



CABINET

Date of Meeting	Tuesday, 16 th February 2021
Report Subject	Council Fund Revenue Budget 2021/22 – Final Closing Stage
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

Council has received full reports on previous stages of the budget setting process for 2021/22 and previous reports and appendices are attached.

Cabinet in January set an upper minimum budget additional requirement for 2021/22 of £16.750m and a lower minimum budget requirement of £13.818m. The upper figure includes provision for national pay awards at 2% across the board, and the lower figure makes no provision for pay. We are using the lower figure for the purposes of balancing the budget as there is no provision within the UK Government budget statement for any public sector annual pay awards with the exception of pay awards for employees with salaries of under £24k per annum. As a consequence of this, Welsh Government has had no uplift in funding to support any annual pay awards for local government employees and teachers which the recognised trade unions and employers might engage in negotiations over at a later point in the financial year.

Cabinet in January also considered the issues which remained to be closed as part of the budget-setting process. This report recommends solutions to all of those issues and sets out recommendations for the Council to be able to reach a legal and balanced budget.

The formal response of the Council to the Welsh Government consultation on the Provisional Local Government Settlement 2021/22 is attached. This response fully takes into account the views expressed by Cabinet as a collective and those of the body of elected members.

This report also sets out the Council Tax resolution for setting taxation levels for 2021/22. We are also able to propose the formal resolution to Council when it meets later on 16 February as we have received notification of the precepts of the Police and Crime Commissioner and all town and community councils within Flintshire.

Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail as set out in this report.

A full presentation will be made at both Cabinet and Council.

The report includes the following tables:

- Table 1: Revised Minimum Additional Budget Requirement 2021/22
- Table 2: Proposed Budget Solutions 2021/22
- Table 3: Proposed Budget 2021/22
- Table 4: Medium Term Forecast 2022/23 – 2023/24

The Corporate Resources Overview and Scrutiny Committee will receive and consider this report on 11th February and any advice or recommendation the Committee offers will be reported verbally at the Cabinet meeting.

RECOMMENDATIONS

1	That Cabinet notes and approves the revised budget requirement for 2021/22.
2	That Cabinet approves the final proposals for the corporate efficiencies which will contribute to the budget.
3	That Cabinet recommends to Council a legal and balanced budget based on the calculations as set out within this report.
4	That Cabinet notes the open risks which remain to be managed in the course of 2021/22.
5	That Cabinet recommends an annual increase in Council Tax for 2021/22 of 3.95%, and invites Council to pass the formal Council Tax resolution now that we have had notification of the precepts of the Police and Crime Commissioner and all town and community councils within Flintshire.
6	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium-Term Financial Strategy (MTFS).

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2021/22
1.01	<p>The Financial Forecast</p> <p>The forecast has been continuously revised to take into account the latest available information, and has been presented to members at stages throughout the budget planning and setting process.</p> <p>In December, the minimum additional budget requirement of £14.740m was uplifted to make additional financial provision for Schools Funding, Additional Learning Needs and for Reserves. The revised minimum additional budget requirement was set at £16.750m.</p> <p>The position reported in January included a number of outstanding issues that would need to be resolved as part of closing the budget. These are set out within the report.</p>
	Changes to the Financial Forecast
1.02	<p>Funding for Pay Awards</p> <p>The Chancellor of the Exchequer's UK Spending Review Announcement made no provision for public sector pay awards other than some specific allowances for lower paid workers and the NHS.</p> <p>Within the Provisional Local Government Settlement announcement Welsh Government confirmed their position on pay provision as set out below.</p> <p>"The Minister was clear in the draft budget that one of the hard choices we have faced in setting our spending plans for next year is our approach to public sector pay. The reality is that we did not receive any additional funding through the Barnett formula to provide for public sector-wide pay awards next year given the UK Government's decision to pause public sector pay increases with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within your budget planning in the light of this Settlement."</p> <p>As a consequence, the upper minimum additional budget requirement has been reduced to remove any provision for annual cost of living pay awards other than a provision to meet the cost of (potentially non-consolidated and 'one-off') pay awards for employees with salaries of under £24k per annum. A provision £0.604m has been included within the budget for this specific award. The minimum additional budget requirement has been reduced by £2.928m in total.</p>
1.03	<p>Council Tax Reduction Scheme (CTRS)</p> <p>A cost pressure of £1.172m had previously been included in the budget requirement based on increases in demand for benefits caused by the socio-economic impacts of the pandemic situation. Demand has since stabilised and Welsh Government has also reimbursed councils for the additional spend</p>

