

CABINET

Date of Meeting	Tuesday, 18 th February 2020
Report Subject	Council Fund Revenue Budget 2020/21 – Third and Closing Stage
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

Council has received full reports on stages one and two of the budget setting process for 2020/21 at its December and January meetings.

In December, at stage one, Council noted: the updated budget forecast for 2020/21; the completed first stage of solutions to meet the budget requirement for the financial year; and the limited range of local options which were available to reach a balanced budget alongside the outcome of the Provisional Local Government Budget Settlement. At that time, we were awaiting the announcement of the Provisional Settlement by Welsh Government. This announcement followed on 16th December.

In January, at stage two, Council received an update on the latest local forecast for 2020/21 together with an assessment of the Provisional Settlement. At that time officers advised that there was a high degree of confidence that a legal and balanced budget could be achieved for 2020/21 given (1) the improved Settlement position and (2) the expected financial contributions from the work in hand on the remaining local corporate finance solutions. This report also set out the ‘open risks’ which could have a financial impact in 2020/21 and would need to be managed.

This report sets out how the Council can achieve a legal and balanced budget for 2020/21 for stage three of the budget setting process. The calculations are based on a maximum annual Council Tax rise of 5%. It should be noted that Welsh Government has set a guideline of an average Council Tax increase of 7.1% across Wales as part of its budget calculations for a sufficiency of funding for local government.

The forecast for 2020/21 has been revised to take into account those ‘open risks’ for which financial provision needs to be made for the budget to be prudent. The work in hand on the remaining corporate financing options has since been

completed and the outcomes are set out within this report. The report also re-explains the remaining 'open risks' for 2020/21. Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail of this report.

A full presentation will be made by the report authors at both Cabinet and Council.

The report includes the following tables:

- Table 1: Updated Financial Forecast 2020/21
- Table 2: Analysis of the Remaining Budget Gap for 2020/21
- Table 3: Proposed Budget 2020/21
- Table 4: Medium Term Forecast

RECOMMENDATIONS

1	That Cabinet notes and accepts the revised budget forecast for 2020/21 (The forecast sets out the budget requirement for the financial year and the remaining budget gap to be closed at stage three).
2	That Cabinet notes (1) that the revised forecast is based on a risk management strategy and (2) the 'open risks' which remain to be managed in the course of 2020/21.
3	That Cabinet notes the analysis of the Provisional Local Government Budget Settlement, and the contribution the additional national funding will make to closing the remaining budget gap.
4	That Cabinet approves the proposals from the completed work on corporate financing options to contribute to closing the remaining budget gap.
5	That Cabinet recommends to Council a legal and balanced budget based on the calculations within this report and taking into full account (1) the contribution the additional national funding can make and (2) the proposals from the completed work on corporate financing options.
6	That Cabinet recommends the level of Council Tax for 2020/21 at 5% or below.
7	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium Term Financial Strategy (MTFS).
8	That the Council calls upon both Governments to commit to three-year medium-term budget planning with local government settlements in Wales to be at a minimum level of 4% in each of those years, and for national pay awards and reforms and pension reforms and revaluations to be funded in full at a national level at source.

REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL FORECAST														
1.01	<p>The Financial Forecast</p> <p>The forecast has been continuously revised to take into account both changes to the pressures included in the original April forecast, and new pressures which were either unknown at the time or had been identified and were still being evaluated. The impact of the changes reported in December left a remaining gap of £15.629M. The January report advised of adjustments to the forecast together with the ongoing work on the limited solutions to balance the budget.</p>														
1.02	<p>The forecast for 2020/21 at the time of the last report and before the conclusion of the work on the remaining solutions is shown in Table 1 below:</p>														
1.03	<p>Table 1: Updated Financial Forecast 2020/21 (February 2020)</p> <table border="1" data-bbox="320 875 1350 1335"> <thead> <tr> <th></th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Gap reported at December</td> <td>15.629</td> </tr> <tr> <td>Add in additional pressures for:</td> <td></td> </tr> <tr> <td>North Wales Fire & Rescue Authority (1)</td> <td>0.022</td> </tr> <tr> <td>North Wales Sustainable Waste Grant Reduction (2)</td> <td>0.099</td> </tr> <tr> <td>Less: Cost Pressure for SEN/ALN (3)</td> <td>(0.400)</td> </tr> <tr> <td>Total Revised Forecast</td> <td>15.350</td> </tr> </tbody> </table> <p>Notes</p> <ol style="list-style-type: none"> 1. Increase now confirmed brings total to £0.178M 2. Estimated Reduction in Grant based on the Provisional Settlement 3. Pressure removed pending confirmation of a Welsh Government specific grant (remains an open risk) 		£M	Gap reported at December	15.629	Add in additional pressures for:		North Wales Fire & Rescue Authority (1)	0.022	North Wales Sustainable Waste Grant Reduction (2)	0.099	Less: Cost Pressure for SEN/ALN (3)	(0.400)	Total Revised Forecast	15.350
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1.04	<p>Adjustments to Cost Pressures Included in the Forecast</p> <p>Teacher Pay</p> <p>It has been confirmed by Welsh Government that pending pay awards are expected to be paid from the overall uplift in funding announced in the Provisional Settlement. Therefore, provision for a 2% uplift has now been included in the budget at an additional cost of £0.726M.</p>														
1.05	<p>Out of County Placements</p> <p>This remains a major cost risk. The draft budget for 2020/21 already includes an uplift of £2.5M in funding for Out of County Placements.</p>														

