

CABINET

Date of Meeting	Tuesday, 19 th January 2021
Report Subject	Council Fund Revenue Budget 2021/22
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

Cabinet set a revised minimum budget requirement for 2021/22 of £16.750m at its meeting on 15 December.

At a special meeting on 23 December Cabinet then received a presentation on the Provisional Local Government Settlement for 2021/22 (announced by Welsh Government on 22 December) and the implications for setting the annual Council Fund Revenue Budget. This was followed by an informal briefing for all Members. The Provisional Settlement is open for consultation and Cabinet agreed the Council response at this second meeting. (The reports and presentation slides from these two meeting are attached.)

This latest report sets out (1) a close to final budget estimate in readiness for Council to set the annual budget in February (2) the financial implications of the Welsh Provisional Local Government Settlement (3) the remaining issues to be resolved in reaching a balanced budget for recommendation to Council and (4) the budget-setting timetable.

RECOMMENDATIONS

1	That Cabinet notes the progress made in moving towards a set of recommendations for Council to be able to set a legal and balanced budget in February.
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REPORT DETAILS

1.00	EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2021/22																																						
1.01	<p>An update on the Council's minimum budget requirement for 2021/22 was considered by Cabinet on 15 December. Table 1 below shows the revised forecast with Appendix 1 giving further detail:</p> <p>Table 1 – Budget Requirement</p> <table border="1" data-bbox="300 477 1345 1025"> <thead> <tr> <th data-bbox="300 477 957 607" rowspan="3">Summary of Pressures</th> <th colspan="3" data-bbox="962 477 1345 521">2021 / 22</th> </tr> <tr> <th data-bbox="962 528 1085 562">L</th> <th data-bbox="1090 528 1212 562">M</th> <th data-bbox="1217 528 1345 562">H</th> </tr> <tr> <th data-bbox="962 568 1085 607">£m</th> <th data-bbox="1090 568 1212 607">£m</th> <th data-bbox="1217 568 1345 607">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 656 957 696">Prior Year Decisions/Approvals</td> <td data-bbox="962 656 1085 696">1.257</td> <td data-bbox="1090 656 1212 696">1.257</td> <td data-bbox="1217 656 1345 696">1.257</td> </tr> <tr> <td data-bbox="300 703 957 743">Income Loss</td> <td data-bbox="962 703 1085 743">0.714</td> <td data-bbox="1090 703 1212 743">0.945</td> <td data-bbox="1217 703 1345 743">1.261</td> </tr> <tr> <td data-bbox="300 750 957 808">Legislative/Unavoidable Indexation Pressures</td> <td data-bbox="962 750 1085 808">0.783</td> <td data-bbox="1090 750 1212 808">0.783</td> <td data-bbox="1217 750 1345 808">0.783</td> </tr> <tr> <td data-bbox="300 815 957 855">National Resolution Pressures</td> <td data-bbox="962 815 1085 855">3.652</td> <td data-bbox="1090 815 1212 855">4.359</td> <td data-bbox="1217 815 1345 855">7.079</td> </tr> <tr> <td data-bbox="300 862 957 902">National Funding Requirement (Pay)</td> <td data-bbox="962 862 1085 902">5.787</td> <td data-bbox="1090 862 1212 902">6.949</td> <td data-bbox="1217 862 1345 902">8.073</td> </tr> <tr> <td data-bbox="300 909 957 949">Strategic Decisions</td> <td data-bbox="962 909 1085 949">2.548</td> <td data-bbox="1090 909 1212 949">5.755</td> <td data-bbox="1217 909 1345 949">9.258</td> </tr> <tr> <td data-bbox="300 978 957 1019">Total Pressures</td> <td data-bbox="962 978 1085 1019">14.740</td> <td data-bbox="1090 978 1212 1019">20.047</td> <td data-bbox="1217 978 1345 1019">27.710</td> </tr> </tbody> </table> <p data-bbox="300 1061 1102 1102">L = low estimate M = medium estimate H = high estimate</p> <p data-bbox="300 1133 1230 1173">The above estimates still make provision for national pay awards.</p>	Summary of Pressures	2021 / 22			L	M	H	£m	£m	£m	Prior Year Decisions/Approvals	1.257	1.257	1.257	Income Loss	0.714	0.945	1.261	Legislative/Unavoidable Indexation Pressures	0.783	0.783	0.783	National Resolution Pressures	3.652	4.359	7.079	National Funding Requirement (Pay)	5.787	6.949	8.073	Strategic Decisions	2.548	5.755	9.258	Total Pressures	14.740	20.047	27.710
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1.02	<p>The low or minimum requirement of £14.740m shown in the above table was uplifted at the 15 December meeting to make additional financial provision for schools funding, Additional Learning Needs and a potential contribution to reserves. The minimum requirement was uplifted to £16.750m. This requirement can be lowered if there are no new annual pay awards set in England and Wales for local government workers and teachers respectively (see below).</p>																																						