	<p>for the first half of the year, and recently agreed to continue this financial support for the second half of the financial year. The Council will need to make budgetary provision for CTRS entitlement arising from the annual Council Tax increase. Following a review of this cost pressure, and based on current and projected demand the budget provision has been reduced by £0.284m to £0.888m</p>
1.04	<p>Council Tax</p> <p>A cost pressure of £0.600m had previously been included in the budget requirement to mitigate the impacts of a significant reduction in collection levels caused by the socio-economic impacts of the pandemic situation. The purpose of this provision is to absorb any increase in bad debt from non-collected tax. A review of the bad debt provision has been concluded and, taken together with an improvement in the levels of income collected the budget provision has been reduced by £0.500m to £0.100m. Welsh Government has recently announced new funding to make good projected reductions in target Council Tax collection rates and this funding will be set aside as protection against any failure to recover to target collection rates over coming months.</p>
1.05	<p>Out of County Placements</p> <p>Additional funding of £2.7m was included in the budget for 2020/21 to reflect the projected increase in service demand. As at the Month 9 2020/21 Budget Monitoring Report there is a net projected in-year overspend of £0.631m. This will continue into 2021/22 with increased costs for a full year effect of case placements.</p> <p>Therefore, additional budget provision within the budget estimate will be required for 2021/22 and £0.750m has been set aside. This service area poses an open risk as demand can and often does increase in-year.</p>
1.06	<p>Sustainable Waste Management Grant</p> <p>Welsh Government have notified in the Provisional Settlement a further reduction in the Sustainable Waste Management Grant for Wales of £1.1m. This will result in a cost pressure of £0.050m for the Council. This additional pressure has been included in the final budget estimate as no further cost efficiencies are possible, and service standards must be maintained.</p>
1.07	<p>Regional Education Improvement - GwE</p> <p>The annual inflationary uplift for GwE has to be met as per the regional Inter Authority Agreements. A total of £0.035m has been included in the budget estimate to consolidate the increase for 2020/21 which was notified after we had set the annual budget for that year and the new increase for 2021/22.</p>

1.08 The changes in the budget requirement are summarised below:

Table 1: Revised Minimum Additional Budget Requirement 2021/22

	£M
Budget Requirement December 2020	16.750
Less:	
Adjustment for 21/22 Pay increase	(2.928)
Revised Budget Requirement December 2020	13.822
Reductions in Cost Pressures:	
Council Tax Debt	(0.500)
Council Tax Reduction Scheme (CTRS)	(0.284)
New Costs Pressures:	
Out of County Placements	0.750
Sustainable Waste Management Grant	0.050
GwE Indexation	0.035
Total Revised Budget Requirement	13.873

Proposed Solutions to meet the Revised Budget Requirement

1.09 **The Welsh Local Government Provisional Settlement**

The Welsh Local Government Provisional Settlement was announced on 22 December and full details were included in the January report.

The provisional AEF represents a cash uplift of £7.392m over the 2020/21 amount of £199.386m (3.7%).

The formal response of the Council to the Welsh Government consultation on the Provisional Local Government Settlement 2021/22 is attached at Appendix 7. This response fully takes into account the views expressed by Cabinet as a collective and those of the body of elected members

1.10 **Council Tax**

The level of annual increase in Council Tax is a decision for Full Council.

Council has set a clear direction that any annual increase should be at 5% or less.

Based on the final minimum additional budget requirement an annual increase of 3.95% is required on Council tax. This amounts to an annual increase of £52.99 to £1394.50 on a Band D equivalent (£1.02 per week equivalent).

Police Precept/Town and Community Councils

	The Police Precept and Town and Community Council Precepts for 2021/22 have all been notified to the Council as the Council Tax collection authority. .																								
1.11	<p>Service Transformation and Efficiencies</p> <p>As consistently reported, no new efficiencies of scale are possible. A minimum target of £1.0m was built into the original budget estimate for newly identified service efficiencies. This was reset at £1.75m in December following further work. This work has now been concluded and a final efficiencies total of £1.933m has been set to help close the budget (See Appendix 4).</p>																								
1.12	<p>Social Care Workforce Grant</p> <p>The Provisional Settlement included an additional £10.0m for social care with the Council expected to receive a share of £0.430m. Welsh Government has confirmed that there will not be significant changes to the existing terms and conditions of the current grant to which this additional amount has been attached. Therefore, the funding can be used to offset some additional Social Care cost pressures already included in the budget.</p>																								
1.13	<p>Reserves Uplift</p> <p>Within the upper minimum additional budget requirement £0.510m was included to replenish reserves as a safeguard against known and open risks. As part of the final balancing position, this provision has been reduced by £0.039m to £0.471m.</p>																								
1.14	<p>Table 2: Summary of Proposed Budget Solutions</p> <table border="1"> <thead> <tr> <th></th> <th>£M</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> <tr> <td>Revised Minimum Additional Budget Requirement (as in Table 1)</td> <td>13.873</td> </tr> <tr> <td>Less:</td> <td></td> </tr> <tr> <td>Provisional Settlement</td> <td>(7.392)</td> </tr> <tr> <td>Corporate Efficiencies</td> <td>(1.933)</td> </tr> <tr> <td>Social Care Workforce Grant</td> <td>(0.430)</td> </tr> <tr> <td>Council Tax (3.95%)</td> <td>(4.079)</td> </tr> <tr> <td>Reduction to reserves contribution</td> <td>(0.039)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Amount Remaining</td> <td>0.000</td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table>		£M			Revised Minimum Additional Budget Requirement (as in Table 1)	13.873	Less:		Provisional Settlement	(7.392)	Corporate Efficiencies	(1.933)	Social Care Workforce Grant	(0.430)	Council Tax (3.95%)	(4.079)	Reduction to reserves contribution	(0.039)			Amount Remaining	0.000		
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1.15	<p>SUMMARY AND CONCLUSIONS</p> <p>A legal and balanced budget for 2021/22 can be recommended by Cabinet to Council based on (1) the calculations and assumptions set out above and (2) the detailed proposed budget as set out below.</p>																								

