

SOCIAL AND HEALTH CARE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 14 November 2019
Report Subject	Medium Term Financial Strategy: Council Fund Revenue Budget 2020/21
Cabinet Member	Leader and Cabinet Member for Social Care
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

This report sets out the current financial forecast (considered by Cabinet in October) and the projected 'gap' in the Council's budget funding requirement for 2020/21. The full gap ahead of the budget solutions outlined in this report, and ahead of the Welsh Government Budget for 2020/21, stands at £16.2m.

A summary of the forecast and the changes to the forecast position previously reported is set out in this report.

The report provides an update on the national position and the Council's strategy to achieve a safe and balanced budget for 2020/21. Welsh Local Government requires a much-improved funding Settlement, and Flintshire is dependent on a significant uplift in our annual Revenue Support Grant (RSG) contribution if we are to be in a position to set a safe and legal balanced budget.

This report presents all of the proposed budget efficiencies, and the costs pressures to be included in the budget for 2020/21. The report highlights the specific efficiencies and cost pressures for Social Services for consideration by this Committee as part of its portfolio responsibilities. This is an interim budget closure report pending the completion of ongoing work on corporate finance options and resolution of the Welsh Government budget.

The report includes the following tables:

- Table 1: Updated Financial Forecast 2020/21
- Table 2: Portfolio Business Plan Efficiencies
- Table 3: Social Care Pressures
- Table 4: Social Care Efficiencies

RECOMMENDATIONS

1	That the Committee reviews and endorses the Social Services efficiency proposals for 2020/21.
2	That the Committee reviews and endorses the Social Services cost pressures recommended for inclusion in the budget for 2020/21.

REPORT DETAILS

1.00	MEDIUM TERM FINANCIAL STRATEGY FORECAST 2020/21																		
1.01	<p>The Council has set a cycle of reviewing its Medium Term Financial Strategy (MTFS) on an annual basis.</p> <p>In April the financial forecast for 2020/21 based on known issues at that time, and excluding national funding scenarios showed a potential budget gap of £13.3m for 2020/21.</p>																		
1.02	<p>The Financial Forecast</p> <p>Over the summer, the forecast has been revised to take into account (1) changes to the pressures included in the April forecast and (2) new pressures which were not previously known or calculated. The impact of the changes has been to increase the budget gap by £2.854m to £16.174m.</p>																		
1.03	The revised forecast for 2020/21 is shown in Table 1 below.																		
1.04	<p>Table 1: Financial Forecast 2020/21</p> <table border="1"> <thead> <tr> <th>Cost Pressure Group</th> <th>20/21</th> </tr> <tr> <th></th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Pay Inflation</td> <td>5.456</td> </tr> <tr> <td>Non-pay Inflation</td> <td>0.759</td> </tr> <tr> <td>Social Care Pressures</td> <td>5.574</td> </tr> <tr> <td>Education Pressures (non-pay)</td> <td>0.788</td> </tr> <tr> <td>Other Service Pressures</td> <td>1.376</td> </tr> <tr> <td>Repayment of Reserve from 2019/20</td> <td>2.221</td> </tr> <tr> <td>Total</td> <td>16.174</td> </tr> </tbody> </table>	Cost Pressure Group	20/21		£m	Pay Inflation	5.456	Non-pay Inflation	0.759	Social Care Pressures	5.574	Education Pressures (non-pay)	0.788	Other Service Pressures	1.376	Repayment of Reserve from 2019/20	2.221	Total	16.174
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1.05	<p>The solutions available for 2020/21 can be divided into four groups:-</p> <ul style="list-style-type: none"> - National Funding - Portfolio Business Plans and Corporate Finance - Local Taxation and Income - Organisational Change 																		