	<p>However, the current level of demand shows that even this increased budget is unlikely to be sufficient and a continuing overspend is likely to be a major consideration in managing the budget in 2020/21. Therefore, a further budget pressure of £0.200M has been included to contribute to the costs based on current demand levels.</p>
1.06	<p>Coroner Service</p> <p>An additional £0.039M has been included to reflect inflationary uplifts and increased demand levels. Councils contribute to this regional statutory service by law.</p>
1.07	<p>The impact of these adjustment to pressures is to increase the forecast from £15.350M to £16.315M to be met from the budget solutions set out below.</p>
	<p>EXPLAINING THE BUDGET SOLUTIONS</p>
1.08	<p><u>STAGE ONE - DECEMBER</u></p> <p>At the conclusion of stage one, Council was advised that a combination of corporate finance portfolio efficiencies and income, the income derived from an indicative 5% level of Council Tax increase, and the 'dividend' from the actuarial review of the Clwyd Pensions Fund summarised above would generate a significant contribution to the budget of £8.164M.</p>
1.09	<p><u>STAGES TWO AND THREE - JANUARY</u></p> <p>The Local Government Provisional Settlement was received on 16 December and details were included in the January Council report. The positive contribution made by the Settlement to the 2020/21 budget gap, having taken account of additional pressures for Teacher Pay and Pensions, is £6.559M.</p>
1.10	<p>Specific Grants</p> <p>The Provisional Settlement included significant uplifts to specific grants within Education and Social Care. At that stage the precise allocations for Flintshire were not known, or whether the terms and conditions of grant would be sufficiently flexible for the Council to be able to allocate the funds against planned budget expenditure to assist in the closure of the remaining budget gap. See 1.11 and 1.12 below.</p>
1.11	<p>Use of Social Care Grant</p> <p>As referred to in 1.10 above a further £10M of grant funding for Social Services will be available across Wales for 2020/21. This is in addition to the £30M of recurring funding. As part of the 2019/20 budget we were able to use this funding to contribute to the Social Care pressures already included in our financial forecast. Latest intelligence supports the use of the additional funding, however we are awaiting confirmation of this.</p>

1.12	<p>Use of Education Grant</p> <p>As referred to in 1.10 above a new specific grant of £7.2M for Additional Learning Needs has been announced for Wales. However, the terms and conditions are still not known. It is recommended that this funding source be reviewed as a potential contribution to the risks detailed in paras 1.21 – 1.25.</p>
1.13	<p>Additional Funding to Provide a ‘Floor’</p> <p>There was no additional funding confirmed at the Provisional Settlement stage to support a funding ‘floor’. A funding floor is 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. Given the variations in the annual uplift from council to council as set out in the Settlement - from 3% (Monmouthshire) to 5.4% (Newport) – a floor has been called for by a number of councils. If granted, it would be funded by Welsh Government over and above the quantum it has committed to invest in the Settlement for 2020/21 thus far. The group of North Wales Leaders have made the case for a floor to be set at 4%. If granted, this would improve Flintshire’s position by 0.3%. The Welsh Local Government Association has supported the call for a floor. A decision is awaited and there can be no assumption at this stage, prior to the finalisation and approval of the Welsh Government budget.</p>
1.14	<p><u>STAGE THREE - OUTCOME OF LIMITED REMAINING OPTIONS</u></p> <p>As reported to Council in January, work was ongoing on a limited range of local solutions to contribute to closing the remaining budget gap alongside the contribution to be made by an improved Local Government Settlement. This work has since been concluded and the outcomes are noted in 1.15 - 1.18.</p>
1.15	<p>Employer Pension Contributions</p> <p>The triennial actuarial valuation of the Clwyd Pension Fund has now been completed and employer contribution rates agreed for the period 2020/21 – 2022/23. Due to the overall improved position on the Clwyd Pension Fund, the reduction in the employer contributions for Flintshire were estimated to be a minimum of £2M when reported in December. This figure was included in the Stage One budget solutions.</p> <p>The final outcome of the valuation has resulted in a net reduction of 4% in employer contributions. This is equal to a reduction of £2.646M of contributions. Therefore an additional £0.646M can be taken at Stage Three.</p> <p>In addition, a recalculation of the in-year position on employer annual pension contributions will allow a further £0.300M contribution to the budget over and above the £0.500M already included at Stage One.</p>