1.16 Table 3: Proposed Budget 2021/22

Funding	£m
Aggregate External Funding (AEF) / RSG NNDR	206.778
Council Tax	90.679
SSA/Budget Requirement	297.457
Specific Grants (Estimated)	34.508
Total Funding	331.965
Expenditure	£m
Base Budget Rolled Forward	317.942
Previous Years Growth/Items Dropping Out (Appendix 1)	0.969
Inflation (Appendix 2)	2.894
Pressures & Investments(Appendix 3)	9.971
Efficiencies	
Corporate Efficiencies (Appendix 4)	(1.933)
Social Care Workforce Grant	(0.430)
Grants	
Less Specific Grants 2020/21	(31.955)
Plus Specific Grants 2021/22 (Estimated Appendix 5)	34.508
Total Expenditure	331.965
BALANCE	0.000

Open Risks 2021/22	
1.17	<p>Pay</p> <p>The Chancellor of the Exchequer's UK Spending Review Announcement made no provision for public sector pay awards other than some specific allowances for lower paid workers and for the NHS.</p> <p>The Council's position on pay is clear. We believe as an employer that there should be annual cost of living pay awards each and every year and that they should be fully funded at source by Governments. As there is no specific provision within the Provisional Settlement for annual pay awards for 2021/22, then there can be none. Both Governments are lacking a public sector pay strategy. The cost burdens of annual pay awards cannot fall on public sector employers. This remains an open risk in 2021/22 as the recognised trade unions and employers may still enter into negotiations in-year.</p>
1.18	<p>Out of County Placements</p> <p>This remains an open risk as set out in 1.05 above.</p>
1.19	<p>Ongoing Impact of the National Emergency</p> <p>The national emergency situation will continue into 2021/22. There is no new provision within the 2021/22 budget for additional emergency expenditure or lost income. However, we are holding the balance of the £3.0m emergency reserve set aside at the outset of the emergency.</p> <p>Welsh Government continues to hold specific funding for the pandemic and has had new funding from the UK Government for 2021/22. It is expected that national hardship and income loss compensatory funding will continue into the new financial year. This is based on the advice of Welsh Government, and is consistent with the budget planning position of the Welsh Local Government Association and all peer Welsh councils.</p> <p>Risks remain over the continuity of Government funding if the emergency situation is a protracted one, and should the recovery of fee earning services be a slow process.</p>
1.20	<p>School Budgets</p> <p>Within this budget the Council plans to make a significant investment in schools with an increase of 3.6% in funds for education and schools. We face (1) additional and more complex service demands in Additional Learning Needs and (2) a deteriorating position on licenced school deficits in secondary schools.</p> <p>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 continue to address these risks with stepped increases in the quantum invested in the schools funding formula.</p>

1.21	<p>RESERVES AND BALANCES</p> <p>Earmarked Reserves</p> <p>The Council 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 £10.2M to £9.4M by the end of the 2021/22 financial year as these reserves are ‘drawn down’ (See Appendix 6).</p> <p>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>
1.22	<p>Un-earmarked Reserves</p> <p>The Council holds a base level of reserve of £5.769m and this position remains unchanged for 2021/22. Levels of unearmarked reserves over and above this figure are referred to as the Contingency Reserve. This reserve is projected to be at £1.787m at year end based on the Month 9 Budget Monitoring Report.</p> <p>In addition, the Council set aside £3.0m as an emergency fund at the outset of the pandemic and in advance of confirmation of support from Welsh Government. There are still a number of outstanding claims to Welsh Government and the balance of the fund will be reduced if any of the claims are not approved in whole or in part. This fund should remain in place as a safeguard against the financial impacts of the ongoing pandemic situation.</p> <p>The Contingency Reserve 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. The main open risks that the Council will face in 2021/22 are detailed in paras 1.17 – 1.20.</p>
1.23	<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>
1.24	<p>The 2021/22 budget has again been set within the context of the Medium Term Financial Strategy and during a year which has seen the Council adapt to meet the challenges of a national emergency. The emergency situation – in scale and length - has posed significant financial challenges, and this will continue to be the position as we go into the new financial year. The welcome essential support from the Welsh Government’s Hardship Fund and Income Loss Fund is likely to continue. However, the willingness and financial capacity of Governments to continue this funding beyond the early stages of the new financial year is unknown. The Council’s budget strategy for dealing</p>

