

## CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Monday 2 <sup>nd</sup> November 2020
<b>Report Subject</b>	Budget 2021/22 – Stage 1
<b>Cabinet Member</b>	Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### **EXECUTIVE SUMMARY**

A report to Cabinet in October provided an update on the financial forecast for 2021/22 and the following two financial years. The report is attached as Appendix 1.

A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of income against set targets.

Due to the current level of uncertainty scenarios have been presented in a range of low to high.

The report also sets out the limited solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government, a position which is unchanged since the budget for 2020/21 was set.

The details of the cost pressures for Corporate Services and Corporate Financing are included within this report. The Committee is invited to review the cost pressures and risks, and to advise on any potential efficiency options to explore.

A slide presentation will be made at the meeting.

## RECOMMENDATIONS

1	That the Committee reviews and comments on the Corporate Services and Corporate Financing cost pressures.
2	That the Committee advises on any areas of cost efficiency it would like to be explored further.
3	That the Committee reviews and advises on the overall budget strategy.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FINANCIAL FORECAST</b>
1.01	A report to Cabinet in October provided an update of the overall financial forecast for 2021/22.
1.02	Due to the current level of uncertainty scenarios have been presented in a range of low to high.
1.03	As in recent years the budget for 2021/22 will be considered in stages. This is a first stage report which details the forecast and the cost pressures which make-up the total budget requirement.
1.04	<b>Revisions to the Forecast</b>  All inflationary, demand-led service and other cost pressures have been reviewed and evaluated.  The cost pressures have been categorised as: <ul style="list-style-type: none"><li>- Prior Year Decisions/ Approvals</li><li>- Loss of Income</li><li>- Legislative/Unavoidable Indexation</li><li>- Issues requiring national resolution</li><li>- National Funding Requirements (Pay Awards)</li><li>- Strategic Considerations</li></ul>
1.05	The full details of the forecast are attached to this report in Appendix 1. A summary is given below.

**Table 1. Revised Summary 2021/22**

Summary of Pressures	21 / 22		
	L	M	T
	£m	£m	£m
Prior Year Decisions/Approvals	1.257	1.257	1.257
Income Loss	0.708	0.876	1.261
Legislative/Unavoidable Indexation Pressures	0.576	0.576	0.576
National Resolution Pressures	3.652	4.359	7.079
National Funding Requirement (Pay)	5.787	6.949	8.073
Strategic Decisions	2.444	5.619	9.090
<b>Total Pressures</b>	<b>14.423</b>	<b>19.636</b>	<b>27.336</b>

1.06 This report sets out in detail the cost pressures within the portfolio of this Committee.

1.07 **Corporate Portfolio Pressures**

These are set out in the paragraphs which follow.

1.08 **Table 2: Governance Pressures**

Pressure Title	£m	Note
<b>Prior Year Decision/Approval</b>		
<b>Unrealised Efficiency</b>		
• Legal Services/Industrial Estate Review	0.092	1.
• Council Tax – Postage	0.035	2.
<b>Loss of Income</b>		
• Registration Services	0.030 – 0.100	3.
<b>Legislative/Unavoidable Indexation</b>		
• Independent Review Panel for Wales (IRPW)	0.028	4.
<b>Requiring National Resolution</b>		
• Council Tax Collection Levels	0.600 – 1.600	5.

1. Legal Services/Industrial Estate Review – This covers an efficiency which has been included in the budget since 2015. This was in relation to the review of industrial units and the reduction of posts in legal services which has not been achievable.

2. Council Tax Postage – This covers an efficiency which planned to increase the number of electronic invoices issued. Though the number of electronic invoices has increased, overall activity has also increased making the remaining efficiency unachievable.
3. Registration Services – The service has suffered a loss of income due to the number of services cancelled or postponed as a result of the emergency. The range reflects an estimate of scenarios. The income loss in 2020/21 is estimated to be £0.100m though an application has been made to WG for funding for part of this cost.
4. Independent Remuneration Panel for Wales (IRPW) – An estimate of the annual increase to Members allowances which is due to be notified to Councils by the end of the year.
5. Council Tax Collection Levels – This pressure comes from the reduction in income from Council Tax collection due to the suspension of formal recovery action. Plans are in place to improve collection levels.

