget Adjustments
- Table 5: Social Care Budget Adjustments
- Table 6: Medium Term Forecast 2025/26 – 2026/27

RECOMMENDATIONS

1	That Cabinet notes and approves the revised additional budget requirement for 2024/25.
2	That Cabinet approves the final proposals for the cost reductions that will contribute to the budget.
3	That Cabinet recommends to Council a legal and balanced budget based on the calculations and two options set out within this report.
4	That Cabinet notes the significant open risks which remain to be managed in the 2024/25 financial year.
5	That Cabinet recommends an overall annual increase in Council Tax for 2024/25 based on the two options provided.
6	That Cabinet invites Council to pass the formal Council Tax resolution now that we have had notification of the precepts of the Police and Crime Commissioner and all Town and Community Councils within Flintshire.
7	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium-Term Financial Strategy (MTFS).

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2024/25
1.01	<p>The Additional Budget Requirement</p> <p>From last July, Members have received regular updates on the Council's challenging budget position for the 2024/25 financial year and the additional budget requirement for 2024/25 has been continuously revised to consider the latest available information.</p> <p>Cabinet and Corporate Resource Overview and Scrutiny Committee received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement in January, together with an update on an increased additional budget requirement of £33.187m for the 2024/25 financial year. At that stage there was a remaining 'budget gap' of £12.946m.</p> <p>Two Member briefings were also held in January, prior to additional cost reduction proposals being considered by specific overview and scrutiny committees in February. Work has continued to review the overall position in conjunction with a recent announcement from Welsh Government on an expected consequential from UK Government.</p> <p>This work has now been concluded and the outcome is set out in the report.</p> <p>The report sets out a proposal by Cabinet for the Council to be able to reach a legal and balanced budget position for the 2024/25 financial year. The report also includes another option following the receipt of a proposal by the Independent Group.</p>
	Additional Budget Requirement - Changes since the January Report
1.02	<p>Homelessness demand</p> <p>The Council continues to experience high and increasing demand for temporary accommodation to meet its statutory obligations to accommodate families and persons that present themselves as homeless and this is expected to continue. The initial budget requirement included an additional amount of £2m, however, this is anticipated to fall significantly short based on current demand levels.</p> <p>The Council is continuing to explore a number of options to provide other solutions which will reduce costs, but it is difficult to predict how much impact these will have during the 2024/25 financial year due to volatility and the impacts of the wider economy. To assist with mitigating this significant financial risk, an additional amount of £0.500m has now been included in the budget.</p>
1.03	<p>Out of County Placements</p> <p>The Council is continuing to experience an increase in the numbers and complexity of children that require support from the Out of County Placement budget. The previous budget requirement included an additional amount of</p>

£0.500m. However, the Month 9 revenue budget monitoring report (also on this agenda) shows a projected overspend of £1.6m so an additional £1m has been included in the budget to reflect current demand levels, bringing the total to £1.5m.

1.04 The changes in the additional budget requirement are summarised below:

Table 1: Remaining Additional Budget Requirement 2024/25

	£m	Paragraph
Remaining Gap - January Report	12.946	
Additional Cost Pressures:		
Homelessness Demand	0.500	1.02
Out of County Placements	1.000	1.03
Revised Remaining Gap	14.446	

Proposed Solutions to meet the Revised Additional Budget Requirement

1.05 **Aggregate External Finance (AEF)**

The Welsh Local Government Provisional Settlement was announced on 20 December and full details were included in the January Cabinet report.

The provisional Aggregate External Funding (AEF) represents a cash uplift of £5.560m over the 2023/24 amount of £251.995m, which is an increase of 2.2%. (All Wales Average is an increase of 3.1% ranging from 2% to 4.7%).

On 24 January, the UK Government announced it would increase funding to local authorities in England by £600m. As a result of this, Welsh Government are expected to receive a consequential sum of £25m.

The Minister for Finance and Local Government has confirmed how Welsh Government will distribute this funding. The anticipated reduction of £10.6m in the Social Care Workforce Grant will now be reversed and the remaining £14.4m will be allocated to the Revenue Support Grant in the final settlement on 27 February.

The basis of allocation to individual authorities is not yet known but is estimated at £0.675m based on our Standard Spending Assessment allocation and it is considered reasonable to now include this amount in our funding estimates.

