



## CABINET

<b>Date of Meeting</b>	Tuesday, 22 <sup>nd</sup> January 2019
<b>Report Subject</b>	Council Fund Budget 2019/20 – Third and Closing Stage
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The Council has developed the budget for 2019/20 in three stages similarly to the budget setting process in recent years.

Under stages one and two the Council has already approved the proposals for cost estimate reductions for Corporate Finance and Service Portfolios respectively.

Under stage three, the closing stage, the Council will need to set a balanced budget to meets its legal duty. It is the collective responsibility of the whole Council to set the budget on the advice of Cabinet. Officers provide professional advice to both.

The options remaining to achieve a legal balanced budget are set out in this report for consideration. There is no scope for further reductions in Corporate Finance and Service Portfolios of any scale. The portfolio resilience statements which demonstrate the risks to service capacity and performance of any further budget reductions have been accepted by the Overview and Scrutiny Committees and Cabinet. The Council has been central to campaigning across Wales for an improved Financial Settlement for local government through the collective case-making of the Welsh Local Government Association and our own press and social media-based campaign #backtheask.

Whilst the funding position for local government and Flintshire has improved on the original forecast at three stages – at the Provisional Settlement (October), at the intervention of the out-going First Minister (November) and at the Final Settlement (December) – the Settlement is still inadequate to meet our funding requirements. Beyond a further financial intervention by Welsh Government the only remaining options to balance the budget are Council Tax income and drawing upon reserves and balances. The scope for the latter is limited.

The budget gap to be bridged to reach a legal and balanced budget stands at £3.102m, based on the calculations and assumptions set out within this report.

A full presentation of the report will be made at the Council meeting.

**List of Tables:**

Table 1: Stage One Budget Proposals Approved and Adopted

Table 2: Stage Two Budget Proposals Approved and Adopted

Table 3: Revised Financial Forecast

Table 4: Prudent Level of Reserves

Table 5: Proposed Budget 2019/20

Table 6: Medium-Term Forecast

## RECOMMENDATIONS

1	Cabinet note the updated budget forecast position as the basis for setting a legal and balanced budget for 2019/20.
2	Cabinet advise Council that in the absence of an improvement in the Local Government Settlement by Welsh Government then the Council will have to rely on a Council Tax rise in the region of 8.5% to meet its own expenditure requirements for 2019/20 (excluding the increase in the levy of the North Wales Fire and Rescue Authority).
3	Cabinet invite Council to make a final request to Welsh Government for an improved Local Government Settlement in order to suppress Council Tax rises in Flintshire and across Wales.

## REPORT DETAILS

<b>1.00</b>	<b>ARRIVING TO THIS FINAL STAGE OF THE BUDGET 2019/20</b>
1.01	<p><b>Budget Process and Timeline</b></p> <p>The annual budget for 2019/20 has been developed in three stages.</p>
1.02	<p>A report to Cabinet in April this year gave the first detailed overview of the financial forecast for 2019/20. At that stage the projected budget “gap” stood at £12.2m.</p> <p>Internal workshops to brief Members on the updated financial forecast and the changing national budget position were held in two phases in July and September. A report to Cabinet in September provided the latest update on the financial forecast for 2019/20. At this stage the projected budget “gap” then stood at £13.7m.</p> <p>The Provisional Local Government Settlement was announced on 9 October and</p>

resulted in an overall reduction of 1% in funding which had the effect of increasing the overall gap to £15.3m.

A report to Cabinet in November gave an update on the financial forecast and recommended to Council that the Stage One (Corporate Finance) and Stage Two (Service Portfolio) solutions be adopted. A special meeting of County Council approved both stages of the budget on 20 November.

**1.03 Stage One – Corporate Finance Solutions**

Prior to approval by County Council the Stage One budget proposals were reviewed by Corporate Resources Overview and Scrutiny Committee (on 15 November) and a summary is detailed below.

**Table 1: Stage One Budget Proposals Approved and Adopted**

<b>Corporate Budget Solutions</b>	<b>£m</b>
Council Tax (illustrative 4.5%)	3.635
New Income Streams	0.100
Reserves and Balances	1.900
Alternative Delivery Model (ADM)	
Subsidies	0.400
Reduction in Corporate Management	0.250
Housing Revenue Account (HRA) –	
Council Fund Recharges	0.158
Transport Cost Anomalies	0.100
<b>Cost Pressure Reductions:</b>	
- Inflation/Pensions	1.144
- Other Workforce Costs	0.250
<b>Total</b>	<b>7.937</b>

**Note 1:** full details of the above proposals can be accessed via the hyperlink listed under Background Papers at the end of the report.

**1.04 Stage Two - Service Portfolio Efficiencies**

The Stage Two budget proposals totalling £0.963m were also reviewed by Corporate Resources Overview and Scrutiny Committee (on 15 November) prior to approval by Council. The proposals contribute £0.630m to the budget once the income targets and workforce reductions, which are included in the Stage One solutions have been deducted.