2.00	THE WELSH LOCAL GOVERNMENT PROVISIONAL SETTLEMENT
2.01	<p>The Welsh Local Government Provisional Settlement was announced on 22 December. A summary is set out below.</p>
2.02	<p>Standard Spending Assessment (SSA)</p> <p>The provisional SSA for 2021/22 is £298.689m which is an increase of £12.602m (4.4%) on the SSA for 2020/21 of £286.087m</p>
2.03	<p>Aggregate External Finance (RSG & NDR)</p> <p>The provisional AEF for 2021/22 is £206.778m which when compared to the <i>adjusted</i> 2020/21 AEF figure of £199.267m represents an <i>increase</i> of</p>

	<p>£7.511m (3.8%). Flintshire will receive the same uplift as the All Wales average.</p> <p>The provisional AEF represents a cash uplift of £7.392m over the 2020/21 amount of £199.386m (3.7%)</p>
2.04	<p>Funding Per Capita</p> <p>The AEF allocation provides an amount of £1,318 per capita compared to the Welsh average of £1,471 - a ranking of 20th out of the 22 Welsh councils (19th in 2020/21).</p>
2.05	<p>Transfers In and Out of the Settlement/ New Responsibilities</p> <p>There are no known transfers into or out of the Settlement or any new responsibilities.</p>
2.06	<p>Additional Funding (Floor)</p> <p>There is no additional 'floor' funding included this year to protect those councils who fall well below the Welsh average uplift. The Welsh Local Government Association (WLGA) is pressing for the introduction of a funding floor with our full support.</p>
2.07	<p>Specific Grants</p> <p>There have been some positive announcements on increases in specific grants for Housing Support (additional £40m) and Social Care (additional £10m) across Wales. The budgetary implications of these and all other specific grants is being assessed in detail.</p>
2.08	<p>Funding for Pay Awards</p> <p>The Chancellor of the Exchequer's UK Spending Review Announcement made no provision for public sector pay awards other than some specific allowances for lower paid workers.</p> <p>Within the provisional settlement announcement the Welsh Government confirmed their position on pay provision as:</p> <p>"The Minister was clear in the draft budget that one of the hard choices we have faced in setting our spending plans for next year is our approach to public sector pay. The reality is that we did not receive any additional funding through the Barnett formula to provide for public sector-wide pay awards next year given the UK Government's decision to pause public sector pay increases with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within your budget planning in the light of this Settlement."</p> <p>The Council's position on pay is clear. We believe as an employer that there should be annual cost of living pay awards each and every year and that they should be fully funded at source by Governments. As there is no specific provision within the Provisional Settlement for annual pay awards for 2021/22 then there can be none. Both Governments are lacking a public sector pay</p>