	with this has been clearly set out in detail in previous budget reports, supported by Member briefings and updates.
1.25	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.
1.26	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 2020/21 through the monthly budget monitoring report with a detailed challenge of earmarked reserves undertaken throughout January 2021. This process ensures that members can have a good understanding of all the reserves held by the Council.
1.27	I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2021/22 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 2021/22 budget proposals - particularly around pay provision, social care demands, and the ongoing impact of the pandemic. 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.
1.28	I recommend that 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 1.17 – 1.20.
1.29	The budget proposals do not require the use of temporary reserves which builds on our approach last year where for the first time in many years the proposed budget is funded on a predominantly recurrent and sustainable basis. Due to the level of financial risk including the continuing emergency situation a further contribution to reserves of £0.471m is built into this budget as a prudent additional safeguard.
1.30	Formal Advice of the Chief Executive My professional advice complements that of the Corporate Finance Manager, as set out above.
1.31	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, and our principles and values.

1.32	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.									
1.33	We have advised Council throughout 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 is heavily reliant on the sufficiency of Government funding for local government and public services as noted by Audit Wales in their most recent commentary on the financial resilience and sustainability of the Council.									
1.34	A number of 'open risks' remain to be managed and we will again be challenged to manage our budget in-year throughout 2021/22. Our advice on risk management and how it affects setting a prudent budget needs to be carefully heard.									
1.35	It is important that we continue to plan for the medium-term and work with Governments on a sustainable funding model for local government – seeing beyond the emergency situation and a recovery from it – and 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 7).									
1.36	<p>Concluding Advice to Close the Budget</p> <p>Council is able to set a legal and balanced budget for 2021/22 based on the calculations and advice set out in this report, and can fulfil its collective legal responsibility. All calculations are based on a Council Tax rise of 3.95% (3.45% for Council purposes and 0.50% for the regional contributions to the North Wales Fire and Rescue Service, the Coroners Service and the North Wales Economic Ambition Board).</p>									
1.37	<p>Medium Term Financial Forecast</p> <p>The financial forecast for the medium-term, for the financial years– 2022/23 – 2023/2024, has been reviewed in readiness 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 includes (1) potential annual pay awards (2) similar levels of commissioning cost pressures within Social Services and (3) other known cost pressures.</p> <p>Table 4: Medium Term Forecast</p> <table border="1" data-bbox="300 1962 1366 2110"> <thead> <tr> <th data-bbox="300 1962 839 2007">Cost Pressure Group</th> <th data-bbox="839 1962 1102 2007">2022/23 (£M)</th> <th data-bbox="1102 1962 1366 2007">2023/24 (£M)</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 2029 839 2074">Pay Inflation</td> <td data-bbox="839 2029 1102 2074">4.145</td> <td data-bbox="1102 2029 1366 2074">4.029</td> </tr> <tr> <td data-bbox="300 2074 839 2110">Non-Pay Inflation</td> <td data-bbox="839 2074 1102 2110">0.380</td> <td data-bbox="1102 2074 1366 2110">0.395</td> </tr> </tbody> </table>	Cost Pressure Group	2022/23 (£M)	2023/24 (£M)	Pay Inflation	4.145	4.029	Non-Pay Inflation	0.380	0.395
Cost Pressure Group	2022/23 (£M)	2023/24 (£M)								
Pay Inflation	4.145	4.029								
Non-Pay Inflation	0.380	0.395								

	Social Care Pressures	3.776	2.772
	Other Pressures	1.347	2.003
	Total	9.648	9.199
1.38	From Table 4 it can be seen that the Council will continue to need to rely on improved financial settlements from Welsh Government in future years. The MTFS is being fully reviewed for reporting in the coming months. The Council will continue to press the need for forward planning of budgets by Governments, and certainty over future local government settlements which would enable the Council to plan ahead with a sufficient degree of confidence.		
1.39	<p>The timetable for the closing stages of the annual budget setting process is as follows: -</p> <p>16th February Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax and the passing of the Council Tax Resolution</p> <p>2 March 2021: Announcement of the Final Welsh Local Government Settlement.</p> <p>It is not anticipated, based on past years, that there will be any significant changes within the Final Settlement when it is announced on 2 March. However, if there are any minor changes it is recommended that the level of contribution to reserves is adjusted up or down to accommodate any such change.</p>		

3.00	RESOURCE IMPLICATIONS
3.01	<p>Revenue: the revenue implications for the 2021/22 budget are set out in the report.</p> <p>Capital: there are no new implications for the approved capital programme for either the current financial year or for future financial years – the capital programme will be subject to a separate report</p> <p>Human Resources: there are no implications for additional capacity or for any change to current workforce structures or roles at this stage.</p>

4.00	IMPACT ASSESSMENT AND RISK MANAGEMENT		
4.01	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <tr> <td>Long-term</td> <td>Negative – the absence of longer-term funding settlements from Welsh</td> </tr> </table>	Long-term	Negative – the absence of longer-term funding settlements from Welsh
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	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 encourages business investment in the region. The opposite will be true if settlements are inadequate.
Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.
Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
Vibrant Wales	As Healthier and Cohesive Wales above
Globally responsible Wales	Neutral impact.