1.06 **Portfolio Cost Reductions**

Initial options for portfolio cost reductions were referred to a series of specific Overview and Scrutiny meetings which were held during the Autumn together with relevant cost pressures. These initial cost reduction proposals totalled £1.538m. This was subsequently reduced to £1.535m following removal of one of the proposals.

	<p>Due to the scale of the financial challenge facing the Council for 2024/25 and the disappointing provisional settlement, all portfolios were tasked with finding further cost reductions of up to 7.5%.</p> <p>The additional options for cost reductions were considered at Overview and Scrutiny meetings held in February and following specific feedback the following amendments have been made:</p> <ul style="list-style-type: none"> - Removal of the bus subsidy cost reduction (£0.510m) - Removal of the Food Waste Charging proposal (£0.010m) - Removal of the waste collection frequency proposal (£0.274m) - Removal of cost reductions on Connects Centres (£0.100m) - Removal of Public Conveniences proposal (£0.078m) - Removal of Modern Apprentice proposal (£0.138m) <p>The revised total amount included from the additional portfolio cost reductions is £3.552m.</p>
1.07	<p>Schools – Cost Reductions</p> <p>Given the unprecedented scale of the financial challenge the Council has faced this year there has been a need for all portfolios to make cost reductions, and a reduction will also need to be applied to the delegated budgets of our schools.</p> <p>A 3% reduction on delegated school budgets (at 2023/24 level) will be required and this provides a contribution of £3.273m towards the budget requirement.</p> <p>(Para 1.21 provides further analysis of school budgets).</p>
1.08	<p>Social Care – Commissioning Costs</p> <p>Social Care budgets have been protected in recent years and commissioning costs have increased above average across North Wales for the current financial year.</p> <p>An increase at similar levels is not sustainable due to the Council only receiving an increase of 2.2% in its annual Welsh Government settlement.</p> <p>Therefore, the Council will need to provide a much more prudent uplift in 2024/25 which has been reflected in the estimates and will be subject to negotiation with care providers – this will reduce our cost base by £1.686m.</p>
1.09	<p>Additional Cost Reductions</p> <p>There have been two further cost reductions confirmed since the recent Overview and Scrutiny meetings which have also now been included in the budget.</p> <p>The final North Wales Fire and Rescue Levy provided a further reduction of £0.197m and was verbally referred to at the Corporate Resources Overview and Scrutiny Committee and there has been a further reduction of £0.010m following a further review of borrowing costs.</p>

1.10 **Council Tax**

The level of annual increase in Council Tax is a decision for Full Council.

Based on the final additional budget requirement of £14.446m an overall annual increase of **8%** is required on Council Tax for Council Services and **1.1%** for additional contributions to North Wales Fire and Rescue Service and the Regional Coroners Service.

This equates to an overall uplift of 9.1% and provides overall additional net yield of £9.072m in 2024/25.

This amounts to an annual increase of £138.44 per annum and brings the Council Tax on a Band D equivalent property to £1,659.77 (£2.66 per week equivalent).

Police Precept/Town and Community Councils

The Police Precept and Town and Community Council Precepts for 2024/25 have all been notified to the Council as the Council Tax collection authority and a separate report on the Council agenda later today sets out the formal resolutions.

1.11 **Table 2: Final Proposed Budget Solutions**

	£m
Revised Additional Budget Requirement (as in Table 1)	14.446
Add back previously reported:	
Council Tax Assumption in solutions	5.431
Adjusted Efficiency from September Options	0.003
Adjusted Efficiency at Final Stage	0.010
Amount Required to balance budget	19.890
Less:	
Contribution from Schools	(4.698)
New Portfolio Cost Reductions (Including removal of pressures)	(3.552)
Commissioning Fees	(1.686)
Reduced Borrowing Costs	(0.010)
Reduction in Fire Levy	(0.197)
Amount Remaining to balance budget	9.747
Council Tax (9.1%)	9.072
Additional Welsh Government AEF	0.675
Amount Remaining	0.000

1.12 **Summary and Conclusions**

A legal and balanced budget for 2024/25 can be recommended by Cabinet to Council based on (1) the calculations and assumptions set out above, and (2) the detailed proposed budget as set out below.

