

## CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Thursday, 14th November 2024
<b>Report Subject</b>	Budget 2025/26 – Stage 2
<b>Cabinet Member</b>	Cabinet Member for Finance and Social Value
<b>Report Author</b>	Corporate Finance Manager and Chief Officer (Governance)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

As in past years, the budget for 2025/26 will be built up in stages.

The first stage has been concluded by the establishment of a robust baseline of cost pressures together with Member workshops and individual Group Briefings to ensure Members had a full understanding of the Council's concerning overall financial position.

In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2025/26, which showed that we had an additional revenue budget requirement estimated at £38.420m which presents a serious and major budget challenge for the Council – proposed solutions to bridge this gap are currently being developed and will be shared with members in due course.

This review by Overview and Scrutiny Committees throughout October and November is aimed at reviewing and scrutinising the portfolio cost pressures to provide assurance that they are an essential requirement for the 2025/26 budget and that there is no scope to remove / defer them to assist with dealing with the budget challenge.

The draft Welsh Government Budget is scheduled to be announced on 10 December and the Provisional Welsh Local Government Settlement is expected to be received on 11 December.

Stage 3 of the budget process will be the identification of the full set of budget solutions required to ensure a legal and balanced budget is set in line with the Council's overall available funding envelope.

The details of the cost pressures and proposed efficiency options for Corporate Services which fall within the remit of this Committee are included within this report. The Committee is invited to review and comment on these cost pressures, and associated risks.

## RECOMMENDATIONS

1	Review and comment on the Corporate Services cost pressures.
2	Review and comment on the Governance Portfolio's cost pressures.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE BUDGET POSITION 2025/26</b>																							
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1.04	<p><b>Corporate Services – Cost pressures</b></p> <p>These are set out in the paragraphs which follow.</p>																							
1.05	<p><b><u>Table 1: Corporate Services – Cost Pressures</u></b></p> <table border="1"> <thead> <tr> <th>Cost Pressure Title</th> <th>£m</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td><b>Prior Year Decision</b></td> <td></td> <td></td> </tr> <tr> <td>Minimum Revenue Provision (MRP) Existing</td> <td>0.300</td> <td>1.</td> </tr> <tr> <td>Single Person Discount</td> <td>0.250</td> <td>2.</td> </tr> <tr> <td>21C Schools Band B Borrowing Costs</td> <td>0.804</td> <td>3.</td> </tr> <tr> <td><b>Legislative/Unavoidable Indexation Pressures</b></td> <td></td> <td></td> </tr> <tr> <td>Fee Increases Coroners</td> <td>0.021</td> <td>4.</td> </tr> </tbody> </table>			Cost Pressure Title	£m	Note	<b>Prior Year Decision</b>			Minimum Revenue Provision (MRP) Existing	0.300	1.	Single Person Discount	0.250	2.	21C Schools Band B Borrowing Costs	0.804	3.	<b>Legislative/Unavoidable Indexation Pressures</b>			Fee Increases Coroners	0.021	4.
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Independent Review Panel for Wales (IRPW)	0.112	5.
North Wales Fire and Rescue Authority	1.090	6.
CJC Growth Deal Inflation	0.019	7.
ADM's / CAT's Service Contract Inflation	0.202	8.
ADM's / CAT's – Other Pressures	(0.025)	9.
Increase to Regional Collaboration Team	0.050	10.
NDR Transitional Relief	0.111	11.
NDR Increase Multiplier	0.097	12.
Non-Standard Inflation Fuel	0.250	13.
Non-Standard Inflation Energy	0.150	14.
Mockingbird Loan Repayment	0.287	15.
<b>National Funding Requirement</b>		
NJC Pay Award Estimate (Non Schools)	3.952	16.
Pay Modelling – Potential Pressure	2.000	17.
<b>Strategic Decisions</b>		
Capital Borrowing Costs 22/23	0.105	18.
Croes Atti Extension – Borrowing Costs	0.035	19.
Children's Residential Care – Borrowing Costs	0.028	20.
Corporate Loans & Investment Account (CLIA)	0.500	21.
ADM Resource	0.024	22.
<b>Total Cost Pressures</b>	<b>10.361</b>	

Notes:

**1. Minimum Revenue Provision (MRP) – Existing - £0.300m**

Annual inflationary uplift in line with the approved policy.

**2. Single Person Discount - £0.250m**

The planned review of single person discounts for 2024/25 to identify and remove discounts from those no longer entitled to receive the 25% discount has been completed.

**3. 21C Schools Band B Borrowing Costs - £0.804m**

Projected interest and repayment (using the minimum revenue provision policy approved by Council) of the prudential borrowing required for each capital scheme. This includes the annual service charge for the MIM project.

**4. Fee Increase Coroners Service £0.021m**

Annual inflationary uplift in line with the approved policy.

**5. Independent Review Panel for Wales (IRPW) £0.112m**

Projected Inflationary Uplift on Members Allowances.