5.00	CONSULTATIONS REQUIRED/CARRIED OUT
5.01	Overview and Scrutiny Committees in November 20. Member Briefing December 2020. Consultation with the principle NNDR payers has been undertaken

6.00	APPENDICES
6.01	Appendix 1: Prior Year Decisions Appendix 2: Inflation Appendix 3: Pressures & Investments Appendix 4: Efficiencies Appendix 5: Specific Grants 2021/22 Appendix 6: Balances & Reserves Appendix 7: Council Response to the Provisional Settlement

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	The series of preparatory budget reports for the 2021/22 financial year. The series of presentations made to Cabinet and Council for the 2021/22 financial year.

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

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>

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.

Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

Financial Year: the period of 12 months commencing on 1 April.

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.

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.

Provisional Local Government Settlement: The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final Local Government Settlement is set following the consultation.

Funding Floor: a guaranteed level of funding for councils who come under the all-Wales average change in the annual Settlement. A floor has been a feature of the Settlement for many years.

BUDGET 2021/22 - COUNCIL FUND REVENUE

Prior Years Growth / Items Dropping Out	£m
<u>Central & Corporate</u>	
20/21 One off efficiencies dropping out	0.300
Minimum Revenue Provision	0.300
<u>Social Services</u>	
Work Opportunities Pressure Reduction	(0.056)
Marleyfield & Holywell Extra Care Revenue Costs	0.425
TOTAL - PRIOR YEARS	0.969

BUDGET 2021/22 - COUNCIL FUND REVENUE

Inflation	£m
NJC Pay (Non Schools) - 20/21 impact and lower scales <£24k for 21/22	0.953
NJC Pay (Schools) - 20/21 Impact and lower scales <£24k for 21/22	0.469
Teachers Pay Award - 20/21 Impact only	1.437
Other Schools Inflation (GWE)	0.035
TOTAL - INFLATION	2.894

BUDGET 2021/22 - COUNCIL FUND REVENUE	
Pressures & Investments	£m
<u>Central & Corporate</u>	
North Wales Fire and Rescue - Levy increase	0.314
Independent Review Panel for Wales (IRPW)	0.028
Coroners Service - Fee Increase	0.025
Procurement 2 Pay (P2P) System Upgrade	0.024
Capital Borrowing costs	0.015
Unachieved Efficiency - Salary Sacrifice - AVC's	0.070
Increase in Feasibility Study Provision	0.050
21s Century Schools - Band B Borrowing Costs	0.015
Contribution to Reserves	0.471
SubTotal - Central & Corporate	1.011
<u>Out of County Placements</u>	
Out of County Placements	0.750
SubTotal - Out of County Placements	0.750
<u>Education & Youth</u>	
Additional Learning Needs (ALN) - Reforms	0.144
Additional Schools Funding	1.500
New Pupil Referral Unit Building - Revenue Costs	0.027
Free School Meals Demand	0.253
Home Education	0.046
Primary Learning Advisor	0.080
Sub Total - Education & Youth	2.050
<u>Governance</u>	
Registration Service - Income loss	0.036
Unrealised Efficiency - Legals Services/Industrial Estate Review	0.092
Unrealised Efficiency - Postage - Council Tax	0.035
Unrealised Efficiency - Postage - Benefits	0.041
Council Tax Collection Fund	0.100
Sub Total - Governance	0.304
<u>Housing & Assets</u>	
Sale of Assets - loss of income	0.095
Enterprise Centres - Reduced Occupancy	0.050
Benefits - Council Tax Reduction Scheme (CTRS)	0.888
Carelink - Alarm Monitoring Contract	0.125
Carelink - Housing Support Grant (HSG)	0.216
Benefits - Additional Staffing	0.300
Sub Total - Housing & Assets	1.674

Pressures & Investments	£m
<u>Planning & Environment</u>	
Markets - Reduced income levels	0.074
Pest Control - Reduction in demand	0.040
Private Water Supplies	0.104
Unrealised Efficiency - Market Review	0.035
Sustainable Drainage Systems (SUDS)	0.112
North Wales Economic Ambition Board (NWEAB) Contribution	0.104
Sub Total - Planning & Environment	0.469
<u>Social Services</u>	
Social Care Commissioning	1.880
Transition to Adulthood	0.495
Sleep in Pay Ruling	0.125
Adoption Service	0.022
Children's Registered Residential Care Home	0.138
Missing from Home Co-ordinator	0.034
Sub Total - Social Services	2.694
<u>Streetscene & Transportation</u>	
School Transport	0.163
School Transport - Closure of John Summers	0.050
Post 16 Transport	0.047
Social Services Adults Transport	0.063
Social Services Childrens Services Transport	0.044
Reduced Energy Sales - Reduction in gas generation	0.120
Parc Adfer Contract Inflation	0.052
Ash Die back	0.060
Business Manager	0.072
Recyclate Markets - Volatility in price and volume	0.299
Reduction in Sustainable Waste Management Grant	0.050
Sub Total - Streetscene & Transportation	1.019
TOTAL - PRESSURES & INVESTMENTS	9.971