1.13 **Table 3: Proposed Budget 2024/25**

Funding	£m
Aggregate External Funding (AEF) / RSG NNDR	258.230
Council Tax	109.679
SSA/Budget Requirement	367.909
Use of Reserves (2024/25 Only)	0.172
Specific Grants (Appendix 6)	45.679
Total Funding	413.760
Expenditure	£m
Base Budget Rolled Forward	395.133
Previous Years Growth/Items Dropping Out (Appendix 1)	0.757
Inflation (Appendix 2)	14.963
Pressures & Investments (Appendix 3)	15.113
Cost Reductions	
Portfolio (Appendix 4)	(4.110)
Corporate Financing (Appendix 5)	(10.763)
Grants	
Less Specific Grants 2023/24	(43.012)
Plus Specific Grants 2024/25 (Estimated Appendix 6)	45.679
Total Expenditure	413.760
Balance	0.000

	Open Risks 2024/25
1.14	<p>Pay</p> <p>The proposed budget includes pay inflation for 2024/25 at 5% for both teaching and non-teaching staff which will still be unknown at the time of setting the budget. Should national pay agreements conclude at a higher level, this would mean the difference would need to be met from Council Reserves in 2024/25, which has been the case for the last two financial years.</p> <p>The outcome of the pay modelling review to address ongoing recruitment and retention challenges represents a further risk which will need to be considered as part of its agreement and prior to implementation.</p>
1.15	<p>Supreme Court Judgement – Harpur Trust and Brazel</p> <p>The potential financial impacts are still being determined in response to the Employment Appeal Tribunal (EAT) decision in the case of Harpur Trust v Brazel. The Supreme Court upheld the EAT judgment in the Brazel case in July 2022 which impacts on the calculation of holiday pay entitlements for staff who work for part of the year (i.e., term time). An approved carry forward from 2022/23 for £0.254m will provide some funding towards these costs.</p> <p>Changes to Holiday Pay from 1 April 2024</p> <p>As a result of the Harpur Trust v Brazel case referred to above, the UK government announced a host of changes to the current rules surrounding holiday pay. The headline changes which will take effect for holiday years commencing 1 April 2024 onwards, include:</p> <ul style="list-style-type: none"> · Re-introducing rolled-up holiday pay for irregular hours and part-year workers · Re-introducing the 12.07% of hours worked calculation method for irregular hours and part-years workers · Changes to the definitions of a week’s pay for holiday pay calculations <p>The impact of these changes are still being determined.</p>
1.16	<p>Homelessness</p> <p>This remains a significant open risk as set out in 1.02 above.</p>
1.17	<p>Out of County Placements</p> <p>This remains a significant open risk as set out in 1.03 above.</p>
1.18	<p>Waste Recycling – Infraction Charges</p> <p>The Council did not meet the statutory minimum target, (64%) in 2021/22, for the percentage of municipal waste which must be recycled, prepared for re-use and composted, as specified in Section 3 of the Waste (Wales) Measure 2010. Welsh Government can therefore take steps to impose a penalty on the Council by way of an infraction fine. A potential penalty of up to £0.663m has been confirmed so continues to present a significant financial risk to the Council.</p>

	<p>Discussions have taken place between Welsh Government and the Council as to the reasons for not achieving the target. The Council has subsequently been instructed by Welsh Government to engage with the Waste and Resources Action Programme (WRAP) and Local Partnerships to review our waste strategy and develop a new action plan. Depending on the outcome of the review, the Minister will take a decision at that point whether to levy the fine.</p> <p>Unfortunately, the statutory recycling targets have also not been achieved in 2022/23 (non-verified), which means that a further infraction fine could be levied of around £0.470m should Welsh Government choose to do so, and monitoring of the authority's recycling performance for 2023/24 to date shows that the rates of recycling and residual waste tonnages are not improving, which could lead to a further missed target in 2023/24 also. Current total known risk is £1.133m.</p>
1.19	<p>Budget Risk Reserve</p> <p>A combination of continued high inflation, service demand and a much lower than anticipated Welsh Government funding settlement has meant that there is an increased degree of risk in the budget proposals than in previous years.</p> <p>Historically, demand levels for both homelessness presentations and out of county placements have been difficult to predict. A balance needs to be struck between providing a reasonable level of additional recurring base budget provision (taking into account affordability) and ensuring that the Council has sufficient reserves set aside to meet the potentially significant additional costs should they materialise.</p> <p>Based on current demand levels the level of risk in 2024/25 is far greater than in previous years. Therefore, it is recommended that a 'budget risk' ring fenced reserve of £3m is created to mitigate any additional costs in-year whilst a more sustainable solution is established for 2025/26. This funding will need to be ringfenced within the Contingency Reserve.</p>
1.20	<p>Specific Grants</p> <p>We are still awaiting confirmation of some specific grants. The most significant is the Sustainable Waste Management Grant which is still to be confirmed on an all-Wales basis for 2024/25 onwards.</p> <p>Details of the specific grants we are aware of currently are included in Appendix 6.</p>
	<p>School and Social Care Budgets</p>
1.21	<p>Schools' Budget</p> <p>Ensuring our learners receive the highest standards of education in our schools has always, and continues to be, a priority for the Council. The Council has always sought to protect front line education services (schools' budget) as far as possible.</p>