1.16	<p>Social Care Commissioning</p> <p>The costs for commissioned social care in residential, nursing and specialist care, and domiciliary care, are set annually following consultation with providers. Following the conclusion of negotiations there is a surplus of £0.100M in the amount set aside in the draft budget. This can safely be taken as a contribution to balancing the budget.</p>												
1.17	<p>Single Person Discount – Review of Entitlement</p> <p>The ongoing review of Council Tax payers in Flintshire who claim single occupancy discount has generated Tax income surpluses over a period of time. The current stage of the review is has generated additional Tax income of £0.300M in the current financial year. This additional income can now be included to support the 2020/21 budget on a one-off basis. For future years this updated calculation will be included in the Council Tax Base.</p>												
1.18	<p>These Stage Three solutions have a positive impact of £1.346M on the Budget 2020/21. Having concluded Stages One to Three the remaining budget gap is as set out in Table 2 below. A balance of £0.246M remains to be found.</p>												
1.19	<p>Table 2: Analysis of Remaining Budget Gap for 2020/21</p> <table border="1" data-bbox="320 1037 1257 1413"> <thead> <tr> <th></th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Revised Budget Gap</td> <td>16.315</td> </tr> <tr> <td>Less: Stage One Solutions</td> <td>(8.164)</td> </tr> <tr> <td>Less: Net impact of Provisional Settlement</td> <td>(6.559)</td> </tr> <tr> <td>Less: Stage Three Solutions</td> <td>(1.346)</td> </tr> <tr> <td>Revised Forecast Gap</td> <td>0.246</td> </tr> </tbody> </table>		£M	Revised Budget Gap	16.315	Less: Stage One Solutions	(8.164)	Less: Net impact of Provisional Settlement	(6.559)	Less: Stage Three Solutions	(1.346)	Revised Forecast Gap	0.246
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1.20	<p>Table 3: Proposed Budget for 2020/21</p> <table border="1"> <thead> <tr> <th data-bbox="320 188 1118 219">Funding</th> <th data-bbox="1118 188 1273 219">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 255 1118 286">Aggregate External Funding (AEF)/RSG NNDR</td> <td data-bbox="1118 255 1273 286">199.386</td> </tr> <tr> <td data-bbox="320 286 1118 318">Council Tax</td> <td data-bbox="1118 286 1273 318">86.807</td> </tr> <tr> <td data-bbox="320 318 1118 349">Budget Requirement</td> <td data-bbox="1118 318 1273 349">286.193</td> </tr> <tr> <td data-bbox="320 385 1118 416">Specific Grants (Estimated)</td> <td data-bbox="1118 385 1273 416">31.955</td> </tr> <tr> <td data-bbox="320 452 1118 483">Total Funding</td> <td data-bbox="1118 452 1273 483">318.238</td> </tr> <tr> <td data-bbox="320 519 1118 551">Expenditure</td> <td data-bbox="1118 519 1273 551"></td> </tr> <tr> <td data-bbox="320 586 1118 618">Base Budget Rolled Forward</td> <td data-bbox="1118 586 1273 618">304.613</td> </tr> <tr> <td data-bbox="320 654 1118 685">Transfers in/out of settlement (Appendix 1)</td> <td data-bbox="1118 654 1273 685">3.847</td> </tr> <tr> <td data-bbox="320 721 1118 752">Previous Years Growth/Items Dropping Out (Appendix 2)</td> <td data-bbox="1118 721 1273 752">(0.660)</td> </tr> <tr> <td data-bbox="320 752 1118 784">Inflation (Appendix 3)</td> <td data-bbox="1118 752 1273 784">5.925</td> </tr> <tr> <td data-bbox="320 819 1118 851">Pressures & Investments Recurring (Appendix 4)</td> <td data-bbox="1118 819 1273 851">8.536</td> </tr> <tr> <td data-bbox="320 887 1118 918">Efficiencies</td> <td data-bbox="1118 887 1273 918"></td> </tr> <tr> <td data-bbox="320 918 1118 949">Stage 1 Efficiencies (Appendix 5)</td> <td data-bbox="1118 918 1273 949">(1.534)</td> </tr> <tr> <td data-bbox="320 949 1118 981">Stage 2 Efficiencies (Appendix 6)</td> <td data-bbox="1118 949 1273 981">(3.246)</td> </tr> <tr> <td data-bbox="320 1016 1118 1048">Less Specific Grants 2019/20</td> <td data-bbox="1118 1016 1273 1048">(31.042)</td> </tr> <tr> <td data-bbox="320 1048 1118 1079">Plus Specific Grants 2020/21 (Estimated Appendix 7)</td> <td data-bbox="1118 1048 1273 1079">31.955</td> </tr> <tr> <td data-bbox="320 1115 1118 1146">Total Expenditure</td> <td data-bbox="1118 1115 1273 1146">318.484</td> </tr> <tr> <td data-bbox="320 1146 1118 1178"></td> <td data-bbox="1118 1146 1273 1178"></td> </tr> <tr> <td data-bbox="320 1191 1118 1223">Balance</td> <td data-bbox="1118 1191 1273 1223">0.246</td> </tr> </tbody> </table>	Funding	£m	Aggregate External Funding (AEF)/RSG NNDR	199.386	Council Tax	86.807	Budget Requirement	286.193	Specific Grants (Estimated)	31.955	Total Funding	318.238	Expenditure		Base Budget Rolled Forward	304.613	Transfers in/out of settlement (Appendix 1)	3.847	Previous Years Growth/Items Dropping Out (Appendix 2)	(0.660)	Inflation (Appendix 3)	5.925	Pressures & Investments Recurring (Appendix 4)	8.536	Efficiencies		Stage 1 Efficiencies (Appendix 5)	(1.534)	Stage 2 Efficiencies (Appendix 6)	(3.246)	Less Specific Grants 2019/20	(31.042)	Plus Specific Grants 2020/21 (Estimated Appendix 7)	31.955	Total Expenditure	318.484			Balance	0.246
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1.21	<p>Open Risks</p> <p>Charging for Post-16 School Transport</p> <p>The introduction of new PSVAR regulations for school transport and disability access to vehicles might prevent councils for charging for certain school transport services from 2021/22. This is under review and we, like other councils, have applied for an exemption from these regulations. Whilst we plan to introduce charges for post-16 transport from September 2020, as per Council policy, we cannot be guaranteed that we will be able to continue with these charges in future years. This would be a major loss of income of £0.770M in a full financial year (and £0.449M for the part year 2020/21) - an increase in income which is built into our base budget.</p>																																								
1.22	<p>NJC and Teachers Pay Awards 2020/21</p> <p>The pressures included in the budget for pay are based on an assumed pay increase of 2%. These awards are still subject to negotiation. Any increase over and above this would need to be met in-year from reserves. The Council has always maintained that annual pay awards should be fully funded by Welsh Government. We will continue to press this case. We</p>																																								

