



Council Fund Budget 2019/20 – Third and Closing Stage

County Council
29 January 2019



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Setting a Legal and Balanced Budget

- » The duty to set a legal balanced budget is upon the whole Council as a collective (a reserved matter)
- » Legal: all budget proposals are within our powers
- » Balanced: income and planned cost reductions combined match planned and expected expenditure
- » Risk Balance: not overloading the budget with risks e.g. speculative or imprecise/un-costed budget proposals
- » Implementation: proposals having realistic timescales
- » Provisions: sufficient financial set-aside for main risks
- » Advice: statutory roles of the S151 Officer and the Chief Executive in advising Council



Updated Forecast for 2019/20



The Forecast for 2019/20

- » Initial gap of £12.2m identified back in April 2018
- » Forecast kept under review over the summer period and shared at a series of member workshops. Cabinet in September advised of an updated forecast gap of £13.7m
- » Gap Increased to £15.3m upon receipt of the Provisional Settlement
- » Stages 1 and 2 approved at Council in November reduced the gap to £6.7m

Stage 1 – Corporate Budget Solutions

» Council Tax (illustrative 4.5%)	£3.635m
» New Income Streams	£0.100m
» Reserves and Balances	£1.900m
» ADM Subsidies	£0.400m
» Reduction in Corporate Management	£0.250m
» HRA – Council Fund Recharges	£0.158m
» Transport Anomalies	£0.100m
» Cost Pressure Management	
» Inflation / Pensions	£1.144m
» Other workforce Costs	£0.250m

Total of £7.937M

Stage 2 –Portfolio Business Plan Proposals

Portfolio	£m
Corporate	0.360
Social Services	0.315
Education & Youth	0.076
Streetscene & Transportation	0.065
Planning, Environment & Economy	0.111
Housing & Assets	0.035
Total	0.963
Budget Strategy	
Less:	
Income	0.143
Targeted Post Reductions	0.190
Balance of Operational Efficiencies	0.630

Final Settlement (1)

- » Final Settlement announced on 19 December
- » Standard Spending Assessment (SSA) for 2019/20 at £269.127m (an increase of 1.8% on 2018/19)
- » Aggregate External Finance (AEF) for 2019/20 £188.980m - an increase of £1.163m to the AEF from the Provisional Settlement announced in October
- » Represents a decrease of 0.3% (Revised Floor) for Flintshire compared with an all Wales average increase of 0.2%

Final Settlement (2)

- » Transfers into the settlement for:
 - » Teachers Pay grant - £0.694m
 - » Free School Meals - £0.257m
- » Additional Responsibility for increasing capital limits for residential care charging – pressure already included in our budget forecast
- » Average Council Tax increase of 6.5% across Wales assumed by Welsh Government in their calculations

Other Changes to the Forecast 2019/20

- » **Reduction** in Social Care Pressures
 - » Commissioning Costs (£0.150m)
 - » Day Services Costs (£0.055m)

- » **Increase** in North Wales Fire & Rescue Levy of £0.381m

- » Reduction in contribution to Regional Education Consortium GwE (0.006m)

- » **Impact: overall increase of £0.170m**

Impact of Grant Announcements

- » Social Care Grant £30m all Wales to meet Social Care demand cost pressures – local benefit £1.410m
- » Children's Services £2.3m all Wales to help prevent children being taken into care – local benefit £0.110m
- » Schools – Teachers Pay Award £7.5m all Wales to meet cost pressures of pay award – local benefit £0.375m
- » Social Care and Health £15m all Wales to be allocated regionally – local benefit £0.705m (conditions and distribution not yet confirmed so an open risk)
- » **Positive impact of £2.600m**

Summary of Revised Forecast

	£m
Revised Gap at Provisional Stage	15.262
Less: Stage 1 Budget Proposals Approved	(7.937)
Stage 2 Budget Proposals Approved	(0.630)
Revised Gap	6.695
Less: Final Settlement Revised Reduction in Grant	(1.163)
Less: Impact of Grant Announcements	(2.600)
Add: Further Changes emerging Dec/Jan	0.170
Revised Working Budget Gap at Stage Three	3.102