The school's budget is the largest budget within the Council and given the scale of the challenge in setting a balanced budget this year it has not possible to fully protect the schools budget from reductions.

However, the Council recognises the increasing demands, challenges, and risks that schools are currently facing.

The table below provides the details of an overall increase of 3.5% in funds for schools in 2024/25.

Table 4: School Budget Adjustments

Pressures / Cost Reductions	£m
Teachers Pay Awards (2023/24 & 2024/25)	5.295
Non-teaching Pay Awards (2023/24 & 2024/25)	2.751
NDR Transitional Rate Relief (Schools Element)	0.065
NDR Multiplier Increase 5% (Schools Element)	0.082
Free School Meals (Term Time)	0.615
Inclusion and Progression - Specialist Mobile Classroom Provision	0.167
Total Increase in Schools Budget	8.975
Less:	
Energy (Reduction in cost)	(0.600)
Demography (Reducing Pupil Numbers)	(0.675)
Schools share of the triennial actuarial review of the Clwyd Pension Fund	(0.432)
3% budget reduction	(3.273)
Total Net Uplift to School Budgets 2024/25	3.995

In addition to the above, the Council will not be able to make its contribution of £0.750m to assist schools in deficit in 2024/25. It is anticipated that this will be one off in 2024/25 although this will need to be revisited as part of work on the 2025/26 budget.

1.22 Social Care Budget

The 2024/25 budget includes a 7.44% increase for Social Care to meet the estimates of current demand and the additional costs of commissioned care.

The Social Care sector remains under significant pressure from increased demand and inflationary pressures with costs for commissioned care increasing. The need to support care providers to continue to operate safely and maintain market stability remains a challenge.

Recruitment and retention of care workers within the social care sector and particularly in homecare settings continues to present difficulties. Whilst the Real Living Wage has been adopted for all registered carers in Flintshire the sector does, in terms of hourly pay rates pay below comparable sectors such as Supermarkets. Homecare is one of the most cost-effective types of social care and service shortages will result in increased pressure and demand on other, more expensive, types of care.

The recruitment and retention of experienced Social Workers is a significant challenge which is resulting in a higher turnover of staff and increasing long term vacancies which will result in an increased use of more expensive agency workers. Should social worker vacancies not be filled, then safeguarding risks will increase for some of the most vulnerable people within Flintshire.

The table below provides the details to the overall increase of 7.44% in funding to Social Care in 2024/25.

Table 5: Social Care Adjustments

Pressures / Cost Reductions	£m
Social Care Pay Awards (2023/24 & 2024/25)	2.668
Social Care Commissioning Costs	3.451
Out of County Placements	1.125
Transition to Adulthood	0.840
Childrens Services Group Homes	0.400
NEWCES Contribution Increase	0.030
Increased Homecare Capacity	0.100
Social Worker Pay Review	0.115
Newydd and EDT Inflationary Pressures	0.130
Less 2024/25 Portfolio Cost Reductions (including removal of pressures)	(1.040)
Social Care share of the triennial actuarial review of the Clwyd Pension Fund	(0.445)
Total Net Uplift to Social Care Budgets 2024/25	7.374

1.23 Reserves and Balances

Earmarked Reserves

The Council holds earmarked reserves which are set aside for specific purposes. Some are restricted in their use by, for example, the terms and conditions of grant where their source is government funding. An update on current projected levels of earmarked reserves shows that the amount is likely to reduce from £12.4m to £9.2m by the end of the 2024/25 financial year as these reserves are 'drawn down' (See Appendix 7).