BUDGET 2021/22 - COUNCIL FUND REVENUE

Efficiencies	£m
<u>Corporate Efficiencies</u>	
<u>Central & Corporate</u>	
Employer Pension Contributions	(0.300)
Workforce - Vacant Post	(0.030)
Remote Working Impacts - Reduced Travel and operating costs	(0.270)
Price Inflation	(0.113)
Total - Central & Corporate	(0.713)
<u>Housing & Assets</u>	
Property Savings (Incl. Demolition of Phases 3 & 4 and Utility Savings)	(0.450)
NDR Inflationary Savings	(0.120)
Climate Change Levy	(0.295)
Sub Total - Housing & Assets	(0.865)
<u>Business Planning Efficiencies</u>	
<u>Education & Youth</u>	
Youth Centres Provision	(0.020)
Post 16 / Coleg Cambria	(0.200)
Sub Total - Education & Youth	(0.220)
<u>Social Services</u>	
Strategic use of Grant Funding	(0.060)
Vacancy Savings	(0.030)
Sub Total - Social Services	(0.090)
<u>Planning & Environment</u>	
Service Review	(0.045)
Sub Total - Planning & Environment	(0.045)
TOTAL - Efficiencies	(1.933)

BUDGET 2021/22 - COUNCIL FUND REVENUE

Specific Grants	Budget 2020/21 £	Budget 2021/22 £	Variance £	Conf (C) or Est (E)
Education & Youth - Non Delegated				
Promoting Positive Engagement (Youth Crime Prevention Fund)	196,143	196,143	0	C
YOT / Youth Justice Board (inc. JAC)	221,956	227,966	6,010	E
Welsh Network of Healthy School Schemes	101,380	101,380	0	E
Youth Support Grant (Youth Service Revenue Grant)	126,820	468,614	341,794	C
Free School Milk	245,891	245,891	0	E
Families First	1,505,090	1,505,090	0	C
Pupil Development Grant	3,910,757	4,422,900	512,143	E
Reducing Infant Class Sizes	355,000	333,000	(22,000)	E
Rural Schools Grant	139,625	139,625	0	C
Additional Learning Needs (ALN)	360,000	0	(360,000)	E
ALN Transformation	45,000	45,000	0	E
Adult Community Learning	52,405	216,000	163,595	E
Feminine Hygiene	10,243	124,137	113,894	C
Education Improvement Grant for Schools	5,988,773	5,880,701	(108,072)	E
Sub Total - Education & Youth (Non Delegated)	13,259,083	13,906,447	647,364	
Education & Youth - Delegated				
6th Form Funding (Formally DCELLs)	4,439,673	4,439,673	0	E
Sub Total - Education & Youth (Delegated)	4,439,673	4,439,673	0	
Housing & Assets				
Housing Support Grant (formerly Supporting People)	5,950,819	7,828,610	1,877,791	E
Sub Total - Housing & Assets	5,950,819	7,828,610	1,877,791	
Planning & Environment				
Substance Misuse	522,744	500,832	(21,912)	C
Domestic Abuse Co-ordinator Funding (VAWDASV)	92,400	167,674	75,274	C
Legacy Fund	127,680	127,680	0	C
Communities for Work Plus	431,300	431,300	0	C
Sub Total - Planning & Environment	1,174,124	1,227,486	53,362	
Social Services				
Social Care Workforce Development Programme	312,069	312,069	0	C
Flying Start	2,901,515	2,901,515	0	C
St. David's Day	40,758	40,758	0	C
Childcare & Play	97,877	97,877	0	C
Project Management - Children and Communities Grant	0	33,329	33,329	C
Childcare Admin Offer	0	298,050	298,050	C
Sub Total - Social Services	3,352,219	3,683,598	331,379	
Strategic Programmes				
Free Swimming	60,750	60,750	0	E
National Exercise Referral	123,750	123,750	0	E
Active Young People	43,860	43,860	0	E
Sub Total - Strategic Programmes	228,360	228,360	0	

Specific Grants	Budget 2020/21 £	Budget 2021/22 £	Variance £	Conf (C) or Est (E)
Streetscene & Transportation				
Concessionary Travel	2,180,000	1,900,000	(280,000)	E
Sustainable Waste Management Grant	754,000	737,209	(16,791)	E
Bus Service Support Grant	557,000	557,000	0	E
Welsh Young Person Travel Discount Scheme	60,000	0	(60,000)	E
Sub Total - Streetscene & Transportation	3,551,000	3,194,209	(356,791)	
TOTAL - GRANTS	31,955,278	34,508,383	2,553,105	

Social Care Workforce & Sustainability Workforce Grant	1,737,000	2,167,000	430,000	E
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BUDGET 2021/22 - COUNCIL FUND REVENUE