**Table 2: Stage Two Budget Proposals Approved and Adopted**

<b>Portfolio</b>	<b>£m</b>
Corporate	0.360
Social Services	0.315
Education & Youth	0.076
Streetscene & Transportation	0.065
Planning, Environment and Economy	0.111
Housing & Assets	0.035
<b>Total</b>	<b>0.963</b>
<b>Budget Strategy</b>	
<b>Less:</b>	
Income	0.143
Targeted Employee Post Reductions	0.190
<b>Balance of Operational Efficiencies</b>	<b>0.630</b>

**Note 1:** details of the service portfolio business plan efficiency proposals can be accessed via the hyperlink listed under Background Papers at the end of the report.

### **Final Local Government Settlement**

1.05 The Final Local Government Settlement was announced by Welsh Government on 19 December. The head-line figures are detailed below.

#### Standard Spending Assessment (SSA)

The final SSA for 2019/20 is £269.127m (£267.547m at the Provisional Settlement stage) which is an *increase* of 1.8% on the SSA for 2018/19 (£264.333m)

#### Aggregate External Finance (AEF)

The final Aggregate External Finance for 2019/20 is £188.980m (£187.817m at the Provisional Settlement stage) which when compared to the adjusted 2018/19 AEF figure of £189.549m represents a *decrease* of 0.3% (All Wales average is an *increase* of 0.2%). AEF combines Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR).

The Final Settlement confirmed the two transfers into the Settlement as follows:

- Teachers Pay Grant (£0.694m)

	<ul style="list-style-type: none"> <li>• Free School Meals Grant (£0.257m)</li> </ul> <p>There were no transfers out of the Settlement identified.</p> <p>The Final Settlement advised of one additional new responsibility for increasing capital limits for residential care charging. The Council already has a pressure of £1.009m included in the budget forecast for this - therefore no adjustment is required.</p> <p>The impact of the Final Settlement improved the position for the Council by £1.163m with the funding floor (a limit beyond which no Council can be funded in detriment) being raised up to 0.3%. Flintshire County Council still remains at the floor level as at the Final Settlement stage.</p>
	<p><b>Other Changes to the Forecast</b></p>
1.06	<p>During the period December to January the following changes to the financial forecast have been made. The net impact is an increase of £0.170m to the budget 'gap' as shown in Table 3:</p> <p><b>North Wales Fire and Rescue Authority Levy (additional £0.381m)</b> Following a consultation period the North Wales Fire and Rescue Authority has now set its budget for 2019/20. The levy will be increased and the additional contribution required of Flintshire County Council as a constituent authority is £0.381m. The impact of this increase in the levy is a 0.583% increase in Council Tax.</p> <p><b>Social Care Commissioning Costs (reduction of £0.150m)</b> The level of fees for Independent Sector providers has now been agreed for 2019/20 with the overall costs being lower than the initial estimate.</p> <p><b>Reduction in Prior Year Pressure for Social Services – Learning Disabilities Day Services (reduction of £0.055m)</b> A budget pressure for the transition to a new model of service for Learning Disabilities Day Services in the base budget will now reduce by £0.055m in 2019/20.</p> <p><b>Regional Education Consortium GwE (reduction of £0.006m)</b> A reduction in annual operating costs of £0.006m has been agreed by GwE (a 1% decrease net of a 2% allowance for inflation) which will make a minor reduction in the contribution from the Council as a constituent authority.</p>
1.07	<p><b><u>Impact of Confirmed Grant Announcements</u></b></p> <p>Following the Provisional Settlement the First Minister announced some additional grants which have the following impact on the budget 2019/20:</p> <p><b>Schools - Teachers Pay Award (£0.375m)</b> A further £7.5m across Wales to meet cost pressures of implementing the teachers' pay award – an additional £0.375m for the Council.</p> <p><b>Children's Services (£0.110m)</b> A further £2.3m across Wales to help prevent children from being taken into care –</p>

	<p>an additional £0.110m for the Council.</p> <p>The following additional funding announcements made by Welsh Government also impact on the budget 2019/20:</p> <p><b>Social Care Grant (£1.410)</b> An amount of £30m across Wales to meet social care demand cost pressures – an additional £1.410m for the Council. It has been confirmed that there is flexibility around the grant conditions and qualifying criteria and that the funding can be used to meet the costs of existing demands on services.</p> <p><b>Social Care and Health (£0.705m)</b> An amount of £15m across Wales which will be allocated regionally through the Regional Partnership Boards via the Integrated Care Fund. The proportionate amount for Flintshire is £0.705m. The conditions and the distribution method are not yet confirmed at this stage. There is a risk that the Council will not secure this amount in full as the grant allocation for North Wales becomes available.</p>																				
1.08	<p>The updated forecast, following approval of both Stages One and Two, the announcement of the Final Settlement, and other changes, is shown in Table 3 below. The remaining budget ‘gap’ still to be balanced stands at £3.102m.</p> <p><b>Table 3: Revised Financial Forecast</b></p> <table border="1"> <thead> <tr> <th>Item</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td><b>Revised Gap at Provisional Stage</b></td> <td><b>15.262</b></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Less: Stage 1 Budget Proposals Approved</td> <td>(7.937)</td> </tr> <tr> <td>Less: Stage 2 Budget Proposals Approved</td> <td>(0.630)</td> </tr> <tr> <td>Less: Final Settlement Revised Reduction in Grant</td> <td>(1.163)</td> </tr> <tr> <td>Less: Further Changes emerging Dec/Jan</td> <td>0.170</td> </tr> <tr> <td>Less: Impact of Grant Announcements</td> <td>(2.600)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td><b>Revised Working Budget Gap at Stage Three</b></td> <td><b>3.102</b></td> </tr> </tbody> </table>	Item	£m	<b>Revised Gap at Provisional Stage</b>	<b>15.262</b>			Less: Stage 1 Budget Proposals Approved	(7.937)	Less: Stage 2 Budget Proposals Approved	(0.630)	Less: Final Settlement Revised Reduction in Grant	(1.163)	Less: Further Changes emerging Dec/Jan	0.170	Less: Impact of Grant Announcements	(2.600)			<b>Revised Working Budget Gap at Stage Three</b>	<b>3.102</b>
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	<b>STAGE THREE – THE CLOSING STAGE OF BUDGET SETTING</b>																				
1.09	<p>There is no scope for further reductions in cost estimates for Corporate Finance and Service Portfolios for 2019/20 of scale. This position has been accepted by the Overview and Scrutiny Committees, Cabinet and Council.</p> <p>Specific requests have been made to Welsh Government for an improved Settlement for local government in Wales and for Flintshire. These requests, as summarised in the report to Council in December and in the #backtheask campaign have only been met in part. The Settlement on offer is not adequate to meet the funding needs of Flintshire.</p>																				
1.10	<p>Beyond a financial intervention by Welsh Government the only remaining options to balance the budget are Council Tax income and drawing upon reserves and balances. These two options are explored in the sections which follow. Following a recent consultation meeting with local and regional Assembly Members, and local</p>																				