The Council reviews its remaining earmarked reserves on an ongoing basis, and only those for which there is a strong business case will be retained with the remainder being released for use as part of the Medium-Term Financial Strategy.

1.24 Un-Earmarked Reserves

The Council holds a base level of reserves of £5.769m which is a relatively low level of base reserves and has not been increased for some time. The base level represents the Councils last line of defence in the event of a significant unforeseen financial issue arising.

The current base level equates to only 1.6% of the net revenue budget in 2023/24 which is much lower than most Councils and now too low for an Authority of this size.

The Month 9 revenue monitoring report (also on this agenda) advises that an amount of £3.212m is still remaining from the previously set aside COVID-19 Hardship Fund which was retained to safeguard against ongoing financial risks from the pandemic following the cessation of the Welsh Government Hardship Fund. As there have been no claims in the last quarter it is recommended that the full amount is transferred to Base Level Reserves, increasing the amount to £8.981m (2.44% of the proposed 2024/25 Net Budget).

Levels of unearmarked reserves over and above this figure are referred to as the Contingency Reserve. This reserve is projected to be at £5.108m at year end based on the Month 9 2023/24 revenue budget monitoring report – this will reduce to £2.108m when the Budget Risk Reserve of £3m is taken into account.

The budget proposals within the report also utilise £0.172m of unearmarked reserves to meet the costs of time-limited pressures and to temporarily bridge the gap of a part year cost reduction proposal.

Taking all the above into account would leave a projected contingency reserve remaining of £1.936m.

1.25 **Budget Options**

In addition to the proposals included within the report another option has also been submitted by the Independent Group. Whilst the majority of the information contained within the report is relevant to both options the summary below details the specific proposals.

Proposed Changes	£m
<i>Included in both options</i>	
Remove Bus Subsidy reduction	0.510
Remove Waste Frequency reduction	0.274
Remove Connects changes proposal	0.100
Remove Public Conveniences reduction	0.078
Remove Food Waste Charging proposal	0.010
<i>Not included in other option</i>	
Remove Black Bin Fee proposal	0.040
Remove Car Parking Charges proposal	0.038
Remove Compost Charging proposal	0.010
Remove Garden Waste Charging proposal	0.002
Transfer to Reserves	0.436
Overall Total	1.498

The above proposal requires the utilisation of the additional Welsh Government AEF of £0.675m and an overall Council Tax increase of 9% (7.9% for Council Services and 1.1% for regional contribution for Fire Levy and Coroners)

	<p>The main difference between the two options is that there is a contribution to Reserves of £0.436m within this option to safeguard against risks, whereby the other option includes an additional £0.500m directly allocated to the homelessness budget.</p> <p>This option also still assumes the cost reduction of £0.138m for Modern Apprentices – adding this back in would require an increase in the Council Tax uplift to 9.1% together with a reduction to the transfer of reserves of £0.026m to £0.410m.</p> <p>It is considered that the above proposal does amount to a valid legal and balanced option although this will be worked through in detail in advance of the meeting.</p>
1.26	<p>Formal Advice of the Corporate Finance Manager</p> <p>Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions on its budget.</p>
1.27	<p>The 2024/25 budget has again been set within the context of the Medium-Term Financial Strategy and during a year which has seen the continuation of relatively high inflation levels and interest rates. The Council has utilised its COVID-19 Hardship Reserve to deal with some of the legacy impacts of the pandemic although the calls on this time limited reserve have significantly diminished.</p>
1.28	<p>For the estimates contained within the budget, all figures are supported by a clear and robust methodology. The cost reduction proposals have all been risk assessed and reported to members as part of the overview and scrutiny process – inevitably the proposals contain a far higher degree of risk than in previous years. The cost pressures are supported by evidenced method statements.</p>
1.29	<p>The Council's Reserves and Balances Protocol sets out how the Council will determine, manage, and review the level of its Council Fund Balance and earmarked reserves, taking into account legislation and professional guidance. An outcome of this protocol was to report to both Cabinet and Corporate Resources Overview and Scrutiny Committee the level of earmarked reserves held on a quarterly basis. This has been continued throughout 2023/24 through the monthly budget monitoring report, with a detailed challenge of earmarked reserves undertaken throughout the summer which resulted in an amount of £0.898m being released from earmarked reserves back to the general contingency reserve. This process ensures that Members have a good understanding of all the reserves held by the Council.</p>
1.30	<p>I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2024/25 and the financial context within which the budget is being set. It is clear that there continues to be some significant open risks within the 2024/25 budget</p>