	<p>strategy. The cost burdens of annual pay awards cannot fall on public sector employers.</p>
2.09	<p>Implications of the Settlement</p> <p>If the direction of the UK Government is applied then the Council's minimum budget requirement is reduced from £16.750m to £13.818m. This revision makes pay provision of £0.600m for lower paid workers and removes all other pay provision.</p> <p>Flintshire required an annual uplift of 4.1% in the Settlement to meet this revised minimum budget requirement. The Settlement falls short by £0.600m or 0.3%.</p> <p>Whilst work in ongoing on the budget the Settlement is adequate for the Council to be in a position to set a legal and balanced budget provided that no unfunded national pay awards are negotiated later in the year.</p> <p>The remaining issues to be concluded prior to the recommendation of a balanced budget are set out below:</p>
	<p>REMAINING ISSUES FOR BUDGET CLOSURE</p>
2.10	<p>Service Transformation and Efficiencies</p> <p>No new efficiencies of scale are possible. A minimum target of £1.0m was built into the budget estimate for newly identified service efficiencies. This was reset at £1.75m in December following further work. It is anticipated that the final estimate will be around £2m.</p>
2.11	<p>Specific Grants</p> <p>The Provisional Settlement included some detail on specific grants and further detail is awaited in a number of areas. An additional £10.0m was announced for social care although eligibility criteria has not yet been received for us to be confident that this can be used to meet existing cost pressures within the budget. There is an expected reduction in the Sustainable Waste Management Grant of £1.0m across Wales which will result in a cost pressure of £0.050m. This will need to be built into the budget estimate.</p>
2.12	<p>Reserves Uplift</p> <p>Within the revised budget estimate is an amount of £0.500m to replenish reserves. The majority of the additional costs and income losses arising from the ongoing pandemic continue to be met from the Welsh Government Hardship Fund and Income Fund. The projected outturn for the 2020/21 budget shows a balanced position and it might be possible to remove this figure from the estimate.</p>
2.13	<p>Council Tax Reduction Scheme (CTRS)</p> <p>A cost pressure of £1.172m is included in the budget requirement based on increases in demand for benefits earlier in this financial year. Demand has since stabilised noting that Welsh Government has reimbursed additional</p>

	<p>spend for the first half of the year. The Council will need to make budgetary provision for CTRS entitlement from the annual Council Tax increase as the financial impact of this is not included in the Settlement. There may be scope to reduce this overall cost pressure provision based on forecast demand.</p>								
2.14	<p>Out of County Placements</p> <p>Additional funding of £2.7m was included in the budget for 2020/21 to keep pace with demand. As at the Month 8 2020/21 budget monitor report there is a net projected overspend of £0.566m. Therefore, additional budget provision within the budget estimate will be required for 2021/22.</p>								
2.15	<p>Council Tax</p> <p>A cost pressure of £0.600m is included in the revised budget requirement to mitigate the impacts of a significant reduction in collection levels in the current financial year. Welsh Government will be considering any potential support requirements across Wales over the coming months. The purpose of the provision is to absorb any increase in bad debt from non-collected tax. Based on collection rate forecasts it might be possible to reduce the level of this provision. The level of the annual increase in Council Tax will be a decision for full Council in February. The recommended annual increase will be below 5% in line with the position taken by Council previously.</p>								
2.16	<p>SUMMARY AND CONCLUSIONS</p> <p>A legal and balanced budget for 2021/22 can be recommended by Cabinet to Council based on the above calculations and assumptions. The Council will continue to press Welsh Government for an improved Settlement at the final stage.</p>								
2.17	<p>Budget Timeline</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>19 January 2021</td> <td>Cabinet – Budget Review</td> </tr> <tr> <td>16 February 2021</td> <td>Cabinet and Council – Budget Setting</td> </tr> <tr> <td>2 March 2021</td> <td>Welsh Government Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	19 January 2021	Cabinet – Budget Review	16 February 2021	Cabinet and Council – Budget Setting	2 March 2021	Welsh Government Final Budget/Settlement
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3.00	RESOURCE IMPLICATIONS
3.01	<p>Revenue: the revenue implications for the 2021/22 budget are set out in the report.</p> <p>Capital: there are no new implications for the approved capital programme for either the current financial year or for future financial years – the capital programme will be subject to a separate report</p> <p>Human Resources: there are no implications for additional capacity or for any change to current workforce structures or roles at this stage.</p>

4.00	IMPACT ASSESSMENT AND RISK MANAGEMENT	
4.01	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.

5.00	CONSULTATIONS REQUIRED/CARRIED OUT
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5.01	Overview and Scrutiny Committees in November 20.
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6.00	APPENDICES
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6.01	Appendix 1: MTFS Forecast 2021/22 – 2023/24 Appendix 2: Report to Cabinet 15 December 2020 Appendix 3: Presentation made to Cabinet 23 December 2020
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7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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7.01	The series of preparatory budget reports for the 2021/22 financial year.
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8.00	CONTACT OFFICER DETAILS
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8.01	Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk
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9.00	GLOSSARY OF TERMS
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9.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>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</p>
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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.