	<p>constituency Members of Parliament, a specific request has been made for an additional £33M to be made available for local authorities in Wales. Acceptance of this request would make a marked improvement on the budget forecast for the Council and would generate an estimated financial benefit of £1.6m. This would enable the Council to contain an annual Council Tax rise to between 6.0% and 7.0%. At this level the annual Council Tax rise would be (1) similar to that set for 2018/19 and (2) in line with the budget planning assumption of Welsh Government that Council Tax will rise at an average of 6.5% across Wales.</p>
	<p><b>Use of Reserves and Balances</b></p>
1.11	<p>Public bodies are encouraged to make strategic use of their reserves and balances to contribute to annual budget setting. The situation across local government in England and Wales is variable with some councils being 'reserve rich' and others being 'reserve poor'. Compared to many councils Flintshire has modest and limited reserves to call upon. We have an established protocol for openly reporting on the reserves held, and the purpose for retaining each of them, every quarter. This is seen as good practice in our sector. The Council has drawn on its reserves to (1) cross-fund one-off cost pressures (2) balance the budget as needed and (3) meet the costs of voluntary redundancies to reduce the Council workforce in recent years. Reserves can only be used once, and an over-reliance upon their use to balance annual budgets is not a sustainable way of funding services.</p> <p>Over the past three years the Council has utilised £6.179m from its reserves. In setting the 2018/19 budget the Council used £1.945m to help balance the budget with an additional £0.460m agreed on a 'one-off' basis to assist schools with their in-year cost pressures. This use of reserves is not a sustainable solution in funding the Council's recurring expenditure needs.</p>
1.12	<p>The Council has limited useable or 'un-earmarked' reserves to draw upon. The Month 8 Budget Monitoring Report for 2018/19 advises of a projected Contingency Reserve at 31st March 2019 of £7.689m. Stage One budget solutions already include use of £1.9m of reserves as part of the strategy to balance the 2019/20 budget – leaving £5.789m as a projected Contingency Reserve remaining for 2019/20. This is subject to change between now and the close of the financial year. The Council also 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 £13.6m in 2018/19 to £7.3m by the end of the financial year as these reserves are 'drawn down' (See Appendix 9).</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>
1.13	<p>The Contingency Reserve, currently projected at £5.789m, is the Council's main 'defence' against in-year cost pressures. It is utilised to meet the impact of an overall overspend in any given financial year.</p>
1.14	<p>The Council could also be exposed to any of several significant additional cost pressures later in 2019/20. Reserves will need to be held back as an in-year 'buffer' to meet them. Known corporate in-year risks include the outcome of the</p>