**6. North Wales Fire and Rescue Authority £1.090m**

The pressure is for the projected inflationary increase on the North Wales Fire and Rescue Authority Levy.

**7. Consultative Joint Committee (CJC) Growth Deal Inflation £0.019m**

Projected annual inflationary impact on CJC and Growth Deal.

**8. ADM's/CAT's Service Contract Inflation - £0.202m**

Projected annual inflationary uplifts for Flintshire Libraries & Leisure, Newydd and Theatr Clwyd.

**9. ADM's/CAT's Other Pressures – (£0.025m)**

Reduction in previous year pressure to the ADM Legal costs budget.

**10. Increase to Regional Collaboration Team - £0.050m**

The regional collaboration team had built up reserves, so the annual contribution of £0.123m has been reduced to £0.073m since 2023/24 and was reflected as an ongoing efficiency. However, this is now required to return to the increased level of £0.123m from 2025/26.

**11. NDR Transitional Relief - £0.111m**

The transitional relief scheme was announced as part of the Welsh Government Draft Budget for 2023/24. It will limit increases in NDR bills, as a result of the revaluation on 1 April 2023. An eligible ratepayer will pay 33% of their additional liability in the first year (2023/24) and 66% in the second year (2024/25), before reaching their full liability in the third year (2025/26).

**12. NDR Increase Multiplier - £0.097m**

Apart from properties that are exempt from business rates, such as agricultural land, parks and places of worship, each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA). Billing authorities work out the business rates liability for every hereditament by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers, the standard non-domestic rate multiplier (previously called the non-domestic rate multiplier) and the small non-domestic rate multiplier.

**13. Non-Standard Inflation Fuel - £0.250m**

Projected impact of above inflationary fuel increases in 2025/26.

**14. Non-Standard Inflation Energy - £0.150m**

Projected impact of above inflationary Energy increases in 2025/26, including Street Lighting.

**15. Mockingbird Loan Repayment - £0.287m**

In 2019/20 Social Services successfully applied for an interest free loan from Welsh Government to be used to develop the Mockingbird in-house fostering model which is designed to reduce foster placement breakdowns and avoid further placements and subsequent escalating costs. The total loan amount was for £1.150m and was to be repaid over a four-year time period, with 2025/26 being year 1 of 4.

**16.NJC Pay Award Estimate (Non Schools) - £3.952m**

Estimated pay inflation has been included in the forecast for 2025/26.

**17. Pay Modelling Potential Pressures - £2.000m**

An indicative estimated impact of pay modelling has been included in the forecast for 2025/26.

**18. Capital Borrowing Costs 22/23 £0.105m**

Estimated revenue costs of borrowing for the relocation of the current Tri-ffordd day service provision to an integrated learning disability centre in Maes Gwern and Theatr Clwyd redevelopment scheme. This is net of all external funding for the projects.

**19. Croes Atti Extension – Borrowing Costs £0.035m**

Estimated revenue costs of borrowing for the relocation of the current Croes Atti Residential Care Home, net of all external funding for the project.

**20. Children’s Residential Care – Borrowing Costs £0.028m**

Estimated revenue costs of borrowing for the development of in-house children’s residential care.

**21. Corporate Loans and Investment Account (CLIA) £0.500m**

A £1m efficiency was included in the 2024/25 budget setting, based on the reduction of borrowing payments and increased investment income. However, it was stated this would need to be reviewed on an annual basis, therefore £0.500m of the original £1m was included as a one-off temporary budget efficiency.

**22. ADM Resource - £0.024m**

Continuation of a temporary support role to assist with the increase in work and additional workload being required in relation to Alternative Delivery Models.

**1.06 Governance – Cost pressures**

These are set out in the paragraphs which follow.

**1.07 Table 2: Governance – Cost Pressures**

<b>Cost Pressure Title</b>	<b>£m</b>	<b>Note</b>
Schools Information Management System (SIMS)	0.011	1.
Digital Delivery – Digital Solutions Technician*	0.038	2.
Digital Officers*	0.060	3.
Corporate GIS Software Re-procurement*	0.030	4.
Corporate LLPG Compliance & Software Re-procurement*	0.033	5.
Digital Business Analyst (0.6 FTE)*	0.030	6.
Microsoft E5 Security Licenses	0.038	7.

Network Connected Device Compliance & Assurance Solution	(0.015)	8.
VMWare Licensing	0.055	9.
Midland iTrent Maintenance	0.087	10.
<b>Total Cost Pressures</b>	<b>0.367</b>	

Notes:

**1. Schools Information Management System (SIMS) - £0.011m**

All schools in Flintshire use a schools information management system called Capita Sims. Four servers are used split between the Council's two datacentres to provide individual SIMs servers for every school in Flintshire, 80 in total. A new supplier has taken over the contract for SIMS and has indicated that the current arrangements for on premise hosting must cease in December 2023 and that all Flintshire schools must move to a cloud hosted version of the software provided by the supplier which will be subject to an implementation and hosting charge over and above the existing licence.