	<p>proposals, particularly around service demand for homelessness and out of county placements. The increase in our Aggregate External Finance (AEF) for 2024/25 is very disappointing. There are no indicative allocations for 2025/26 and beyond although the fiscal outlook is looking even more challenging than the settlement for 2024/25.</p> <p>Therefore, it is important that, as far as it is able, the Council protects its current level of reserves to safeguard against these risks. Effective and disciplined in-year financial management is essential to ensure that budgets are managed effectively - with prompt action taken to mitigate any impacts should variances occur.</p>
1.31	<p>I recommend that Council should increase its Base Level of Reserves to a more reasonable level from £5.769m to £8.981m – this can be done by transferring the remaining amount in the COVID-19 Hardship Reserve which was always meant to be a temporary measure.</p> <p>Due to the high level of risk included in the budget proposals I also recommend that a separate budget risk reserve of £3m is set aside to safeguard the Council against any significant potential overspends should demand levels not reduce for areas such as homelessness and out of county placements.</p> <p>The projected remaining amount in the contingency reserve of £1.936m provides a further safeguard against other unforeseen expenditure.</p>
1.32	<p>The budget proposals require an appropriate use of £0.172m of unearmarked reserves to meet the costs of time limited cost pressures and to temporarily bridge the gap of a part year cost reduction.</p>
1.33	<p>Formal Advice of the Chief Executive</p> <p>My professional advice complements that of the Corporate Finance Manager, as set out above.</p>
1.34	<p>The draft budget as presented follows the Medium-Term Financial Strategy (MTFS) adopted by the Council. It has been developed according to the budget setting model which has been adopted by the Council, and our principles and values.</p>
1.35	<p>We have taken a prudent and balanced approach to our annual budget, as required by law and the principles of good governance, whilst protecting the public service duties and obligations of the Council. Our budget-setting process is an intricate one, with all decisions being carefully risk-assessed.</p>
1.36	<p>We have advised Council throughout that this is an extremely challenging budget set in a period of economic volatility, much of this is outside of our control. Portfolios have scrutinised their respective service areas closely and in the context of risk considered these and the wider impacts on the council and the communities it serves. The poor settlement by Welsh Government created increased challenge and risk within portfolios and required further work to identify additional cuts, these were reported back to scrutiny in February.</p>

	<p>There are no further cost reductions or cost efficiencies of scale beyond those reported in the budget-setting process. Our strategy for achieving a legal and balanced budget was heavily reliant on the sufficiency of Government funding for local government and public services; the provisional settlement at 2.2% is disappointing and will lead to an increased risk profile for the Council going forward.</p>						
1.37	<p>Looking ahead the outlook remains uncertain with wider global events impacting on inflation and the cost of living. Although the Bank of England forecasts inflation falling throughout 2024, economic growth will remain weak, and the impacts of the war in Ukraine, Brexit and the pandemic will continue to work through the economic systems, as such the future financial position will continue to remain volatile and subject to many challenges through the coming financial years. This position at an all-Wales level is reinforced by future financial projections by the Wales Institute of Fiscal Studies (refer to para 1.40).</p>						
1.38	<p>As noted, a number of significant 'open risks' remain to be managed and we will again need to adopt ongoing fiscal control in-year throughout 2024/25 particularly in relation to those more volatile services which are generally delivered to those who are in greatest need and most vulnerable within our communities. Our advice on risk management and how it affects setting a prudent budget needs to be carefully heard.</p>						
1.39	<p>It is important that we continue to plan for the medium-term and work with Governments on a sustainable funding model for local government avoiding where possible an over-reliance on Council Tax as a form of local income. Positive work on a sustainable funding model does seem to be gaining traction with encouraging signs from within Welsh Government on the funding formula, this is to be welcomed but greater urgency is needed as well as ongoing work. A level of communication with Welsh Government is necessary to ensure the funding landscape for Flintshire is improved.</p> <p>If we are to effectively respond to anticipated future reduced financial settlements, it will require increased emphasis on service transformation and cost reduction. This work will be difficult and impact all services within the Council as many have already been extensively reshaped and reduced, what remains is already incredibly 'lean'.</p>						
1.40	<p>Medium Term Financial Forecast</p> <p>The financial forecast for the medium-term, for the financial years – 2025/26 – 2026/27, have been reviewed in readiness to update the MTFs. A high-level estimate on the major cost pressures predicted over the next two years following this budget is included in Table 6. The forecast includes (1) potential annual pay awards of 5%; (2) commissioning cost pressures within Social Services, and (3) other known cost pressures.</p> <p>The figures below show the minimum budget requirement.</p> <p>Table 6: Medium Term Forecast</p> <table border="1"> <thead> <tr> <th>Cost Pressure Group</th> <th>2025/26 (£m)</th> <th>2026/27 (£m)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Cost Pressure Group	2025/26 (£m)	2026/27 (£m)			
Cost Pressure Group	2025/26 (£m)	2026/27 (£m)					