	have the fall-back position to cost-share with schools any unfunded national pay award for the 7/12ths of this financial year.
1.23	<p>Out of County Placements</p> <p>This remains a major risk. The draft budget for 2020/21 already includes an uplift of £2.7M in funding for Out of County Placements. However, the current level of demand shows that this increased budget is unlikely to be sufficient and a continuing overspend is likely to be a major consideration in managing the budget in 2020/21. A further budget pressure in the region of £0.3M is forecast at this stage of service planning and the position remains fluid.</p>
1.24	<p>Additional Learning Needs / Special Educational Needs</p> <p>The budget position assumes that the additional specific grant included in the Provisional Settlement can be used towards the pressures that schools will face in meeting the increasing needs. The levels and complexities of demand for support within school settings is increasing. This is a challenging area of operational budget management within schools. A review of funding needs may require a later injection of additional funding to assist schools. We await confirmation of the details of a new specific grant in this service area from Welsh Government and will monitor as a risk going into the new financial year</p>
1.25	<p>School Deficits</p> <p>The position on licensed school deficits in the secondary schools sector is deteriorating. The level of balances in the primary school sector are also reducing. This trend reflects the cost pressures in schools, and re-exposes the inadequacy of the current level of funding within the schools funding formula for the medium-term. In the review of the Medium Term Financial Strategy we will need to address these risks and consider a supplementary budget provision for the secondary sector. Whilst this is not likely to be a risk to be addressed in-year, it cannot be ruled out that one or more early financial interventions in specific schools in need might be required.</p>
1.26	<p>RESERVES AND BALANCES</p> <p>Compared to other councils, Flintshire has modest and limited reserves to call upon. We have an established protocol for openly reporting on the reserves held, and the purpose for retaining each of them, every quarter. This is seen as good practice in our sector. Over the years the Council has drawn on its reserves to (1) cross-fund one-off cost pressures (2) balance the budget as needed and (3) meet the costs of voluntary redundancies to reduce the Council workforce in recent years. Over the past three years the Council has drawn upon £6.971M from its reserves and, in setting the 2019/20 budget the Council, used £2.221M to help balance the budget. Reserves can only be used once, and an over-reliance upon their use to balance annual budgets is not a sustainable way of funding services.</p>