	ongoing pay modelling work, replenishment of earmarked reserves for the costs of redundancy, and potential exposure to a proportion of the cost of the increased employer contributions to teachers' pensions – something which is being negotiated at a UK national level. Other major risks we face are rising social care costs, and the upward trend in the number of cases of Out of County placements across Wales which has resulted in a projected in-year overspend of £1.717m (noting that this cost pressure at this level has been addressed by the inclusion of an additional budget pressure in the budget proposals for 2019/20), and the impact of any new high-cost placements. National market conditions are also uncertain at a time of UK-European trade market access negotiations with risks to inflation levels for goods including food and fuel.																		
1.15	<p>Taking all of the above factors into account it is imperative that a prudent level of reserves is held to mitigate the impact of one or all of these factors. The table below details recommended levels to be maintained for these specific purposes.</p> <p><b>Table 4: Prudent Level of Reserves</b></p> <table border="1"> <thead> <tr> <th>Detail</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Contingency Reserve Available (Month 8)</td> <td>7.689</td> </tr> <tr> <td><b>Less:</b> Approved use of Budget 2019/20 (Stage One)</td> <td><u>(1.900)</u></td> </tr> <tr> <td>Revised Amount Remaining</td> <td>5.789</td> </tr> <tr> <td>Increased annual budget management tolerance level 2019/20 due to imminent national market uncertainties e.g. financial markets and inflation levels</td> <td>(2.600)</td> </tr> <tr> <td>Contingency against further variations in 2018/19 e.g. Out of County Placements</td> <td>(1.000)</td> </tr> <tr> <td>Investment in change to achieve future efficiencies to support the MTFS over the next three years</td> <td>(1.000)</td> </tr> <tr> <td>Known Corporate Risks: Pay Modelling costs, replenishment of earmarked reserves for the costs of redundancy, and potential exposure to teacher pension employer contributions.</td> <td>(1.000)</td> </tr> <tr> <td>Amount Remaining</td> <td>0.189</td> </tr> </tbody> </table> <p>As shown in the analysis above there is only a relatively small amount of £0.189m available to make a further contribution to the budget for 2019/20 - based on the recommended levels required to maintain a prudent level of reserves.</p>	Detail	£m	Contingency Reserve Available (Month 8)	7.689	<b>Less:</b> Approved use of Budget 2019/20 (Stage One)	<u>(1.900)</u>	Revised Amount Remaining	5.789	Increased annual budget management tolerance level 2019/20 due to imminent national market uncertainties e.g. financial markets and inflation levels	(2.600)	Contingency against further variations in 2018/19 e.g. Out of County Placements	(1.000)	Investment in change to achieve future efficiencies to support the MTFS over the next three years	(1.000)	Known Corporate Risks: Pay Modelling costs, replenishment of earmarked reserves for the costs of redundancy, and potential exposure to teacher pension employer contributions.	(1.000)	Amount Remaining	0.189
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	<b>Council Tax</b>																		
1.16	<p>Stage Three is the final and the closing stage of the 2019/20 budget process. Having taken account of all changes since the position reported in December there is still a remaining 'gap' of £3.1m to be bridged to achieve a legal and balanced budget.</p> <p>Beyond a financial intervention by Welsh Government the Council will need to rely on Council Tax to bridge the 'gap'. Welsh Government has made a budget planning assumption that Council Tax will rise at an average of 6.5% across Wales. There is no 'cap' which restricts the level at which any Council can set Council Tax. This is a decision devolved to local authorities.</p> <p>As the position stands the Council will have to rely on a Council Tax rise in the</p>																		



region of 8.4/5% to meet its own expenditure requirements for 2019/20 after the utilisation of the small use of reserves identified in para 1.15.

The addition of the increase in the North Wales Fire and rescue levy will bring the overall Council Tax increase to 8.9%.

### STAGE THREE – OVERALL POSITION AND CONCLUDING ADVICE

1.17 The table below summarises the overall position and the remaining budget 'gap' to be bridged through the limited budget balancing options which remain open to the Council.

**Table 5: Proposed Budget 2019/20**

<b>Funding</b>	<b>£m</b>
Aggregate External Funding (AEF)/RSG NNDR	188.980
Council Tax at 18/19 level (4.5% indicative increase)	79.148
<b>SSA/Budget Requirement</b>	<b>268.128</b>
Specific Grants (Estimated)	31.042
Use of Reserves	1.900
<b>Total Funding</b>	<b>301.070</b>
<b>Expenditure</b>	
Base Budget Rolled Forward	297.599
Transfers in/out of settlement (Appendix 2)	0.576
Previous Years Budget Decisions (Appendix 1)	(0.055)
Inflation (Appendix 3)	5.412
Cost Pressures and Investments (Appendix 4)	7.470
Fire Levy Increase (Appendix 4)	0.381
Efficiencies - Stage 1 (Appendix 5)	(1.664)
Efficiencies - Stage 1 Corporate (Appendix 5)	(2.402)
Efficiencies - Stage 2 (Appendix 6)	(0.630)
Efficiencies – Stage 3 (Appendix 7)	(2.231)
Less Specific Grants 2017/18	(31.326)
Plus Specific Grants 2018/19 (Estimated Appendix 8)	31.042
<b>Total Expenditure</b>	<b>304.172</b>

	<b>Remaining Budget Gap</b>	<b>3.102</b>
1.18	<p>To follow the commentary in 1.09 and 1.10 above it should be noted that in the Council's formal response to Welsh Government on the Provisional Settlement (dated 28<sup>th</sup> November) we did say that "<i>without an improved Settlement to this level (i.e. our campaign request) Welsh Government must accept that it is knowingly shifting the responsibility for paying for local services from national funding to the local Council Tax payer</i>". We also said that "<i>as with our approach last year we invite Welsh Government to review our budget plans and risk and resilience statements, to be assured that we have taken all reasonable steps to secure a balanced budget before turning to you for national support</i>". The Council has not received a response to our letter or to this invitation.</p>	
	<b>Funding</b>	
1.19	<p>The budget expenditure proposals (unbalanced) set a budget requirement of £268.128m. This includes £188.980m of the Council's core grant (Revenue Support Grant and share of National Rates Pool) and £79.148m of Council Tax yield based the indicative increase in Council Tax that was approved as part of the Stage One budget solutions.</p>	
	<b>Expenditure Provisions</b>	
1.20	<p><b>Previous Year Budget Decisions and Pressures</b></p> <p>Each year indicative amounts for pressures and investments from the previous year are included in the budget. These are updated as part of the ongoing review of the forecast and are summarised in Appendix 1. Details of all other pressures taken into account in the budget process are included in Appendix 4.</p>	
1.21	<p><b>Transfers Into/Out of the Settlement</b></p> <p>The transfers in and out of the settlement as confirmed in the Final Settlement are summarised in Appendix 2.</p>	
1.22	<p><b>Pay and Price Inflation</b></p> <p>A summary of the inflationary increases in the budget is included in Appendix 3. The impact of the two-year National Joint Council (NJC) pay awards is included. The pay modelling work to revise the Council's pay spine is ongoing. The cost of the preferred pay model exceeding the base provision in the draft budget remains an open risk.</p>	
1.23	<p><b>Specific Grants</b></p> <p>Appendix 8 provides the most up to date information on specific grants. The levels of funding for some specific grants have not yet been confirmed by Welsh Government.</p>	
1.24	<b>Managing the In-Year Position</b>	