Remaining Options and Possibilities

- » No scope for further reductions for Corporate Finance and Service Portfolios for 2019/20 of any scale
- » Specific Requests to Welsh Government **#backtheask** campaign met in part and ongoing
- » Beyond a financial intervention by Welsh Government the only remaining options are Council Tax income and drawing upon Reserves and Balances

Reserves & Balances



Types of Reserves

- » **Base Reserve:** recommended financial practice and expected by regulators (stands at 2% of budget)
- » **Contingency Reserve:** useable reserve set aside as a safeguard against in-year predicted and unforeseen cost pressures
- » **Earmarked Reserves:** funding set aside for a specific purpose e.g. winter maintenance reserve



Managing the In-Year 2019/20

- » The big in-year risks for which reserves need to be held back for the budget to be prudent are:-
 - » Outcome of the ongoing pay modelling work
 - » Protection against an in-year overspend as per the adopted MTFS key performance indicator
 - » Replacement of earmarked reserves for the cost of redundancy and Invest to Save
 - » Potential exposure to a proportion of the increased employer contribution costs for Teachers Pensions
 - » Rising Social Care costs
 - » National market condition uncertainty



Prudent Level of Reserves for 2019/20

Detail	£m
Contingency Reserve Available (as per budget monitoring 2018/19 at month 8)	7.689
Less: Approved use of budget 2019/20 (Stage One)	(1.900)
Revised Amount remaining	<u>5.789</u>
Less: Increased Annual Budget Management tolerance level 2019/20 Due to imminent national market uncertainties e.g. financial markets and inflation levels	(2.600)
Less: Contingency against further variations in 2019/20 e.g. Out of County Placements	(1.000)
Less: Investment in change to achieve future efficiencies to support MTFS	(1.000)
Less: Known Corporate Risks: Pay Modelling costs, costs of redundancy, exposure to teacher pension employer contributions increase	<u>(1.000)</u>
Amount remaining	0.189



Council Tax



Council Tax

- » Without any further funding announcements the remaining budget gap of £3.1m would require an overall council tax for Flintshire in the region of 8.4/5% after the utilisation of available reserves
- » The addition of the increase in the NW Fire and Rescue levy will bring the overall increase to 8.9%
- » Welsh Government planning assumptions are that Council Tax will rise at an average of 6.5% across Wales

Potential Council Tax Rises in Wales 2019/20

Increase Range	Number of Councils
Under 5%	7
5% - 6%	8
6% - 7%	2
7% - 8%	1
8% - 9%	1*
9%+	3



Council Tax (Band D) Comparators 2018/19

» Flintshire County Council	£1,178
» Blaenau Gwent (highest)	£1,571
» Pembrokeshire (lowest)	£ 994
» Welsh Average	£1,219
» <i>Flintshire is £41 below the Welsh Average</i>	
» <u>English Authority Comparators</u>	
» Cheshire West and Chester	£1,448
» Cheshire East	£1,404
» Wirral	£1,480

Council Tax Indicative Comparators 2019/20

- » A 8.9% rise in Council Tax will equate to an annual increase of £104.81 for an average Band 'D' household, that is £8.73 per month or £2.02 per week
- » 49% of Flintshire households would pay less as they fall into lower property bands (Band 'A' to 'C')

Band	No of Properties	Annual Charge	Annual Increase	Monthly Increase	Weekly Increase
A	4,326	854.94	69.87	5.82	1.34
B	9,381	997.43	81.52	6.79	1.57
C	20,367	1,139.92	93.16	7.76	1.79

Council Tax Indicative Welsh Comparators 2019/20

- » Latest intelligence indicates that an 8.9% increase (including the Fire Levy Increase) would result in Flintshire setting a council tax charge which would still be **£34** lower than the Welsh average for 2019/20
- » The additional 2.4% increase over and above the 6.5% increase assumed in the final settlement equates to £28.26 per year, £2.36 per month or £0.54 per week for a Band 'D' household