Summary of Council Fund Earmarked Reserves	Est Bal 01/04/21 £m	Est Bal 31/03/22 £m
<u>Service Balances</u>		
Corporate Services	0.544	0.498
Housing & Assets	0.077	0.074
Education & Youth	0.106	0.103
Theatre Clwyd	0.188	0.188
Planning & Environment	0.365	0.201
Social Services	0.127	0.127
Total - Service Balances	1.408	1.191
<u>Corporate Balances</u>		
Single Status / Workforce Costs	0.730	0.705
General Reserve - Investment in Organisational Change	1.355	1.056
Total Corporate Balances	2.085	1.761
<u>Specific Reserves</u>		
Benefits Equalisation	0.133	0.133
County Elections	0.212	0.000
Local Development Plan	0.180	0.000
Waste Disposal	0.023	0.000
Winter Maintenance	0.250	0.250
Insurance Funds	2.503	2.803
Car Parking	0.045	0.045
Cash Receipting Review	0.003	0.003
Flintshire Trainees	0.524	0.524
Rent Income Shortfall	0.031	0.000
Customer Services Strategy	0.022	0.000
Supervision Fees	0.049	0.000
LMS Curriculum	0.339	0.339
Solar Farm	0.025	0.025
Tribunal Costs	0.104	0.104
Property Claims	0.021	0.000
North Wales Residual Waste Treatment Project (NWRWTP)	0.065	0.065
Grants & Contributions	2.166	2.166
Total Specific Reserves	6.694	6.456
Total Earmarked Reserves	10.186	9.408

Councillor/Cynghorydd Ian Roberts
Leader of the Council
Arweinyddi Cyngor



Via email :

Mark Drakeford, First Minister of Wales
 Julie James, Minister for Housing & Local
 Government
 Rebecca Evans, Minister for Finance & Trefnydd
Correspondence.FM@gov.wales
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Our Ref/Ein Cyf CE/IBR0221
 Date/Dyddiad 3rd February 2021
 Ask for/Gofynner ar Ian Roberts
 Direct Dial/Rhif Union 01352 702105
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 Ian.b.roberts@flintshire.gov.uk

Dear Ministers,

Provisional Local Government Settlement 2021/22

Thank you for the opportunity to comment on the Provisional Local Government Settlement 2021/22.

In past years we have engaged with Ministers directly on the sufficiency of annual settlements, and on the inadequacy and unfairness of a local government funding formula that is dated and no longer fit-for-purpose. Our long-established view is that it is for Governments to ensure that local authorities are properly funded to meet their legal, mandatory public service, policy and ethical duties and obligations noting that most of these are prescribed or set by Governments themselves, the commissioners and other advisors they appoint and/or the statutory regulators. Governments need to ensure that local authorities can be resilient not only to meet these duties and obligations but also to cope with unexpected events and disruption. No more so than now, in the midst of a protracted emergency situation.

We recognise and value the commitment Welsh Government has made to funding local government through the emergency situation through the Hardship Fund and the Income Loss Fund. We also value the renewed relationship between central and local government in Wales.

Our general observations on the Provisional Settlement are set out below: -

1. given this renewed central-local relationship, and the welcome statements made by Ministers in recent months, we had expected local government to be given a high priority in this year's Welsh Government budget. We are disappointed that this is not the case as illustrated in the comparative Year-on-Year Percentage Change in Main Expenditure Groups (MEGs) analysis on page 47 of the *Draft Budget 2021-22 Protect, Build and Change*. **The Welsh**

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We welcome correspondence in Welsh. We will respond to correspondence received in Welsh without delay.

Rydym yn croesawu gohebiaeth Gymraeg. Ymatebwn yn ddi-oed i ohebiaeth a dderbynnir drwy gyfrwng y Gymraeg.

Local Government Association made a detailed and compelling case for a recommended uplift in the Provisional Settlement for 2021/22 and the offer of Welsh Government, in response, falls short;

2. it is established annual practice to protect those councils most exposed to the annual changes to entitlement through the formula (based on the work of the Distribution Sub-Group) with a 'funding floor'. Several councils are left extremely exposed by the annual changes in this year's settlement and should be protected in the same way that peer councils have in previous years with some supplementary funding over and above the settlement quantum. We formally request that a funding floor is set at a minimum of 3% for 2021/22. The disparity in funding per council which is driven by annual demographic change, as illustrated in a range of settlement increases from 2.0%-5.6% in a single year is yet another indication that the funding formula is too sensitive to change based on certain indices of need, and is overdue an overhaul. **We appreciate that this issue is for another day, and we formally request that a commitment is made to a review of the formula;**
3. Welsh Government remains silent on Council Tax policy. The proportion of local authority income which is derived from Council Tax has grown steadily year-on-year. This trend cannot be sustained, and the tolerance of the public for above inflation annual increases in local taxation is being tested. **Our ability to achieve our Council Tax collection targets has been compromised by the socio-economic impacts of the emergency situation, and a longer-term strategy for local taxation is now called for;**
4. we had expected all core specific grants to be maintained at the current funding level if not increased to allow for inflation-indexation. We are assured that in most cases this protection has been given. However, the Sustainable Waste Management Grant is an exception and has again been reduced, this year by £1.1m. This is in conflict with Welsh Government stated policy objectives and aspirations to be a world leader in waste generation prevention and recycling. This grant directly funds operational waste and recycling collection and treatment services. All councils will either have to reduce services or fund the difference as a new cost pressure. We have had to make provision for a new cost pressure. This is a false economy. **We formally request that the grant is reinstated to its former level, and is both protected and index-linked for future years; and**
5. Welsh Government has no public sector pay policy for 2021/22 and the medium-term. The position of the UK Government on pay policy for the short-term is clear. We do not agree with this position as an employer and believe that there should be annual cost-of-living pay awards each year, even if set at a modest level. However, we do not have the capacity to locally fund any pay awards which might be negotiated nationally during the course of the financial year we are about to enter. Ministerial statements on this subject are rather ambivalent, and councils cannot be left exposed in this way. **We call on Welsh**