1.06	<p>National Funding</p> <p>In early September, the UK Government delivered the outcome of its one-year spending review and set out its spending plans for 2020/21. The announcement advised of an increase of £593m for the Welsh Government budget above the 2019/20 baseline which represents a 2.3% increase.</p>																																						
1.07	<p>Analysis undertaken by the Welsh Local Government Association (WLGA) has identified that the amount of cost pressures facing Councils across Wales in 2020/21 totals £254m - rising to around £739m by 2022/23. It is essential that these cost pressures are met in full by Welsh Government from the additional funding announced through the UK Spending Review for Welsh Local Government to be sustainable.</p>																																						
1.08	<p>Portfolio Business Plan Efficiencies and Income</p> <p>Portfolio Business Plan efficiencies were shared at an internal Member Workshop in July. The total efficiencies for 2020/21 amount to £1.034m (of which £0.270m comes from income) as summarised in below.</p> <p>Table 2. Portfolio Business Plan Efficiencies</p> <table border="1" data-bbox="320 898 1383 1621"> <thead> <tr> <th data-bbox="320 898 1195 943">Portfolio</th> <th data-bbox="1195 898 1383 943">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 943 1195 976"></td> <td data-bbox="1195 943 1383 976"></td> </tr> <tr> <td data-bbox="320 976 1195 1010"><u>Previous Decisions</u></td> <td data-bbox="1195 976 1383 1010"></td> </tr> <tr> <td data-bbox="320 1010 1195 1043"></td> <td data-bbox="1195 1010 1383 1043"></td> </tr> <tr> <td data-bbox="320 1043 1195 1077">Corporate</td> <td data-bbox="1195 1043 1383 1077">0.000</td> </tr> <tr> <td data-bbox="320 1077 1195 1111">Social Services</td> <td data-bbox="1195 1077 1383 1111">0.240</td> </tr> <tr> <td data-bbox="320 1111 1195 1144">Education & Youth</td> <td data-bbox="1195 1111 1383 1144">0.014</td> </tr> <tr> <td data-bbox="320 1144 1195 1178">Streetscene & Transportation</td> <td data-bbox="1195 1144 1383 1178">0.240</td> </tr> <tr> <td data-bbox="320 1178 1195 1211">Planning & Environment</td> <td data-bbox="1195 1178 1383 1211">0.091</td> </tr> <tr> <td data-bbox="320 1211 1195 1245">Housing & Assets</td> <td data-bbox="1195 1211 1383 1245">0.000</td> </tr> <tr> <td data-bbox="320 1245 1195 1279"></td> <td data-bbox="1195 1245 1383 1279"></td> </tr> <tr> <td data-bbox="320 1279 1195 1312">Sub Total - Existing</td> <td data-bbox="1195 1279 1383 1312">0.585</td> </tr> <tr> <td data-bbox="320 1312 1195 1346"></td> <td data-bbox="1195 1312 1383 1346"></td> </tr> <tr> <td data-bbox="320 1346 1195 1379"><u>New Decision*</u></td> <td data-bbox="1195 1346 1383 1379"></td> </tr> <tr> <td data-bbox="320 1379 1195 1413"></td> <td data-bbox="1195 1379 1383 1413"></td> </tr> <tr> <td data-bbox="320 1413 1195 1447">Education and Youth</td> <td data-bbox="1195 1413 1383 1447">0.449</td> </tr> <tr> <td data-bbox="320 1447 1195 1480"></td> <td data-bbox="1195 1447 1383 1480"></td> </tr> <tr> <td data-bbox="320 1480 1195 1514">Total Business Plan Efficiencies</td> <td data-bbox="1195 1480 1383 1514">1.034</td> </tr> <tr> <td data-bbox="320 1514 1195 1547"></td> <td data-bbox="1195 1514 1383 1547"></td> </tr> </tbody> </table> <p data-bbox="320 1688 1358 1760">*The efficiency under “New Decision” refers to income from the review of Post 16 transport which was approved at Cabinet on 18th June 2019.</p> <p data-bbox="320 1789 1366 1861">Portfolio Business Plans and Corporate Finance (1.13) efficiencies – Total £1.784m</p>	Portfolio	£m			<u>Previous Decisions</u>				Corporate	0.000	Social Services	0.240	Education & Youth	0.014	Streetscene & Transportation	0.240	Planning & Environment	0.091	Housing & Assets	0.000			Sub Total - Existing	0.585			<u>New Decision*</u>				Education and Youth	0.449			Total Business Plan Efficiencies	1.034		
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1.09	<p>Local Taxation and Income</p> <p>The level of Council Tax increase will be modelled on a range of different scenarios as part of ongoing strategy with consideration of Welsh Government assumptions once known. If Council Tax were to increase in line with current assumptions of 6.5%, that would yield an additional £5.4m net of the impact on the Council Tax reduction scheme.</p>																																						

The Council aims is to keep any increase in Council Tax to a maximum of 5% - a level which would yield an additional £4.3m (having made a deduction for an increase in the Council Tax Reduction Scheme - Council Tax Benefits). However, containing Council Tax at the level would require a much improved Settlement from Welsh Government.

The Council is continuing to review its current fees and charges with the aim to reach full cost recovery for as many services as possible. A number of opportunities for new income generating activities are being considered which may provide additional income in the future. These will be reported and included once approved.