**2. Digital Delivery – Digital Solutions Technician - £0.038m**

**3. Digital Officers - £0.060m**

**4. Corporate GIS Software Re-procurement - £0.030m**

**5. Corporate LLPG Compliance & Software Re-procurement - £0.033m**

**6. Digital Business Analyst (0.6FTE) - £0.030m**

\*Pressures 2 – 6 can be funded from previous Carry Forwards approved in 2024/25 totalling £0.191m.

**7. Microsoft E5 Security Licenses - £0.038m**

There is an increasing Cyber threat to the councils IT infrastructure and information highlighted by the recent elevation of the threat nationally by UK Government and the National Cyber Security Centre. There are a range of security products and technologies that are identified as best practice and whilst investment in them does not guarantee the protection of our assets, it heightens the protection level. The council currently operates a range of Microsoft security technologies but with the increasing threat there is a requirement to move from the existing basic provision included within the current Microsoft Agreement to enhanced technologies recognised as best practice through recent security accreditation processes and engagement with the wider industry and security community.

**8. Network Connected Device Compliance & Assurance Solution – (£0.015m)**

A Network Connected Device Compliance and Assurance Solution system can deny network access to noncompliant devices, place them in a quarantined area, or give them only restricted access to computing resources, thus keeping insecure nodes from infecting the network. The increase in home/hybrid working has elevated the risk of devices being compromised whilst they are sitting on home networks that will not afford the same degree of protection as the corporate

	<p>network. This solution will ensure devices meet minimum security requirements before they can connect to corporate network. It was also recommended by our independent accredited security advisers.</p> <p><b>9. VMWare Licensing - £0.055m</b></p> <p>This allows Flintshire to run our cloud environments on the leading virtualisation software, with licensing delivered by VMware experts. With VMware Cloud Foundation, manage your own cloud platform with support from a VMware Premier Partner.</p> <p><b>10. Midland iTrent Maintenance - £0.087m</b></p> <p>To cover the upfront and increased annual costs of migrating to the cloud solution. The current contract ending on 31/03/2025.</p>																
1.08	<p><b>Ongoing Risks – Corporate Services</b></p> <p>A list of ongoing risks, outlined below, are being monitored and given further consideration which may change the additional budget forecast requirement further.</p> <ol style="list-style-type: none"> <li>1. Assessing the financial impact of the National Insurance Employers contributions increasing as part of the UK Government Budget proposals.</li> <li>2. Outcome of the updated statistics from the Distribution Sub-Group (DSG) and potential impacts to the Aggregate External Finance (AEF) in 2025/26.</li> </ol>																
1.09	<p><b>Budget Timeline</b></p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><b><u>Table 5: Budget Timeline</u></b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>October/November 2024</td> <td>Overview and Scrutiny Committees</td> </tr> <tr> <td>10/11 December 2024</td> <td>Draft Welsh Government Budget and Provisional Local Government Settlement</td> </tr> <tr> <td>17 December 2024</td> <td>Cabinet</td> </tr> <tr> <td>16 January 2025</td> <td>Overview and Scrutiny Committees – as required</td> </tr> <tr> <td>21 January 2025</td> <td>Cabinet – Budget Review</td> </tr> <tr> <td>18 February 2025</td> <td>Cabinet and Council – Final Budget Setting</td> </tr> <tr> <td>February 2025</td> <td>Welsh Government Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	October/November 2024	Overview and Scrutiny Committees	10/11 December 2024	Draft Welsh Government Budget and Provisional Local Government Settlement	17 December 2024	Cabinet	16 January 2025	Overview and Scrutiny Committees – as required	21 January 2025	Cabinet – Budget Review	18 February 2025	Cabinet and Council – Final Budget Setting	February 2025	Welsh Government Final Budget/Settlement
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<b>Revenue:</b> the revenue implications for the 2025/26 budget are set out in the report.

	<b>Capital:</b> 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
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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3.01	<ul style="list-style-type: none"> <li>• Cabinet</li> <li>• Member Budget Briefings July and October 2024</li> <li>• Specific Overview and Scrutiny Committees</li> <li>• Corporate Resource Overview and Scrutiny Committee Meetings</li> </ul>
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
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4.01	As set out in the report.
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<b>5.00</b>	<b>APPENDICES</b>
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5.01	None.
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<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
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6.01	<ul style="list-style-type: none"> <li>• MTFs and Budget 2025/26 Cabinet Report July 2024</li> <li>• MTFs and Budget 2025/26 Cabinet Report September 2024</li> <li>• Member Briefing Slides</li> </ul>
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<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
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7.01	<p><b>Medium Term Financial Strategy (MTFS):</b> 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><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 for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p><b>Budget:</b> 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><b>Budget Requirement:</b> The amount of resource required to meet the Councils financial priorities in a financial year.</p>
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**Forecast:** An estimate of the level of resource needed in the future based on a set of demands or priorities.

**Capital:** Expenditure on the acquisition of **non-current assets** or expenditure which extends the useful life of an existing asset.

**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.