

CABINET

Date of Meeting	Tuesday, 15 th December 2020
Report Subject	Medium Term Financial Strategy and Annual 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

This report (1) updates the budget estimate for 2021/22 in advance of the formal budget-setting process (2) gives feedback from the Overview and Scrutiny Committees who were consulted on the budget estimate throughout November and (3) updates on the national budget position.

The report presents an updated budget estimate and re-sets the budget solutions strategy which is highly dependent on sufficient national funding for local government and is unchanged since last year.

All five Overview and Scrutiny Committees had been consulted on the budget estimate and strategy, and specifically on the cost pressures included in the estimate for their respective portfolios. The Committees, as one, did the following:-

- Supported the overall budget strategy;
- Noted and endorsed the individual portfolio cost pressures;
- Supported the expectations of Governments on national funding;
- Noted and accepted the combined efficiency target of £1m - £2m;
- Did not put forward any further efficiency options to explore; and
- Supported the Council's position on local taxation policy i.e. an upper limit of a 5% annual rise in Council Tax.

The Chancellor announced the outcome of the UK Spending Review on 25th November and the implications for Wales are summarised in the report.

The Provisional Local Government Settlement is due to be announced by Welsh Government on 22nd December. A budget timetable is included in the report.

RECOMMENDATIONS

1	To approve the updated budget estimate for 2021/22.
2	To receive the feedback from the five Overview and Scrutiny Committees.
3	To review and re-set the strategy to set a legal and balanced budget for 2021/22.

REPORT DETAILS

1.00	EXPLAINING THE MEDIUM-TERM FINANCIAL STRATEGY 2021/22 – 2023/24 AND THE BUDGET ESTIMATE 2021/22
1.01	The Council reviews the Medium-Term Financial Strategy (MTFS) on an annual basis in advance of setting each annual budget. This report updates both the MTFS and the budget estimate for 2021/22.
1.02	<p>The cost pressures included within the budget estimate have been categorised as follows:</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 revised MTFS and budget forecast. A range is shown for cost pressures from low to high.</p>
1.03	All five Overview and Scrutiny Committees have been consulted on the budget estimate and strategy, and specifically on the cost pressures included in the estimate for their respective portfolios.
1.04	<p>The Committees, as one, did the following:-</p> <ul style="list-style-type: none">• Supported the overall budget strategy;• Noted and endorsed the individual portfolio cost pressures;• Supported the expectations of Governments on national funding;• Noted and accepted the combined efficiency target of £1m - £2m;• Did not put forward any further efficiency options to explore; and• Supported the Council's position on local taxation policy i.e. an upper limit of a 5% annual rise in Council Tax.
1.05	The Chancellor set out the outcomes of the Spending Review for the United Kingdom on 25 th November. For Wales the key implications are:

	<ul style="list-style-type: none"> • £1.3bn additional funding to the Welsh Government with (£770m for ongoing emergency funding and £560m for core public services funding) • Public sector pay rises to be suspended other than for designated NHS workgroups and for all those earning less than £24,000 per year • Minimum Wage to rise by 2.2% for those aged 23 and over
1.06	<p>The Draft Welsh Budget is due to be announced on 21st December followed by the Provisional Local Government Settlement on 22nd December.</p> <p>UK Government has chosen not to make financial provision for public sector pay awards beyond those referred to above. However, the UK Government does not have control over (1) local government UK national pay negotiations between the employers and the recognised trade unions or (2) teachers' pay awards in Wales which is now a devolved responsibility. Therefore, at this early stage and pending any new pay negotiations it cannot be assumed that there will not be new pay cost pressures for councils in Wales in 2021/22.</p>

2.00	THE REVISED BUDGET ESTIMATE AND FUNDING SOLUTIONS
2.01	<p><u>North Wales Fire and Rescue Authority (NWFRA)</u></p> <p>Confirmation has been received of the level of contribution required to fund the NWFRA for 2021/22. The level of contribution from Flintshire has increased by £0.314m. This is £0.154m higher than first expected.</p>
2.02	<p><u>North Wales Economic Ambition Board (NWEAB)</u></p> <p>As part of the partnership arrangement for the NWEAB all councils in the region have agreed to contribute to the costs of early capital borrowing. The contribution will be between £0.104m and £0.148m and has now been built into the forecast.</p>
2.03	<p><u>Parc Adfer – Contract Inflation</u></p> <p>The North Wales Regional Waste Partnership contract with Parc Adfer specifies the base gate fee price. The fee is indexed each year using the Retail Price Indexation (RPI). For 2021/22 there is an additional cost of £0.052m.</p>
2.04	<p><u>Additional Learning Needs – Schools/Registration Services Income</u></p> <p>The estimate has been updated for these services.</p>