1.27	<p>Earmarked Reserves</p> <p>The Council also 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 £9.7M in 2020/21 to £8M by the end of the financial year as these reserves are ‘drawn down’ (See Appendix 8). 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.</p>
1.28	<p>Un-earmarked Reserves</p> <p>The Council holds a base level of reserve of £5.769M. Levels of unearmarked reserves over and above that level are referred to as the Contingency Reserve. This reserve is projected to be at £3.203M at year end. This is the Council’s main ‘defence’ against in-year cost pressures. It is used to meet the impact of an overall overspend in any given financial year and to mitigate against potential financial risks. Some of the ‘open risks’ that the Council faces in 2020/21 are detailed in paras 1.21 – 1.25.</p>
1.29	<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>
1.30	<p>The 2020/21 budget has again been set within the context of the Medium Term Financial Strategy. It has presented a significant financial challenge. The Council’s budget strategy for dealing with this has been clearly set out in detail in previous budget reports, supported by a series of member workshop sessions.</p>
1.31	<p>For the estimates contained within the budget, all figures are supported by a clear and robust methodology with the efficiency proposals considered achievable, but not without risk. The cost pressures are supported by evidenced method statements.</p>
1.32	<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 2019/20 through the monthly budget monitoring report. This process ensures that members can have a good understanding of all the reserves held by the Council.</p>

1.33	I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2020/21 and the financial context within which the budget is being set. It is clear that there are still some significant and open risks within the 2020/21 budget proposals - particularly around pay provision, social care demands, and the achievement in full of the planned efficiencies. Therefore, it is important that the Council protects its current level of reserves as far as possible to safeguard against these risks. A robust programme for the delivery of the efficiencies within the budget and to the timescales set together with 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.
1.34	Within the context described above, I recommend that the Council should maintain sufficient general balances of £5.769M and retain its Contingency Reserve in full as a safeguard to manage any in-year cost pressures and variances as detailed in paragraph 1.21 – 1.25.
1.35	The budget proposals should not require the use of temporary reserves which means that for the first time in many years the proposed budget is funded on a predominantly recurrent and sustainable basis.
1.36	<p>Formal Advice of the Chief Executive</p> <p>My professional advice complements that of the Corporate Finance Manager, as set out above.</p>
1.37	The draft budget as presented follows the Medium-Term Financial Strategy adopted by the Council. It has been developed according to the budget setting model which has been adopted by the Council.
1.38	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 improvement objectives and public service duties and obligations of the Council. Our budget-setting process is an intricate one with all decisions being carefully risk-assessed.
1.39	We have advised Council on a number of occasions that there are no new cost reductions or cost efficiencies of scale beyond those reported in stages one and two of the budget-setting process. Council, as advised by Cabinet and the six Overview and Scrutiny Committees, has concurred with this advice and has not asked for any further reviews of corporate or service portfolio budgets to be undertaken to reduce cost provisions. Our strategy for achieving a legal and balanced budget has been to rely on a reversal of Government fiscal policy and improved annual settlements for the funding of local government in Wales.
1.40	A number of 'open risks' remain to be managed and we will again be challenged to manage our budget in-year throughout 2020/21. Our advice on risk management and how it affects setting a prudent budget needs to be carefully heard.