	As an important organisational discipline we will continue to review all operational budgets and cost pressures throughout the year to (1) aim to stay within budgets and avoid a projected year-end overspend on the Council Fund and (2) identify operational efficiencies to either off-set cost pressures or release funds back into the Contingency Reserve.
	<b>Opinions of the Statutory Officers</b>
1.25	<b>Opinion of the Corporate Finance Manager</b>  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.
1.26	The 2019/20 budget has again been set within the context of the Medium Term Financial Strategy. It presents a significant financial challenge. The Council's budget strategy for dealing with this has been clearly set out in detail in previous budget reports, supported by a series of member workshop sessions.
1.27	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 pressures are supported by evidenced method statements - some of which have been reviewed by the Council's internal auditors on a sample basis.
1.28	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 2018/19 through the monthly budget monitoring report. This process ensures that members can have a good understanding of all the reserves held by the Council.
1.29	The Council's overall level of reserves and balances is reviewed on an ongoing basis with the adequacy and purpose of reserves held being rigorously challenged. Any reserves no longer required at the level held are released for use.
1.30	I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2019/20 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 2019/20 budget proposals - particularly around pay provision, social care demands, and the stability of the financial markets and inflation levels. 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.
1.31	In 2019/20 the Council was successful in the achievement of a significant VAT

	<p>rebate which provided an additional £1.9m. This has been transferred into the Contingency Reserve. The budget proposals approved at Stage One include a commensurate contribution of £1.9m from Reserves and Balances. The rebate has provided a 'windfall' for the Council's reserves which are reducing in size. Use of this additional reserve in this way enables the Council to make a similar contribution to the 2019/20 budget as in previous years.</p>
1.32	<p>Within the context described above, I recommend that the Council should maintain sufficient general balances of £5.769m and retain a sizeable Contingency Reserve as a safeguard to manage any in-year cost pressures and variances as detailed in paragraph 1.15. The over-use of reserves in the balancing of the annual budget would create a level of risk which I could not support.</p>
	<p><b>Opinion of the Chief Executive</b></p>
1.33	<p>My professional advice complements that of the Corporate Finance Manager, as set out above, and concentrates on the wider risks posed by the challenge of setting a legal and balanced budget.</p>
1.34	<p>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 recommended by the Constitution Committee. It is the most balanced approach possible for achieving an annual budget, as required by law and the principles of good governance, whilst attempting to protect the improvement objectives and public service duties and obligations of the Council. However, there are medium term risks – beyond 2019/20 - that the Council will not achieve its priority outcomes as set out in the Council Plan, or maintain performance to service standards, as it might have done, due to ongoing reducing budgets and reducing organisational capacity.</p>
1.35	<p>I cannot recommend making any further reductions of scale to service portfolio budgets without risking either (1) failure in meeting the Council's mandatory duties (2) failure in meeting required service standards and/or (3) failing to implement adopted Council policy and service standards for non-mandatory services which the Council has decided to retain and protect. Neither can I support making any further reductions in management or workforce capacity without risking either (1) placing unfair expectations or undue pressure on individuals or teams (2) having sufficient capacity to manage and oversee all Council functions and systems and/or (3) safe corporate governance and legal compliance. The resilience statements shared with and accepted by each of the Overview and Scrutiny Committees demonstrate all of the above. I cannot recommend to the Council any option which would knowingly place any service in such a position that it would be unsafe or unsustainable, or fail in my/our duty of care to employees.</p>
1.36	<p><b>Concluding Advice</b></p> <p>The final budget forecast position, and the limited options available to the Council to fulfil its collective responsibility to set a legal and balanced budget are set out within the report. The advice on which to base a decision is clearly set out. There is no other concluding advice to give Council.</p>
	<p><b>THE MEDIUM TERM OUTLOOK</b></p>

1.37 The financial forecast for the medium-term - 2020/21 – 2022/2023 - has been reviewed to refresh the Medium-Term Financial Strategy. A high-level estimate on the major cost pressures predicted over the next three years following this budget is included in Table 6. The forecast assumes that annual pay increases will trend be at a 2% and that we will continue to have a similar level of commissioning cost pressures within Social Services. Any decision on the level of reserves used to balance the budget will also impact on the following year. The 2019/20 budget should be set within the context of the medium-term position.