1.10

Organisational Change

Further options to be considered include the second phase of Alternative Delivery Models (ADM) and Digital Strategy as two main programmes of work for the medium term. No immediate yield can be relied upon for the 2020/21 financial year.

1.11

Specific Portfolio Pressures

Table 3. Social Care Pressures

Pressure	£m
1) Social Services Commissioning	1.643
2) Transition to Adulthood	0.656
3) Extra Care Revenue costs	0.492
4) Social Services Specific Grant	0.283
5) One off efficiency dropping out	0.030
6) One off pressure dropping out (Work Opportunities)	-0.063
7) Out of County Placements *	2.500

* Joint pressure with Education & Youth

1. Inflationary uplifts are agreed each year with the Council's care providers. The pressure reflects the latest information on sector pressures and current clients.
2. The cost of care packages for clients moving into adulthood is an ongoing cost pressure. The forecast reflects current information on predicted numbers of school leavers and past expenditure patterns.
3. The development of Marleyfield Residential Home together with the new Plas yr Ywen Extra Care Facility in Holywell is forecast to require additional revenue funding to support the additional clients coming into the service.
4. At the time of setting the 2019/20 budget, the Council received notification of additional specific funding for Social Services. However, the amount of grant received is less than was estimated. Therefore, the shortfall of £0.283m has now been included in the forecast.

	<ol style="list-style-type: none"> 5. The 2019/20 budget included one off efficiencies for that financial year. 6. Reduction in the annual cost for 2020/21 of the Learning Disabilities Work Opportunities/Day Centre contract. 7. The in-year revenue monitoring position for 2019/20 has identified an increasing demand on the service due to additional placements and increased complexity. The cost pressure has been revised to £2.5m to reflect the increase. This pressure reflects clients within both Social Care and Education.
1.12	<p>Inflation</p> <p>The current forecast includes projections for increases in inflation:</p> <ul style="list-style-type: none"> • Pay – includes an increase of 2% on current budgets together with the incremental impact of the new pay model; • Price inflation – included on a critical service need only basis with £0.025m set aside for specific pressures relating to increases in software licences; • Fuel –includes an increase of 3% on current budgets to reflect recent increases and current forecasts; • Energy – includes increases in energy which range with 9% for gas and 8% for electricity; and • Water and NNDR include increases at 4.5% and 3% respectively.
1.13	<p>Corporate Finance Efficiencies</p> <p>Employer Pension Contributions – efficiency of £0.500m</p> <p>The final outturn 2018/19 showed a £1m underspend in this area of which £0.600m was released to help balance the 2019/20 budget. This is a variable budget that will continue to be carefully monitored throughout the year but based on last year and early indications this year there is a further efficiency of £0.500m.</p>
1.14	<p>Inflation Review – Reduction of £0.250m</p> <p>A review has been undertaken on the level of inflation required in 2020/21. The initial MTFs assumed the same level of provision as 2019/20 (£0.759m including schools) which includes electricity, gas, fuel, water, street lighting, NNDR and price inflation for software licenses. The review has concluded that there is an efficiency of £0.250m available based on current intelligence.</p>
1.15	<p>Other Areas under review</p> <p>Actuarial Review - Clwyd Pension Fund</p> <p>The triennial actuarial review is nearing completion and detailed analysis is being undertaken on various scenarios. Once complete the financial implications will be reported to members and considered as part of the overall budget process. A ‘dividend’ is expected due to the high performance of the Clwyd Pension Fund over the past three years. As an employer we should be in a position to reduce our planned Fund deficit contributions due to the marked improvement in the funded-ness of the Fund.</p>

