



Council Fund Budget 2021/22 Final Stage

Cabinet and Council
16 February 2021



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Setting a Legal and Balanced Budget (1)

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

Setting a Legal and Balanced Budget (2)

- » Council has received full reports on previous stages of the budget setting process
- » Cabinet in December set an upper minimum additional budget requirement of £16.750m (including pay award of 2%) and a lower minimum budget requirement of £13.818m (no provision for pay other than for employees with salaries under £24k)
- » Cabinet in January considered the remaining issues to be closed as part of budget setting process
- » These issues are now closed, and the report includes recommendations for Council to be able to set a legal and balanced budget



Budget Requirement 2021/22



Additional Budget Requirement 2021/22

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



Budget Setting Solutions 2021/22



Bridging the Additional Budget Requirement

- » Provisional Settlement – cash uplift of £7.392m (3.7%) confirmed on 22 December
- » Portfolio and Corporate Efficiencies – final total of £1.933m identified (£1.750m previously included)
- » Additional Social Services Workforce Grant – no significant changes to grant conditions confirmed so eligible to be used for existing cost pressures (£0.430m)
- » Council Tax – annual increase of 3.95% is required (£4.079m)
- » Contribution to Reserves – Reduced by £0.039m to £0.471m

Summary of Proposed Solutions

Summary of Proposed Solutions	£m
Revised Budget Requirement	13.873
Less:-	
Provisional Settlement Uplift	(7.392)
Corporate Efficiencies	(1.933)
Social Care Workforce Grant	(0.430)
Council Tax	(4.079)
Reduction to Contribution to Reserves	(0.039)
Remainder to be found	0.000



Council Tax 2021/22





Council Tax

- » Council has set a clear direction to keep the increase in Council Tax to below 5%
- » Budget proposals include an overall increase of 3.95% to meet the budget requirement
- » This comprises 3.45% for Council budgets and 0.5% as regional contributions to the North Wales Fire and Rescue Authority, North Wales Economic Ambition Board and the Coroners Service. We have set a precedent of explaining these as separate tax elements
- » Precepts for Police and Crime Commissioner and Town and Community Councils are separate to the above

Band D Charges – Annual, Monthly, Weekly

Band D Charge	2021/22 £	Annual Difference £	Monthly Difference £	Weekly Difference £
Flintshire County Council	1,394.50	52.99	4.42	1.02
North Wales Police & Crime Commissioner	305.55	14.94	1.25	0.29
Town & Community Councils	47.83	0.58	0.05	0.01
Total Band D Charge	1,747.88	68.51	5.72	1.32

Analysis of Band D Charges

Band D Charge	2021/22 £	2020/21 £	Difference £	Difference %
Flintshire County Council	1,394.50	1,341.51	52.99	3.95
North Wales Police & Crime Commissioner	305.55	290.61	14.94	5.14
Town & Community Councils	47.83	47.25	0.58	1.24
Total Band D Charge	1,747.88	1,679.37	68.51	4.08

Band D Charges - Comparisons

	Charge £	Increase %
Flintshire's Band D Charge	1,394.50	3.95%
Wales Average	1,437.00	4.15%
Difference	42.50	-0.20%
Comparative English Councils Average	1,594.00	4.99%
Difference	199.50	-1.04%



Schools and Social Care Budgets



Schools Funding 2021/22

- » Net uplift for Schools of £3.659m (3.6%).
- » Includes significant investment of £1.5m for delegated schools funding and Additional Learning Needs (ALN)
- » Includes pay awards for NJC employees on salaries of less than £24k
- » No provision for NJC and JNC pay awards or a Teachers' Pay Award from September 2021
- » Addressing secondary school deficits was a key recommendation of the most recent Estyn Inspection

Social Care Funding 2021/22

- » Net uplift for Social Care of £3.723m (4.9%)
- » Budget includes increases for the impact of Out of County Placements, Commissioning Fees, and Transition to Adulthood
- » Additional investment in Residential and Extra Care for Adults, and Residential Care for Children

Open Risks



Open Risks in 2021/22

- » Potential Annual Pay Awards negotiated later at a national level
- » Further increase in the numbers of Out of County Placements
- » Ongoing Impact of the national emergency situation
- » The slow recovery of fee earning services as we exit the emergency situation
- » Weather events and other incident-led costs
- » School Budgets
 - » Additional and more complex service demands in Additional Learning Needs
 - » Deteriorating position on licenced school deficits

Reserves





Un-Earmarked Reserves

- » £1.787m estimate available as a Contingency Reserve (over the base reserve of £5.769m)
- » Any residual balance from the £3.0m set aside for the emergency (£2.377m remains but this will reduce further and could be heavily relied upon later for recovery from the emergency)
- » Both of the above are subject to change
- » Important to build reserves to safeguard against the open risks and for the future
- » Additional contribution of £0.471m included in the budget proposals to ensure that an emergency reserve of a minimum of £2.0m is available going into 2021/22