**Table 6: Medium-Term Forecast**

<b>Cost Pressure Group</b>	<b>20/21</b>	<b>21/22</b>	<b>21/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Pay Inflation	3.326	3.393	3.460
Non Pay Inflation	0.759	0.759	0.759
Social Care/CLIA Pressures*	3.470	4.044	4.100
Repayment of Reserve from 2019/20	1.900	0	0
<b>Total</b>	<b>9.455</b>	<b>8.196</b>	<b>8.319</b>

*\*Excludes any impact of Actuarial Review and future borrowing costs*

There are a number of variables which will have a major impact on the forecast and its reliability, none of which are within our control. The level of funding for local government in future funding settlements, the continuity and funding level of key specific grants, increases in demand-led Social Services cost pressures together with global economic uncertainty will necessitate this initial forecast being subject to regular revision.

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

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Many people and organisations have been engaged in the development of the budget over seven months from July 2018 to now. There has been no singular consultation exercise or set period. There has been ample public communication and the opportunity for open debate on social media particularly through the #backtheask campaign. There has been no specific public consultation exercise – such as the series of public meetings held on each of the past three budget years – as there are no meaningful options on public services remaining on which to consult.
3.02	Engagement has taken place over this three-stage iterative budget setting process with:- <ul style="list-style-type: none"> <li>• Group Leaders</li> </ul>

	<ul style="list-style-type: none"> <li>• Members through three stages of workshops in July and September</li> <li>• MPs, AMs and Regional AMs</li> <li>• Welsh Government</li> <li>• Welsh Local Government Association</li> <li>• County Forum (of local town and community councils)</li> <li>• Flintshire Joint Trade Union Committee</li> <li>• School Budget Forum</li> <li>• Education Consultative Committee</li> <li>• Primary and Secondary Heads Federation</li> <li>• Flintshire Governors Association</li> <li>• Headteachers and Chairs of Governors of all local schools</li> <li>• Flintshire Local Voluntary Council</li> <li>• Flintshire Public Services Board partners</li> <li>• Chief Officers</li> <li>• Service Managers</li> <li>• Portfolio Teams (through the business planning process)</li> <li>• the workforce (through two seminars with a combined attendance of 225)</li> </ul>
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The overall risks in setting the budget are set out within the report. The resilience statements for each Service Portfolio, which set out the specific risks to services of reducing base budgets further, have been shared with and accepted by the Overview and Scrutiny Committees. There are a number of open risks of specific grant certainty (paragraph 1.07) and in-year cost pressures (paragraph 1.30) set out within the report. The Council has a legal duty to set a balanced budget, based on the professional advice of its officers. Failure to do so would lead to the triggering of draconian statutory provisions which would restrict the ability of the Council to commit expenditure and thereby to function effectively.

<b>5.00</b>	<b>APPENDICES</b>
8.01	Appendix 1: Previous Year Budget Decisions Appendix 2: Transfers into/out of the Settlement Appendix 3: Inflation Appendix 4: Cost Pressures and Investments Appendix 5: Stage 1 Efficiencies Appendix 6: Stage 2 Efficiencies Appendix 7: Stage 3 Efficiencies Appendix 8: Specific Grants Appendix 9: Summary of Earmarked Reserves

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<a href="#">Cabinet Report – 20 November 2018</a> ; 2019/20 Council Fund Budget: Updated Forecast and Stage 1 and Stage 2 Budget Proposals

	<p>Council Meeting 11 December 2018 Slides – Council Fund Budget 2019/20: Stage 3 Update</p> <p><a href="#">Corporate Resources Overview and Scrutiny Committee 15 November 2018</a> – Presentation on the Stage 1 and Stage 2 budget Proposals</p>
6.02	<p><b>Contact Officers:</b>  Colin Everett, Chief Executive  Gary Ferguson, Corporate Finance Manager  <b>Telephone:</b> 01352 702101  <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
	<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>Local Government Funding Formula:</b> the system through which the annual funding needs of each council is assessed at a national level, and from which each council's annual AEF (see above) is derived. The formula is very complex. In summary, using information such as statistics on local population change and deprivation, the formula sets a guide for each Council's funding needs called the Standard Spending Assessment (SSA).</p> <p><b>Revenue Support Grant (RSG):</b> 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><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Aggregate External Finance (AEF):</b> represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.</p> <p><b>The Settlement:</b> the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant (see below) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation. The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final</p>

Settlement is the approved budget post-consultation.

**Budget:** a statement expressing the Council's policies and service levels in financial terms for a particular financial year.

**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.

**Earmarked Reserves:** Funding set aside that must be used for a specific purpose.

**Un-earmarked Reserves:** Funding set aside as a safeguard against unforeseen events and can be used for any purpose. The Council maintains a prudent base level.

**Contingency Reserve:** A reserve accumulated from historical underspends and used to mitigate in-year variations.

**Integrated Care Fund (ICF):** A regional grant allocated by Welsh Government which is administered by a regional partnership board. Local Authorities, Health and other partner agencies work in partnership to support older people, people with a learning disability and children with complex needs.

**Minimum Revenue Provision (MRP):** method for charging (debt-funded) Capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.