	<p>Single Person Discount A review of Council Tax payers in Flintshire who claim single occupancy discount will be undertaken later in the year. This is projected to bring in additional income during 2020/21.</p>																		
1.16	<p>Social Care Efficiencies Table 4. Social Care Efficiencies</p> <table border="1" data-bbox="320 427 1238 815"> <thead> <tr> <th data-bbox="320 427 1110 472">Efficiency</th> <th data-bbox="1110 427 1238 472">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 472 1110 510"></td> <td data-bbox="1110 472 1238 510"></td> </tr> <tr> <td data-bbox="320 510 1110 555">1) Regional Collaboration</td> <td data-bbox="1110 510 1238 555">0.030</td> </tr> <tr> <td data-bbox="320 555 1110 600">2) Reviewing Function</td> <td data-bbox="1110 555 1238 600">0.025</td> </tr> <tr> <td data-bbox="320 600 1110 645">3) Supported Living - Reduction in Voids</td> <td data-bbox="1110 600 1238 645">0.025</td> </tr> <tr> <td data-bbox="320 645 1110 689">4) Communications - Reduction in hardware</td> <td data-bbox="1110 645 1238 689">0.030</td> </tr> <tr> <td data-bbox="320 689 1110 734">5) Vacancy Management</td> <td data-bbox="1110 689 1238 734">0.030</td> </tr> <tr> <td data-bbox="320 734 1110 779">6) Strategic use of grant funding</td> <td data-bbox="1110 734 1238 779">0.100</td> </tr> <tr> <td data-bbox="320 779 1110 815">Total</td> <td data-bbox="1110 779 1238 815">0.240</td> </tr> </tbody> </table> <ol style="list-style-type: none"> 1. Reduction in staffing and operational costs from a joint collaboration with neighbouring local authorities. 2. Vacancy savings from across Adults Services which may include the Reviewing function. 3. Reducing the amounts paid in respect of voids where empty units within the properties which are rented from Registered Social Landlord's (RSL's) and used for provision of Supported Living from both internal and external service provision. 4. Reduction in IT hardware and Mobile Phone requirements following a review of current usage and future needs. 5. Vacancy savings will continue to occur naturally within the Social Care Sector and from implementing a closer scrutiny and challenge of the business case approval process for vacant positions, there will be consideration to make provision for a managed delay in refilling certain positions. 6. Maximising grants from Welsh Government through the Integrated Care Fund (ICF) to support those living with dementia and their families. Flintshire has led the way on supporting individuals and families to live full and independent lives for as long as possible. The authority have also supported the establishment of dementia friendly communities and a network of Memory Cafes which drive community activities around dementia support. 	Efficiency	£m			1) Regional Collaboration	0.030	2) Reviewing Function	0.025	3) Supported Living - Reduction in Voids	0.025	4) Communications - Reduction in hardware	0.030	5) Vacancy Management	0.030	6) Strategic use of grant funding	0.100	Total	0.240
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1.17	<p>Budget Summary, Process and Timeline</p>																		
1.18	<p>In summary a combination of corporate and portfolio efficiencies and income, the income derived from an acceptable level of Council Tax increase, and the 'dividend' from the actuarial review of the Clwyd Pensions Fund could generate a significant contribution to the forecast budget gap of £8.0-8.5M. The only remaining options to add to this contribution, dependent on the outcome of the Welsh Government budget would be (1) further review of the Clwyd Pension Fund employer</p>																		

	contributions in liaison with the Fund Actuary (2) sharing of schools cost pressures with schools themselves and (3) a higher level of Council Tax than the working assumption.
1.19	Service portfolio pressures and efficiencies are being presented to the set of Overview and Scrutiny Committee throughout November and December for review prior to Council receiving stage one of the annual budget on 10 December.
1.20	The Provisional Settlement for Local Government in Wales is expected on 26 November 2019. The Final Settlement is expected later than in previous years in February 2020. The finalisation and announcement of national budgets might be subject to delay due to the delay in the completion of the UK Government budget and the interceding of a short-notice General Election.
1.21	Completion of our budget setting process will be a role for Council at its meetings in January-March.

2.00	RESOURCE IMPLICATIONS
2.01	<p>Revenue: The Revenue implications for the 2020/21 budget are set out in the report</p> <p>Capital: there are no implications for the approved capital programme for either the current financial year or for future financial years – the capital programme for 2020/21 onwards will be subject to a separate report</p> <p>Human Resources: The implications for additional capacity or for any changes to current workforce structures or roles are set out in the report</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT		
3.01	In the absence of adequate funding being provided by Welsh Government there is a significant risk that the Council will not be able to meet its statutory obligation to set a balanced budget for 2020/21.		
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> </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
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	Prevention	As above
	Integration	Neutral
	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
	Resilient Wales	Continuation of services to support communities and encourage social cohesion will have a positive impact
	Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact
	More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities
	Cohesive Wales	Appropriate level of funding will support services working alongside partners
	Vibrant Wales	As Healthier and Cohesive Wales above
	Globally responsible Wales	Neutral

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	Consultation with Group Leaders, Overview and Scrutiny Committees, external partners, external advisors and representative bodies, local schools, the workforce and trade unions is continuous.

5.00	APPENDICES
5.01	Appendix 1 – Summary of Pressures Appendix 2 – Summary of Efficiencies

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Medium Term Financial Strategy – Forecast 2020/21 – 2022/23 April 2019 Cabinet - http://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?CId=391&MId=4252&Ver=4&LLL=0

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<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>