2.05	<p>Table 1: Revised Budget Requirement Estimate 2021/22</p> <table border="1" data-bbox="300 197 1343 741"> <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>0.714</td> <td>0.945</td> <td>1.261</td> </tr> <tr> <td>Legislative/Unavoidable Indexation Pressures</td> <td>0.783</td> <td>0.783</td> <td>0.783</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>2.548</td> <td>5.755</td> <td>9.258</td> </tr> <tr> <td>Total Pressures</td> <td>14.740</td> <td>20.047</td> <td>27.710</td> </tr> </tbody> </table> <p>L= low estimate M = medium estimate H = high estimate</p> <p>The above estimates still make provision for national pay awards. The above estimates are under review and will be re-presented to Cabinet with and without pay provision included at a later date. Cabinet has directed that additional provision should be made within the budget estimate for (1) the secondary school funding formula and (2) Additional Learning Needs, if affordable. The budget estimate is re-revised at 2.10.</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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2.06	<p>Strategic Funding Solutions</p> <p>The solutions for balancing the budget are threefold:-</p> <ul style="list-style-type: none"> - Government Funding (Aggregate External Finance) - Local Taxation and Income - Service Transformation and Efficiencies 																																						
2.07	<p>Service Transformation and Efficiencies</p> <p>There are no efficiencies of scale remaining. The need for service resilience in each portfolio has been underlined by the challenges posed in the ongoing emergency situation. A minimum target of £1.0m was originally built into the budget estimate for newly identified service efficiencies. Following further work this has been reset at £1.75m.</p>																																						
2.08	<p>The table below sets out scenarios to balance the budget for 2021/22 at the minimum budget requirement level set out in 2.05.</p>																																						

Table 2: Scenarios For Balancing the Budget

Budget Minimum Estimate £m	14.740	14.740	14.740	14.740	14.740	14.740
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	1.750	1.750	1.750	1.750	1.750	1.750
Council Tax (Note)	0.633	1.506	2.378	3.250	4.123	4.995
Total Potential Funding	2.383	5.250	8.116	10.982	13.848	16.714
Remaining Balance	12.357	9.490	6.624	3.758	0.892	(1.974)

Note: Council Tax estimates are gross. Any impact of the Council Tax Reduction Scheme (CTRS) will need to be built in as costs.

2.09 The funding strategy is highly dependent on sufficient national funding for local government. The Welsh Local Government Association (WLGA) has made the case for an additional £280m of RSG for local authorities for 2021/22 including Flintshire.

2.10 Table 3 sets out the revised budget estimate incorporating the pressures for Schools Funding, Additional Learning Needs and Reserves as directed by Cabinet, and illustrates the level of funding required from Welsh Government.

Table 3 – Revised Budget Requirement Estimate 2021/22

Budget Minimum Estimate £m	16.750	16.750	16.750	16.750	16.750	16.750
Percentage Increase	4%	4.5%	5%	5.5%	6%	6.5%
	£m	£m	£m	£m	£m	£m
RSG	7.975	8.972	9.969	10.966	11.963	12.960
Efficiencies	1.750	1.750	1.750	1.750	1.750	1.750
Council Tax (Note)	4.123	4.559	4.995	4.995	4.995	4.995
Total Potential Funding	13.848	15.281	16.714	17.711	18.708	19.705
Remaining Balance	2.902	1.469	0.036	(0.961)	(1.958)	(2.955)

	Note: Council Tax estimates are gross and included at an upper limit of 5%. Any impact of the Council Tax Reduction Scheme (CTRS) will need to be built in as costs.																
2.11	<p>Table 4 – Budget Timeline</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>15 December 2020</td> <td>Cabinet – Budget Estimate and Strategy</td> </tr> <tr> <td>21 December 2020</td> <td>Welsh Government Draft Budget</td> </tr> <tr> <td>22 December 2020</td> <td>Provisional Local Government Settlement</td> </tr> <tr> <td>23 December 2020</td> <td>Special Cabinet and all Member Briefing</td> </tr> <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	15 December 2020	Cabinet – Budget Estimate and Strategy	21 December 2020	Welsh Government Draft Budget	22 December 2020	Provisional Local Government Settlement	23 December 2020	Special Cabinet and all Member Briefing	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	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <tbody> <tr> <td>Long-term</td> <td>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>Prevention</td> <td>As above</td> </tr> <tr> <td>Integration</td> <td>Neutral Impact</td> </tr> <tr> <td>Collaboration</td> <td>Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.</td> </tr> </tbody> </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.
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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
5.01	Overview and Scrutiny Committees in November 20.

6.00	APPENDICES
6.01	Appendix 1. MTFs Forecast 2021/22 – 2023/24.

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	None

8.00	CONTACT OFFICER DETAILS
8.01	<p>Contact Officer: Gary Ferguson,, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

9.00	GLOSSARY OF TERMS
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 allocate according to local choice can be limited by guidelines set by Government.</p> <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>Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>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.</p> <p>Aggregate External Finance (AEF): The support for local revenue spending from the Welsh Government and is made up of formula grant</p>

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.