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



**Budget 2019/20**  
**Council Fund Revenue**

**Previous Year Budget Decision**

**One-off Items Dropping Out**  
**Approved 2018/19 Budget**

**2019/20**  
**£m**

**Social Services**

Work Opportunities Pressure Reduction

0.055

**Total Social Services**

**0.055**

**Total 2019/20 Budget**

**0.055**

**Budget 2019/20**  
**Council Fund Revenue****Transfers in/out of settlement**

<b>Transfers in:</b>	<b>£m</b>	<b>£m</b>
Teachers Pay Grant	0.319	
Free School Meals Grant	0.257	
Total Transfers in (Pressure)		0.576
<b>Net effect (Pressure)</b>		<b><u>0.576</u></b>

**Budget 2019/20  
Council Fund Revenue****Inflation**

	<b>Total £m</b>
<b>Pay (Non Schools)</b>	3.251
<b>NJC Pay Schools</b>	1.402
<b>Other Schools Inflation</b>	0.192
<b>Fuel</b>	0.034
<b>Energy/Water</b>	0.329
<b>Price</b>	0.204
<b>Total Inflation</b>	<b><u>5.412</u></b>

**Budget 2019/20**  
**Council Fund Revenue**

**Cost Pressures & Investments**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£m</b>	<b>£m</b>
<b><u>Social Services</u></b>		
Social Care Commissioning	1.450	1.450
Transition to Adulthood	0.640	0.640
Out of County Placements (Joint with E & Y)	1.655	1.655
Residential Care Pressure	1.009	1.009
<b>Total Social Services</b>	<b>4.754</b>	<b>4.754</b>
<b><u>Streetscene &amp; Transportation</u></b>		
North Wales Waste Partnership	0.425	0.000
Waste Recycling Income	0.180	0.180
<b>Total Streetscene &amp; Transportation</b>	<b>0.605</b>	<b>0.180</b>
<b><u>Planning &amp; Environment</u></b>		
Local Development Plan	0.172	0.000
<b>Total Planning &amp; Environment</b>	<b>0.172</b>	<b>0.000</b>
<b><u>Education &amp; Youth (E &amp; Y)</u></b>		
Minority Ethnic A Grant	0.048	0.048
Additional Learning Needs (ALN) reforms	0.142	0.142
<b>Total Education &amp; Youth</b>	<b>0.190</b>	<b>0.190</b>
<b><u>Governance</u></b>		
Members Allowances	0.030	0.030
Universal Credit Support Funding Transfer	0.019	0.019
Contact Centre	0.100	0.100
Microsoft Licence Renewal	0.150	0.150
<b>Total Governance</b>	<b>0.299</b>	<b>0.299</b>
<b><u>Community &amp; Enterprise</u></b>		
Council Tax Care Leavers Discount Scheme	0.027	0.027
Council Tax Reduction Scheme (CTRS)	0.341	0.341
Bad Debt Collection - (one Year efficiency dropping out)	0.144	0.144
Single Person Discount - (one year efficiency dropping out)	0.300	0.300
<b>Total Community &amp; Enterprise</b>	<b>0.812</b>	<b>0.812</b>
<b><u>Housing &amp; Assets</u></b>		
County Hall - (one year efficiency dropping out)	0.300	0.300
Energy Efficiency Pressure	0.050	0.050
SHARP	0.020	0.020
<b>Total Planning &amp; Resources</b>	<b>0.370</b>	<b>0.370</b>
<b><u>Central &amp; Corporate</u></b>		
CLIA - Borrowing Costs	0.226	0.226
North Wales Fire & Rescue Levy	0.381	0.381
Coroners	0.042	0.042
<b>Total Central &amp; Corporate</b>	<b>0.649</b>	<b>0.649</b>
<b>Total Pressures and Investments</b>	<b>7.851</b>	<b>7.254</b>

**Budget 2019/20**  
**Council Fund Revenue**

**Stage 1 Efficiencies**

<b><u>Stage 1 Corporate Efficiency</u></b>	<b><u>£m</u></b>
Minimum Revenue Provision	1.400
Domiciliary Care Charging Cap	0.264
<b>Total Stage 1 Efficiency</b>	<b><u>1.664</u></b>

<b><u>Stage 1 Corporate Efficiency</u></b>	<b><u>£m</u></b>
New Income Streams	0.100
Management of Workforce and Inflation cost pressures	1.144
Workforce Terms and Conditions	0.250
ADM Subsidies	0.400
Reduction in Corporate Management Costs	0.250
HRA/Council Fund Recharges	0.158
School Transport	0.100
<b>Total Stage 1 Corporate Efficiency*</b>	<b><u>2.402</u></b>

\*Excluding Reserves and Council Tax

**Budget 2019/20**  
**Council Fund Revenue**

**Stage 2 Efficiencies**

**Stage 2 Business Planning Efficiencies**

**£m**

**Portfolio**

Corporate	0.150
Social Services	0.300
Education & Youth	0.076
Streetscene & Transportation	0.005
Planning & Environment	0.063
Housing & Assets	0.035

**Total Stage 2 Corporate Efficiency\***

**0.630**

\*Net of Stage 1 targets for income and targeted post reductions

**Budget 2019/20**  
**Council Fund Revenue**

<b><u>Stage 3 Efficiencies</u></b>	<b><u>£m</u></b>
Gwe Efficiency	0.006
Social Care Additional Funding	1.410
Childrens Services Additional Funding	0.110
Regional Allocation Health & Social Care	0.705
<b>Total Stage 3 Efficiency</b>	<b><u><u>2.231</u></u></b>