1.09

**Table 3: People and Resources Pressures**

<b>Pressure Title</b>	<b>£m</b>	<b>Note</b>
<b>Prior Year Decisions/Approvals</b>		
<ul style="list-style-type: none"> <li>• Unachieved Efficiency - Salary Sacrifice – AVC's</li> </ul>	0.070	1.
<b>Strategic Decisions</b>		
<ul style="list-style-type: none"> <li>• P2P Upgrade</li> </ul>	0.024	2.

1. Unachieved Efficiency for Salary Sacrifice through AVC's - The Council has a number of employees who are paying AVC into their pension funds. The method for deducting these contributions is done through a Salary sacrifice scheme which benefits the employee through a reduction in the tax paid and also creates a saving to the Council from a saving in employer contribution amount paid. The actual take up of the new service has not realised the original estimates and as such has left a balance of unrealised efficiency.
2. P2P Upgrade – The Purchase to Pay system (P2P) is the system by which purchase orders are raised within the Council and is an integral system that enables electronic invoicing. The system is provided by Proactis and is due an upgrade to enable continuation of support beyond 2021.

**Table 4: Corporate Financing Pressures**

Pressure Title	£m	Note
<b>Prior Year Decisions/Approvals</b>		
• Minimum Revenue Provision (MRP)	0.300	1.
• Capital Programme Borrowing Costs	0.015	2.
<b>Legislative/Unavoidable Indexation</b>		
• Coroner Service Fee Increase	0.025	3.
• North Wales Fire and Rescue Authority	0.160	4.
<b>National Funding Requirement</b>		
• NJC Pay Award (Non Schools)	2.538 – 3.759	5.
<b>Strategic Decisions</b>		
• 21C Schools – Band B Borrowing Costs	0.015	6.
• Feasibility Study Provision Top Up	0.050	7.

1. Minimum Revenue Provision (MRP) – This is the amount set aside for the repayment of debt for historical capital spend following the change of policy to the annuity method a couple of years ago.
2. Capital Programme Borrowing Costs – These are the borrowing costs for the schemes that have already been approved.
3. Fee Increase for Coroners Service – An estimate of the increase required for the next financial year.
4. North Wales Fire and Rescue Authority (NWFRA) – An estimate of the increase required for the next financial year.
5. NJC Pay Award – The national negotiations for annual cost-of-living agreed pay have not yet opened. A range of potential outcomes from 2% to 3.5% are shown. The figures also include the estimated impact of the 2020/21 pay awards over and above the 2% provision in the budget.
6. 21C Schools Band B Borrowing Costs – These are the estimated costs for the band B schemes.
7. Feasibility Study Provision Top up – The pressure is to fund feasibility studies for future Capital Projects.

1.11

**Table 5: Summary of Pressures**

Portfolio	Low (£m)	Medium (£m)	Top (£m)
Governance	0.785	1.155	1.855
People & Resources	0.094	0.094	0.094
Corporate Financing	3.103	3.732	4.324
<b>Total</b>	<b>3.982</b>	<b>4.981</b>	<b>6.273</b>

1.12

**Strategic Funding Solutions**

The solutions available to the Council to fund the cost pressures outlined in the report are three-fold:-

- Government Funding (Aggregate External Finance)
- Local Taxation and Income
- Service Transformation and Efficiencies

We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as 'Open Risks' to be managed in-year.

The funding strategy is highly dependent on sufficient national funding for local government.

1.13

**Budget Timeline**

The draft Welsh Government Budget has provisionally been set for 8 December 2020 with the Final Budget set for 2 March 2021. However, UK Government has recently announced that they will not be publishing an autumn budget as planned, so the Welsh Government dates may be subject to change.

An outline of the local budget timeline at this stage is set out in the table below:

**Table 6: Budget Timeline**

Date	Event
November	Overview and Scrutiny Committees
8/9 December	WG Draft Budget/Provisional Settlement
15 December	Cabinet
19 January	Cabinet
16 February	Cabinet and Council
2/3 March	WG Final Budget/Settlement

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out in the report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	As set out in the report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Cabinet Report 20 <sup>th</sup> October 2020 – Medium Term Financial Strategy and Budget 2021/22

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Cabinet Report 20<sup>th</sup> October 2020 – Medium Term Financial Strategy and Budget 2021/22</p> <p><b>Contact Officer:</b> Gary Ferguson, Corporate Finance Manager  <b>Telephone:</b> (01352) 702271  <b>E-mail:</b> gary.ferguson@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Annual Settlement:</b> the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April.</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges</p>

for the repayment of debt, including interest, and may include direct financing of capital expenditure.

**Budget:** a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.