1.41	It is important that we plan for the medium-term and work with Governments on a sustainable funding model for local government, avoiding an over-reliance on Council Tax as a form of local income. We set out our expectations clearly in our response to the consultation on the Provisional Settlement (Appendix 9).																					
1.42	<p>Concluding Advice to Close the Budget</p> <p>Council is able to set a legal and balanced budget for 2020/21 based on the calculations and advice set out in this report, and fulfil its collective responsibility. As shown in Table 2 (1.19) a balance of £0.246M remains to be found. The Social Services grant referred to in 1.11 could be brought 'into play' to assist in closing this gap with a degree of confidence. All calculations are based on a Council Tax rise of 5% (4.75% for Council purposes and 0.25% for the North Wales Fire and Rescue Service). Any downward change in this level of Tax would need to be funded from an identified service.</p>																					
1.43	<p>Medium Term Financial Forecast</p> <p>The financial forecast for the medium-term – 2021/22 – 2022/2023 - has been reviewed to update the Medium-Term Financial Strategy (MTFS). A high-level estimate on the major cost pressures predicted over the next two years following this budget is included in Table 4. The forecast is based on (1) annual pay increases trending at 2% and (2) similar level of commissioning cost pressures within Social Services. Any decision on the level of reserves used to balance the budget would also impact on the following year. For 2020/21 the positive performance of the Clwyd Pension fund and the timing of the actuarial valuation has meant that we are not recommending any use of reserves to balance the 2020/21 budget.</p> <p>Table 4: Medium Term Forecast</p> <table border="1" data-bbox="320 1328 1385 1709"> <thead> <tr> <th>Cost Pressure Group</th> <th>2021/22 (£M)</th> <th>2022/23 (£M)</th> </tr> </thead> <tbody> <tr> <td>Pay Inflation</td> <td>4.092</td> <td>3.779</td> </tr> <tr> <td>Non Pay Inflation</td> <td>0.759</td> <td>0.759</td> </tr> <tr> <td>Social Care Pressures</td> <td>3.082</td> <td>2.433</td> </tr> <tr> <td>Other Pressures</td> <td>1.896</td> <td>0.462</td> </tr> <tr> <td>Repayment of Reserve</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>9.829</td> <td>7.433</td> </tr> </tbody> </table>	Cost Pressure Group	2021/22 (£M)	2022/23 (£M)	Pay Inflation	4.092	3.779	Non Pay Inflation	0.759	0.759	Social Care Pressures	3.082	2.433	Other Pressures	1.896	0.462	Repayment of Reserve	0	0	Total	9.829	7.433
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Non Pay Inflation	0.759	0.759																				
Social Care Pressures	3.082	2.433																				
Other Pressures	1.896	0.462																				
Repayment of Reserve	0	0																				
Total	9.829	7.433																				
1.44	From Table 4 it can be seen that the Council will need to rely on improved financial settlements from Welsh Government in future years. The MTFS is being fully reviewed for reporting in May. The Council will need forward planning of budgets by Governments, and certainty over future local government settlements, to be able to plan ahead with a sufficient degree of confidence. Three year forward budgeting should be an expectation of Governments. Given our forecast budget pressures for future years, and the need to have some financial capacity to invest in service innovation and growth, minimum annual increases in future settlements from Welsh																					

	Government of 4% will be required in addition to national pay awards and reforms, and pension reforms and revaluations being funded in full at a national level at source.
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2.00	STEPS TO CLOSE THE BUDGET AND ONGOING WORK FOR THE MEDIUM-TERM
2.01	<p>The timetable for the closing stages of the annual budget setting process is as follows: -</p> <p>18th February Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax if possible.</p> <p>25th February: Announcement of the Final Welsh Local Government Settlement.</p> <p>27th February Council Meeting: Passing of the formal Council Tax resolution if not possible on 18th February.</p> <p>4th March: National Assembly for Wales passing of the final budget for Wales and the public services</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT								
3.01	The risks to the Council being able to set a legal and balanced budget for 2020/21 have been managed. A full risk assessment on the budget position is set out within this report.								
3.02	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <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> </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.
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 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.
Vibrant Wales	As Healthier and Cohesive Wales above
Globally responsible Wales	Neutral impact.

4.00	RESOURCE IMPLICATIONS
4.01	<p>Revenue: The revenue implications for the 2020/21 budget are set out fully in this report.</p> <p>Capital: there are no direct implications for the approved capital programme for either the current financial year or for future financial years. The capital programme for 2020/21 onwards was reported in January.</p> <p>Human Resources: none specific.</p>

5.00	CONSULTATIONS REQUIRED/CARRIED OUT
5.01	<p>Consultation with Group Leaders, Overview and Scrutiny Committees, external partners, external advisors and representative bodies, local schools, the workforce and trade unions have been completed. An interactive feature has been mounted on the Council's website – this shows how our budget works, the efficiencies we have made over the years and our budget situation, and how our resources are used. Consultation has also been carried out with the principle NNDR payers.</p> <p>The Council has responded to the Welsh Government consultation on the Provisional Settlement and Group Leaders were consulted in the process of making our response.</p>

6.00	APPENDICES
6.01	<p>Appendix 1 – Transfers in Appendix 2 – Previous Years Items “Dropping Out” Appendix 3 – Inflation Appendix 4 – Pressures and Investments Appendix 5 – Efficiencies Stage 1 Appendix 6 – Efficiencies Stage 2 Appendix 7 – Estimate of Specific Grants Appendix 8 – Earmarked Reserves Appendix 9 – Council Response to the Provisional Settlement 2020/21</p>

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	<p>January 2020 Council Report http://committeemeetings.flintshire.gov.uk/documents/g4472/Public%20reports%20pack%2028th-Jan-2020%2014.00%20Flintshire%20County%20Council.pdf?T=10&LLL=0</p> <p>December 2019 Council report http://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?Clid=143&Mid=4476&Ver=4&LLL=0</p>

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 including the revenue support grant and the distributable part of non-domestic rates.</p> <p>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.</p> <p>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.</p>