**Budget 2019/20**  
**Council Fund Revenue**

**Specific Grants**

		<b>Budget 2018-19*</b>	<b>Budget 2019-20</b>	<b>Variance</b>	<b>Confirmed (C) or Estimated (E)</b>
		<b>£</b>	<b>£</b>	<b>£</b>	
<b>Education &amp; Youth</b>					
Non Delegated	Promoting Positive Engagement (Youth Crime Prevention Fund)	196,143	196,143	0	E
	YOT / Youth Justice Board (inc. JAC)	221,956	221,956	0	E
	Welsh Network of Healthy School Schemes	101,380	101,380	0	E
	Youth Support Grant (Youth Service Revenue Grant)	126,820	126,820	0	E
	Free School Milk	245,891	245,891	0	E
	Families First	1,532,678	1,505,090	(27,588)	E
	Pupil Development Grant	2,977,000	3,587,850	610,850	E
	Education Improvement Grant for Schools	5,822,154	5,814,343	(7,811)	E
		<b>11,224,022</b>	<b>11,799,473</b>	<b>575,451</b>	
Delegated	6th Form Funding (Formally DCELLs)	4,756,182	4,729,890	(26,292)	E
		<b>4,756,182</b>	<b>4,729,890</b>	<b>(26,292)</b>	
<b>Social Services</b>	Social Care Workforce Development Programme	312,069	312,069	0	E
	Flying Start	2,904,700	2,904,700	0	E
	Out of School Childcare	97,877	97,877	0	E
		<b>3,314,646</b>	<b>3,314,646</b>	<b>0</b>	
<b>Streetscene &amp; Transportation</b>	Concessionary Travel	2,180,000	2,180,000	0	E
	Local Transport Services (Capital)	974,500	0	(974,500)	E
	Sustainable Waste - now Environment & Sustainable Development	852,852	852,852	0	E
	Bus Service Support Grant	557,000	557,000	0	E
	Welsh Young Person Travel Discount Scheme	60,000	60,000	0	E
		<b>4,624,352</b>	<b>3,649,852</b>	<b>(974,500)</b>	
<b>Planning &amp; Environment</b>	Safer Communities Fund	221,881	221,881	0	E
	Substance Misuse	522,744	522,744	0	E
	Crime Reduction and Anti Social Behaviour	31,566	31,566	0	E
	Domestic Abuse Co-ordinator Funding	92,400	92,400	0	E
	Environment & Sustainable Development Grant (non-Waste)	178,068	178,068	0	E
		<b>1,046,659</b>	<b>1,046,659</b>	<b>0</b>	
<b>Housing &amp; Assets</b>	Supporting People	5,809,818	5,950,819	141,001	E
		<b>5,809,818</b>	<b>5,950,819</b>	<b>141,001</b>	
<b>Chief Executives</b>	Free Swimming	121,500	121,500	0	E
	National Exercise Referral	123,750	123,750	0	E
	Active Young People	305,303	305,303	0	E
		<b>550,553</b>	<b>550,553</b>	<b>0</b>	
<b>Total</b>		<b>31,326,232</b>	<b>31,041,892</b>	<b>(284,340)</b>	

\*2018/19 Budget including estimated amounts not final



## Budget 2019/20

### Council Fund - Revenue

#### Summary of Earmarked Reserves

	Estimated Balance 01/04/19 £m	Estimated Balance 31/03/20 £m
<b><u>Service Balances</u></b>		
Planning, Environment & Economy	0.172	0.099
Education & Youth	0.000	0.000
Social Services	0.095	0.095
Streetscene & Transport	0.000	0.000
Housing & Assets	0.002	0.002
Strategic Programmes	0.000	0.000
Corporate Services	0.065	0.021
Theatre Clwyd	0.200	0.200
<b>Total</b>	<b>0.534</b>	<b>0.417</b>
<b><u>Corporate Balances</u></b>		
Single Status/Equal Pay	0.538	0.000
General Reserve - Investment in Organisational Change	0.525	0.338
<b>Total</b>	<b>1.064</b>	<b>0.338</b>
<b><u>Specific Reserves</u></b>		
Benefits Equalisation	0.318	0.318
County Elections	0.205	0.205
Local Development Plan	0.180	0.034
Building Control	0.013	0.013
Waste Disposal	0.120	0.060
Flintshire Enterprise Ltd	0.058	0.058
Design Fees	0.100	0.100
Winter Maintenance	0.215	0.215
Car Parking	0.022	0.022
Insurance Funds	1.805	1.805
Cash Receipting Review	0.084	0.084
Flintshire Trainees	0.476	0.000
Customer Services Strategy	0.103	0.103
Supervision Fees	0.049	0.049
LMS Curriculum	0.097	0.097
Emergency Remediation	0.048	0.048
Solar Farms	0.221	0.221
Grants & Contributions	1.618	1.618
<b>Total</b>	<b>5.731</b>	<b>5.049</b>
<b>Total Earmarked Reserves</b>	<b>7.329</b>	<b>5.805</b>