	Pay Inflation	11.172	11.783
	Non-Pay Inflation	2.442	2.223
	Social Care Pressures	8.490	8.025
	Other Pressures	6.147	0.733
	Total	28.251	22.764
1.41	The 2024/25 Provisional Settlement excluded an indicative all-Wales revenue allocation for 2025/26. Forecasts from the Wales Institute of Fiscal Studies predict that settlements over the next two years could be less than 1% or cash flat. Therefore, it is essential that the Council prioritises work to address the major differential between its anticipated increases to operating costs compared with anticipated increases in income streams.		
1.42	<p>Concluding Advice to Close the Budget</p> <p>Council is able to set a legal and balanced budget for 2024/25 based on the calculations and advice set out in this report and can fulfil its collective legal responsibility.</p> <p>Two options have been included within the report for consideration by Cabinet and Council and both sets of proposals would meet the requirement of being a legal and balanced budget as required by law.</p>		
1.43	<p>The timetable for the closing stages of the annual budget setting process is as follows: -</p> <p>20 February 2024 Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax and the passing of the Council Tax Resolution.</p> <p>27 February 2024: Announcement of the Final Welsh Local Government Settlement.</p> <p>If there are any further minor changes it is recommended that a relevant contribution to / from reserves is included as an adjustment to the budget.</p>		

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.</p> <p>Human Resources: Any implications for increased/reduced capacity within portfolios are as set out in the report. Any implications for schools would be a consideration for each individual school based on the funding received through the Schools Funding Formula.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT	
3.01	Ways of Working (Sustainable Development) Principles Impact	
	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.
	Well-Being Goals Impact	
	Prosperous Wales	Longer term funding settlements from Welsh Government that provide additional funding for indexation, service demands, and new legislation will aid sustainability and support a strong economy that encourages business investment in the region. The opposite will be true if settlements are inadequate.
	Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
	Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
	More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.
	Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
	Vibrant Wales	As Healthier and Cohesive Wales above

	Globally responsible Wales	Neutral impact.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	<p>Overview and Scrutiny Committees – all cost pressures and cost reductions have been subject to relevant scrutiny and a summary of feedback has been considered in the preparation of final proposals and is include as Appendix 8.</p> <p>Chief Officer Team, the Finance Team, Cabinet Members, Group Leaders and Scrutiny Committees, School Forums. Workforce conferences have been held for employees.</p>

5.00	APPENDICES
5.01	<p>Appendix 1: Prior Year Decisions Appendix 2: Inflation Appendix 3: Pressures Appendix 4: Cost Reductions - Portfolios Appendix 5: Cost Reductions – Corporate Financing Appendix 6: Specific Grants 2024/25 Appendix 7: Balances & Reserves Appendix 8: Feedback from February 2024 Scrutiny Meetings</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>The series of preparatory budget reports for the 2024/25 financial year. The series of presentations made to Cabinet and Council for the 2024/25 financial year.</p>

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 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>

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.

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.

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.