Appendix 1

Budget 2020/21
Council Fund Revenue**Transfers into settlement**

Transfers in:	£m
Teachers Pay Grant	0.375
Teachers Pension	3.391
Funded Nursing Care	0.081
Net effect (Pressure)	<u><u>3.847</u></u>

Appendix 2

Budget 2020/21
Council Fund Revenue

<u>Previous Years Growth/ Items Dropping Out</u>	2020/21 £m
<u>Social Services</u> Work Opportunities Pressure Reduction	(0.063)
<u>Planning & Environment</u> Local Development Plan	(0.172)
<u>Streetscene & Transportation</u> North Wales Regional Waste Partnership	(0.425)
Total 2020/21 Budget	<u>(0.660)</u>

Appendix 3

Budget 2020/21
Council Fund Revenue**Inflation**

	Total £m
NJC Pay (Non Schools)	2.162
NJC Pay (Schools)	0.750
Teachers Pay	2.413
Pay Indexation for Aura/Newydd	0.091
Price	0.071
Other Schools Inflation (Energy, NDR)	0.156
Energy/Water/Fuel	0.281
Total Inflation	<u>5.925</u>

Appendix 4

Budget 2020/21**Council Fund Revenue****Pressures & Investments****2020/21
£m****Social Services**

Social Care Commissioning	1.543
Transition to Adulthood	0.656
One off efficiencies dropping out	0.030
Specific Grants adjustments	0.283
Marleyfield & Holywell Extra Care Revenue Costs	0.492
Total Social Services	3.004

Streetscene & Transportation

School Transport	0.700
Reduction in Sustainable Waste Grant	0.099
Parking & Enforcement	0.178
Total Streetscene & Transportation	0.977

Planning & Environment

Empty Properties	0.070
Growth Deal Contribution	0.050
Total Planning & Environment	0.120

Education & Youth

Additional Learning Needs - Exclusions	0.072
Additional Learning Needs Reforms	0.015
Demography	0.230
Youth Justice	0.071
Total Education & Youth	0.388

Governance

Foster Carers	0.092
Enforcement Officer	0.041
Council Tax Reduction Scheme	0.057
Pension Officer Post	0.040
Members Allowances	0.025
Coroners Pressure	0.039
Citrix Licensing	0.126
Total Governance	0.420

Housing & Assets

Financial Assessments	0.030
Rent Shortfall	0.140
Temporary Accommodation	0.040
Total Housing & Assets	0.210

Central & Corporate

Further Borrowing costs for Capital	0.039
Minimum Revenue Provision	0.300
Fire Levy	0.178
Unachieved Efficiency - Workforce Costs	0.100
Unachieved Efficiency - Income Target	0.100
Total Central & Corporate	0.717

Out of County Placements	2.700
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Total Pressures and Investments	8.536
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Appendix 5

Budget 2020/21
Council Fund Revenue

Stage 1 Efficiencies

2020/21
£m

Stage 1 Corporate Efficiency

Employer Pension Contributions

(0.500)

Total Stage 1 Corporate Efficiency

(0.500)

Stage 1 Portfolio Efficiencies

2020/21
£m

Social Services

Reviewing Function - Reduction of Post

(0.025)

Supported Living - Reduction in Voids

(0.025)

Communications - Reduction in Mobile Hardware

(0.030)

Vacancy Management Savings - Appropriate deferral of recruitment

(0.030)

Strategic Use of Grant Funding - Core Funding replacement solution

(0.100)

Regional Collaboration Wrexham CBC - Reduced Posts

(0.030)

Total Social Services

(0.240)

Education & Youth

Discretionary Transport Review - Post 16 Transport

(0.449)

Integrated Youth Provision - Reduction in Spend

(0.014)

Total Education & Youth

(0.463)

Streetscene & Transportation

Income from External Works

(0.010)

Garden Waste Charges

(0.030)

NWRWRP Gate Fee Benefit

(0.200)

Total Streetscene & Transportation

(0.240)

Planning & Environment

Countryside - Charges and Additional Tree Income

(0.010)

Countryside - Review of Spending

(0.017)

Review of Pest Control , Trading Standard Investigations and Community Safety

(0.035)

Development Management - Increased Planning Fee Income

(0.015)

Minerals and Waste - Adoption of new Service Level Agreement with Partners

(0.005)

Portfolio Admin Supplies & Services Review

(0.005)

Regeneration - Business Development, Housing Regeneration and Strategy and Market:

(0.004)

Total Planning & Environment

(0.091)

Total Stage 1 Portfolio Efficiencies

(1.034)

Total Stage 1 Efficiencies

(1.534)

Appendix 6

Budget 2020/21
Council Fund Revenue**Stage 2 Efficiencies**

2020/21

£m**Stage 2 Efficiencies**

Triennial Actuarial Review

(2.646)