Government to make a clear and firm statement that it cannot support (1) any negotiations between trade unions and employers for a UK national pay award for employees contracted under NJC and JNC terms and conditions unless there is a UK Government commitment to fund that pay award for England and Wales and (2) any annual devolved pay award for teaching staff in Wales unless additional funding is provided by the UK Government for comparable awards in England and Wales.

Turning to Flintshire itself our response to the Provisional Settlement based on our specific circumstances and needs is as follows: -

- We had set two levels of a minimum Council Fund Revenue Budget requirement estimate in our budget planning prior to the announcement of the Provisional Settlement. The higher of the two included a provision for annual pay awards at 2% for all NJC and JNC employees and all teaching staff. The lower of the two was based on the same calculations but with the provision for pay awards removed. Following the budget announcement by the Chancellor of the Exchequer we have opted for the lower of the two estimates, noting that Welsh Government Ministers have confirmed in their own statements that no provision has been made in the UK budget for pay awards in the public sector (other than the NHS) and that Welsh Government accordingly has no new funds for this purpose. The higher of the two estimates would have required an AEF/RSG uplift of 5.7% and the lower estimate an uplift of 4.1%. We are set to receive an uplift of 3.8% which falls short of the lower estimate. **Therefore, whilst there are some financial benefits from several extended specific grants, the Provisional Settlement is barely sufficient for our needs;**
- To follow the local budget planning set out above we have made no provision for any annual cost-of-living pay awards as (1) this is UK Government policy for the public sector and (2) neither Welsh Government or public sector employers are funded to meet any pay awards for 2021/22 which the recognised trade unions might attempt to negotiate. **The Provisional Settlement is insufficient for Flintshire to be able to meet the costs of any pay awards for 2021/22. We would refer you to our formal request in point 5 above;**
- We have set a local policy of containing any future annual rises in Council Tax to 5% or under. The public expect this of us and the tolerance for a continual shift of responsibility from national to local funding to sustain local services is being tested. **Therefore, we have limited financial ‘headroom’ to derive local income noting that we already have a commercial fees and charges policy in place for chargeable services. We request that Welsh Government commits to a review of the sustainability of Council Tax in its current form;**
- The planned reduction in the Sustainable Waste Management Grant will impact on direct service delivery and will cause an unexpected local budget pressure for the Council to be able to maintain service delivery standards. **We formally**

request that the grant is reinstated to its former level, and is both protected and index-linked for future years; and

- All councils are being exposed to significant demand-led cost pressures for Looked After Children and in particularly for Out of County Placements in a market-place where the providers are dominant. We have had to make a further increase in our base budget provision for Children's Services of £0.750m for 2021/22. **We formally request that a national fund be set aside for councils to be able to claim against in-year for sudden escalations in costs in Children's Services over and above a certain annual threshold.**

In addition, we would request that consideration is given to the following: -

- Support to councils in the last quarter of 2020/21 through the timely release of available in-year Welsh Government underspends which might otherwise be returned to the Treasury under the national exchequer operating rules and guidelines. Councils to have the discretion to allocate such funds against planned expenditure to give them the flexibility to (1) help reach a balanced out-turn position at 31st March and/or (2) cross-allocate funds to reserves as a protective measure for future financial risks; and
- That the Hardship Fund and Income Loss Fund are continued into 2021/22 (1) for as long as restrictions on trading and fee generating services apply and (2) as part of longer-term recovery planning. We appreciate that announcements will be made as part of the final Welsh budget.

We would welcome the opportunity to explore any of the above points either as part of the collective local government family or individually.

We ask that careful thought is given to the point and arguments we have set out above.

Yours sincerely



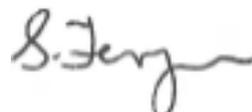
Councillor Ian Roberts
Leader and Cabinet Member for Education



Colin Everett
Chief Executive



Councillor Glyn Banks
Cabinet Member for Finance



Gary Ferguson
Chief Officer, Finance