Schools and Social Care Budgets



Schools Funding 2019/20

Description	£m
NJC – Pay Costs	1.402
Teachers Pay	0.319
General Inflation	0.192
Free School Meals Increase	0.257
Total Funded from RSG	2.170
% Increase on Delegated School Budget	2.47%
Teachers Pay Grant (Estimate)	0.375
Total Funding Increase	2.545
Overall % Increase for Schools	2.89%

Social Care Funding 2019/20

- » Net uplift for Social Care of 6% which equates to £4.2m excluding contributions from the additional grant announcements
- » Budget includes increases for the impact of Out of County Placements, Commissioning costs, Transition to Adulthood and Residential Care
- » Net of the additional grant contributions the uplift is 2.9%



Professional Opinions



Professional Opinions

- » **Section 151 Officer/Corporate Finance Manager:** confirms the reasonableness of the budget estimates; significant risks around social care demand and the stability of financial markets; essential to protect a sizeable Contingency Reserve to safeguard against these risks; a robust programme for the delivery of the efficiencies with effective and disciplined in-year financial management is essential
- » **Chief Executive:** budget developed according to budget model recommended by Constitution committee; cannot recommend any further reductions to service portfolio budgets or further reductions in workforce capacity without significant risks as set out in the report

The Basis of the Professional Opinions

- » comprehensive and intricate cost forecasting completed
- » ongoing review of all cost bases in services with comprehensive and challenging business plans for service portfolios over a period of 3-4 years
- » service choices made through a series of reviews with budgets aligned to fit
- » ongoing review of all corporate costs and overheads
- » corporate choices made by members e.g. MRP policy
- » risk and resilience analysis and statements
- » legal and contractual obligations met e.g. pay awards

Future Outlook



Professional Opinions – The Future

- » The sustainability of Council budgets is under serious threat with few local service choice options remaining
- » Concern over a reliance on diminishing reserves in annual budget-setting over a series of years
- » Proliferation of unfunded national commitments an ongoing cause of major concern
- » Difficult to see how the Council will be able to successfully balance the budget for 2020/21 onwards without some reversal of national fiscal policy
- » Inevitable pressure on local taxation and local income sources to sustain future budgets
- » Early planning for 2020/21 - 2022/23 critical with an updated forecast for the medium-term

Medium Term Forecast

Cost Pressure Group	20/21	21/22	22/23
	£m	£m	£m
Pay Inflation	3.326	3.393	3.460
Non Pay Inflation	0.759	0.759	0.759
Social Care/CLIA Pressures*	3.470	4.044	4.100
Repayment of Reserve from 2019/20	1.900	0	0
Total * Excludes any impact of Actuarial Review and future borrowing costs	9.455	8.196	8.319



#BacktheAsk 3



Update from the AMs and MPs meeting

- » Letter sent on 14 January 2019 following the meeting with AM's MP's on 11 January 2019
- » Advised of the options available to achieve a balanced budget - Council Tax or improved national funding, and advised that the Final Settlement will require a Council Tax increase of 8.5% (excluding the fire levy increase)
- » **Extracts**
- » Ask for support of the budget and acknowledgment of extra funding within Welsh Government
- » Point out that the additional funding did not fully meet our asks
- » Drew attention to the shift from central funding to local taxation
- » Ask for distribution of an additional £33m to Councils enabling us to contain our Council Tax increase to a level within the range of 6 – 7% in line with WG assumptions

Budget Scenarios

Scenario 1: the Council sets a budget within its known resources and without any national support

Scenario 2: local government receives an improved Settlement and the Council can set a budget with more resources

Scenario 3: Flintshire receives an improved Settlement with supplementary funding and the Council can set a budget with more resources

Scenario 4: the Council cannot set a legal and balanced budget and has to default to the statutory procedures and risk a national intervention

Next Steps and Timelines

- » Meeting Today
- » Final engagement with Welsh Government
- » Further Council meeting on 19 February
- » Council Tax formal resolution-setting at Council meeting on 28 February