Annual Employer Pension Contributions (In Year)

(0.300)

Single Person Discount Review

(0.300)

Total Stage 2 Efficiencies**(3.246)**

Budget 2020/21
Council Fund Revenue

Specific Grants

	Budget 2019-20 £	Budget 2020-21* £	Variance £	Confirmed (C) or Estimated (E)
Education & Youth (Non Delegated)				
Promoting Positive Engagement (Youth Crime Prevention Fund)	196,143	196,143	0	E
YOT / Youth Justice Board (inc. JAC)	221,956	221,956	0	E
Welsh Network of Healthy School Schemes	101,380	101,380	0	E
Youth Support Grant (Youth Service Revenue Grant)	126,820	126,820	0	E
Free School Milk	245,891	245,891	0	E
Families First	1,505,090	1,505,090	0	E
Pupil Development Grant	3,587,850	3,910,757	322,907	E
Reducing Infant Class Sizes	0	355,000	355,000	E
Rural Schools Grant	0	139,625	139,625	C
Additional Learning Needs (ALN)	0	360,000	360,000	E
ALN Transformation	0	45,000	45,000	E
Adult Community Learning	0	52,405	52,405	C
Feminine Hygiene	0	10,243	10,243	E
Education Improvement Grant for Schools	5,814,343	5,988,773	174,430	E
	11,799,473	13,259,083	1,459,610	
Delegated				
6th Form Funding (Formally DCELLs)	4,729,890	4,439,673	(290,217)	E
	4,729,890	4,439,673	(290,217)	
Social Services				
Social Care Workforce Development Programme	312,069	312,069	0	C
Flying Start	2,904,700	2,901,515	(3,185)	E
St. David's Day	0	40,758	40,758	E
Childcare & Play	97,877	97,877	0	E
	3,314,646	3,352,219	37,573	
Streetscene & Transportation				
Concessionary Travel	2,180,000	2,180,000	0	E
Sustainable Waste - now Environment & Sustainable Development	852,852	754,000	(98,852)	E
Bus Service Support Grant	557,000	557,000	0	E
Welsh Young Person Travel Discount Scheme	60,000	60,000	0	E
	3,649,852	3,551,000	(98,852)	
Planning & Environment				
Safer Communities Fund	221,881	0	(221,881)	C
Substance Misuse	522,744	522,744	0	E
Crime Reduction and Anti Social Behaviour	31,566	0	(31,566)	C
Domestic Abuse Co-ordinator Funding (VAWDASV)	92,400	92,400	0	E
Legacy Fund	0	127,680	127,680	E
Communities for Work Plus	0	431,300	431,300	E
Environment & Sustainable Development Grant (non-Waste)	178,068	0	(178,068)	C
	1,046,659	1,174,124	127,465	
Housing & Assets				
Housing Support Grant (formerly Supporting People)	5,950,819	5,950,819	0	E
	5,950,819	5,950,819	0	
Strategic Programmes				
Free Swimming	121,500	60,750	(60,750)	E
National Exercise Referral	123,750	123,750	0	E
Active Young People	305,303	43,860	(261,443)	E
	550,553	228,360	(322,193)	
	31,041,892	31,955,278	913,386	
Total				
*2020/21 Budget including estimated amounts not final				
Social Care Workforce & Sustainability Workforce Grant	0	1,737,000	1,737,000	E

Budget 2020/21
Council Fund

Summary of Council Fund Earmarked Reserves

	Estimated Balance 01/04/20 £m	Estimated Balance 31/03/21 £m
<u>Service Balances</u>		
Social Services	0.052	0.023
Planning & Environment	0.178	0.095
Housing & Assets	0.011	0.000
Theatre Clwyd	0.104	0.104
Corporate Services	0.232	0.168
Total Service Balances	0.577	0.390
<u>Corporate Balances</u>		
Single Status/Equal Pay	0.638	0.254
General Reserve - Investment in Organisational Change	1.748	1.048
Total Corporate Balances	2.386	1.302
<u>Specific Reserves</u>		
Benefits Equalisation	0.318	0.318
County Elections	0.205	0.000
Local Development Plan	0.180	0.000
Waste Disposal	0.068	0.045
Winter Maintenance	0.250	0.250
Insurance Funds	2.414	2.714
Cash Receipting Review	0.001	0.001
Flintshire Trainees	0.265	0.265
Customer Services Strategy	0.022	0.000
Capita One	0.019	0.000
Supervision Fees	0.049	0.000
LMS Curriculum	0.256	0.050
Org Change/ADM	0.062	0.000
Grants & Contributions	2.690	2.690
Total Specific Reserves	6.799	6.333
Total Earmarked Reserves	9.762	8.025