Earmarked Reserves

- » Set aside for specific purposes
- » Regularly reviewed and reported as part of the budget monitoring process under our Reserves and Balances Protocol
- » Appendix 6 of the report lists the reserves to be retained for known future commitments or to mitigate known risks
- » They will be kept under review as part of Medium Term Financial Strategy (MTFS) planning
- » We have one of the lowest reserve levels in Wales (source: Audit Wales)



Formal Advice on Reserves

- » Section 25 of the LGA 2003 places a specific duty on the CFO to formally advise Council when considering its budget
- » Reserves and Balances Protocol provides a robust and transparent process for managing reserves
- » There are some significant open risks before the Council as we enter 2021/22 and the future is very uncertain in an emergency
- » Reserves can only be used once and cannot support the recurring costs of services year on year
- » We used £6.9m of reserves to balance budgets between 2017/18 and 2019/20 and ended this unsustainable practice in 2020/21
- » Recommend that the Council maintains its base level of reserves and safeguards the Contingency Reserve and Emergency Reserve - this will allow the budget to continue to be set on a recurrent and sustainable basis

Professional Opinions and Concluding Remarks

Professional Opinions

Section 151 Officer/Corporate Finance Manager:

Setting a budget in the midst of a national emergency is unprecedented. The scale and length of the pandemic poses significant financial challenges which will continue into the new financial year; the welcome support from the national Hardship Fund is likely to continue but it is not known how long this can be sustained; the budget also includes some significant open risks around pay and social care demand; essential to protect in full the Contingency and Emergency Reserves to safeguard against these risks and any other unforeseen events; the recommended budget represents a balanced risk based approach

Professional Opinions

Chief Executive:

The budget has been built-up according to our adopted budget-setting model; we have taken a prudent and balanced approach as required by law and the principles of good governance; the Council accepts that there are no new cost reductions or efficiencies of scale; Council, as advised by Cabinet and the six Overview and Scrutiny Committees, has concurred with this advice and we have protected all services; our strategy for achieving a legal and balanced budget is heavily reliant on the sufficiency of Government Funding; we set out our future expectations clearly in the response to the Provisional Settlement

Conclusions

- » The Council is able to set a legal and balanced budget today based on the recommendations of Cabinet and the advice of officers
- » We have been successful in protecting all services at a safe level whilst meeting known cost pressures and finding 'headroom' to invest in our priorities e.g. schools
- » The recommended Council Tax increase is less than the predicted Welsh average and follows the direction set by Council of not exceeding a 5% rise in any one year
- » We should not draw upon reserves to fund recurring expenditure as it is unsustainable (Audit Wales concur)
- » We must move quickly back onto medium-term planning

Looking Forward

Medium Term Forecast

Minimum Budget Requirement	2022/23 £m	2023/24 £m
Pay Inflation	4.145	4.029
Non Pay Inflation	0.380	0.395
Social Care	3.776	2.772
Other Known Costs Pressures	1.347	2.003
Totals	9.648	9.199

Professional Advice – The Future

- » For the Council to be sustainable future local government settlements will need to be sufficient to meet local and national demands
- » Specific grants need to be stable and index-linked
- » 3 year forward planning by Governments is needed
- » The sustainability of Council budgets will be under serious threat without the above
- » There are no local service choices or corporate financing options of scale remaining
- » Early planning for 2022/23 - 2024/25 underway with an updated and detailed forecast planned for May. Our MTFs will have to be ready for what follows

Professional Advice – The Future

- » There will continue to be additional expenditure and income loss during the protracted emergency. Income losses e.g. in leisure income could continue into 2022/23 with restricted use/lower demand or in car parking income; additional expenditure e.g. higher annual cost rises for commissioned social care
- » There is no certainty over how long Government compensation can continue and at what point councils will be fully exposed to these financial risks
- » UK Government fiscal policy has yet to be set for medium-term economic recovery. Public expenditure could be squeezed by the necessity to manage and reduce national debt in later years

Next Steps and Timelines

- » **Today:** Final budget setting decision including final agreement on the level of Council Tax and passing of the Council Tax Resolution
- » **2nd March:** Announcement of the Final Welsh Local Government Settlement
- » **Future dates:** the budget announcements of the UK Government and the Chancellor of Exchequer

Recommendations for Cabinet

1. Note and approve the revised budget requirement
2. Approve the final proposals for efficiencies which will contribute to the budget
3. Recommend to Council a legal and balanced budget
4. Note the 'open risks' which remain to be managed in 2021/22
5. Recommend to Council an annual increase in Council Tax for 2021/22 of 3.95%
6. Note the medium-term forecast



Recommendations for Council

1. To approve a legal and balanced budget on the recommendation of Cabinet