

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 16 th September 2021
Report Subject	Budget 2022/23 – Stage 2 Overview
Cabinet Member	Cabinet Member for Finance, Procurement and Social Value
Report Author	Corporate Finance Manager, Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

This Committee has a key role in overseeing the contribution of the Overview and Scrutiny Committees to the budget examination and setting process.

We are now entering Stage 2 of the budget process for the 2022/23 financial year.

A report detailing the minimum additional budget requirement for 2022/23 and an early financial forecast for the two following financial years was reported to Cabinet and this Committee in July.

As part of its feedback, this Committee confirmed the expectation that all of the Overview and Scrutiny Committees should undertake a rigorous challenge of the pressures which make up the budget requirement within their area of responsibility.

The role of this Committee is to scrutinise the cost pressures within Corporate Services and Corporate Financing in addition to overseeing the overall budget process. This report reminds members of the latest budget position and the agreed approach to budget setting for 2022/23. A separate report on the agenda details the cost pressures that come under the committees remit.

The report also sets out the limited solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government.

Based on the current additional minimum budget requirement we would need an annual uplift in Welsh Government Grant of a minimum of 4.5%. This expectation has been communicated to Welsh Government via the Welsh Local Government Association and separately.

RECOMMENDATIONS

1	That the Committee notes the report and supports the approach for the individual Overview & Scrutiny Committees.
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REPORT DETAILS

1.00	EXPLAINING THE BUDGET POSITION FOR 2022/23
1.01	As in recent years the budget for 2022/23 will be considered in stages. The first stage was concluded in July which established a robust baseline of cost pressures. The review by Overview and Scrutiny Committees throughout September and October will form Stage 2. Stage 3 will cover the solutions to reach a legal and balanced budget.
1.02	A report detailing the minimum additional budget requirement for 2022/23 and an early financial forecast for the two following financial years was reported to Cabinet and this Committee in July. As part of its feedback this Committee confirmed the expectation that all of the Overview and Scrutiny Committees should undertake a rigorous challenge of the pressures which make up the budget requirement within their area of responsibility.
1.03	The role of this Committee is to scrutinise the cost pressures within Corporate Services and Corporate Financing in addition to overseeing the overall budget process. This report reminds Members of the latest budget position and the agreed approach to budget setting for 2022/23. A separate report on the agenda details the cost pressures that come under the committees remit.
1.04	The July report advised of a minimum budget requirement of an additional £16.750m of revenue resources in 2022/23. The most significant cost pressures are national pay awards, and service demand costs within the two portfolios of Education and Youth and Social Care.
1.05	<p>Explaining the Forecast</p> <p>All inflationary, demand-led service and other cost pressures have been reviewed and evaluated.</p>

	<p>The cost pressures have been categorised as:</p> <ul style="list-style-type: none"> - Prior Year Decisions/ Approvals - Loss of Income - Legislative/Unavoidable Indexation - Issues requiring national resolution - National Funding Requirements (Pay Awards) - Strategic Considerations - Capacity/New Posts 																																														
1.06	<p>The full details of the additional budget requirement are attached to this report in Appendix 1. A summary is given below.</p> <p><u>Table 1. Revised Summary 2022/23</u></p> <table border="1" data-bbox="320 674 1362 1346"> <thead> <tr> <th rowspan="3">Summary of Pressures</th> <th colspan="3">2022/23</th> </tr> <tr> <th>L</th> <th>M</th> <th>T</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Prior Year Decisions/Approvals</td> <td>0.806</td> <td>0.773</td> <td>0.742</td> </tr> <tr> <td>Income Loss</td> <td>0.200</td> <td>0.490</td> <td>0.760</td> </tr> <tr> <td>Legislative/Unavoidable Indexation Pressures</td> <td>1.145</td> <td>1.245</td> <td>1.345</td> </tr> <tr> <td>National Resolution Pressures</td> <td>2.560</td> <td>2.975</td> <td>3.864</td> </tr> <tr> <td>National Funding Requirement (Pay)</td> <td>4.918</td> <td>6.788</td> <td>10.164</td> </tr> <tr> <td>Strategic Decisions</td> <td>5.807</td> <td>7.513</td> <td>10.153</td> </tr> <tr> <td>New Posts - Capacity</td> <td>0.811</td> <td>0.861</td> <td>0.911</td> </tr> <tr> <td>New Posts - Other</td> <td>0.502</td> <td>0.502</td> <td>0.502</td> </tr> <tr> <td>Total Pressures</td> <td>16.749</td> <td>21.145</td> <td>28.440</td> </tr> </tbody> </table>	Summary of Pressures	2022/23			L	M	T	£m	£m	£m	Prior Year Decisions/Approvals	0.806	0.773	0.742	Income Loss	0.200	0.490	0.760	Legislative/Unavoidable Indexation Pressures	1.145	1.245	1.345	National Resolution Pressures	2.560	2.975	3.864	National Funding Requirement (Pay)	4.918	6.788	10.164	Strategic Decisions	5.807	7.513	10.153	New Posts - Capacity	0.811	0.861	0.911	New Posts - Other	0.502	0.502	0.502	Total Pressures	16.749	21.145	28.440
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1.07	<p>Strategic Funding Solutions</p> <p>The solutions available to the Council to fund the cost pressures are three-fold:-</p> <ul style="list-style-type: none"> - Government Funding (Aggregate External Finance) - Local Taxation and Income - Service Efficiencies <p>We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as ‘open risks’ to be managed in-year.</p> <p>The funding strategy is highly dependent on sufficient national funding for local government. Based on the current additional minimum budget requirement we would need an annual uplift in Welsh Government Grant of a minimum of 4.5%.</p>																																														

1.08	<p>Update on Service Efficiencies</p> <p>In July we reported that a realistic minimum target of £2m was estimated as a contribution to the budget for 2022/23. Work has been undertaken over the Summer with all services working to identify areas that can contribute to this target.</p> <p>To date a figure of £1.250m has been identified as a realistic and achievable efficiency figure and work is ongoing on a number of areas.</p>																		
1.09	<p>Review of Service Balances</p> <p>As part of its feedback on the July report, this Committee requested that all service reserves and balances be reviewed to ensure that they were still required for their original purpose and to see if any cost pressures could be met from the release of these to un-earmarked reserves. A report will be brought back to this Committee in October following the completion of this work.</p> <p>It should be noted however that any use of reserves should be for cost pressures that are one-off or time limited.</p>																		
1.10	<p>Next Steps</p> <p>This is the first meeting of the series of Overview and Scrutiny Committees that will take place through September and October. The timetable of all committees is detailed below and the feedback from all meetings will be brought back to this committee on 14 October.</p> <p><u>Table 2. Summary of Scrutiny Meetings</u></p> <table border="1" data-bbox="320 1263 1410 1608"> <thead> <tr> <th data-bbox="320 1263 1083 1301">Overview and Scrutiny Meeting</th> <th data-bbox="1091 1263 1410 1301">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1312 1083 1350"></td> <td data-bbox="1091 1312 1410 1350"></td> </tr> <tr> <td data-bbox="320 1350 1083 1379">CRO&SC – Corporate Services review</td> <td data-bbox="1091 1350 1410 1379">16/9/21</td> </tr> <tr> <td data-bbox="320 1379 1083 1413">Education, Youth and Culture</td> <td data-bbox="1091 1379 1410 1413">16/9/21</td> </tr> <tr> <td data-bbox="320 1413 1083 1447">Social & Health</td> <td data-bbox="1091 1413 1410 1447">30/9/21</td> </tr> <tr> <td data-bbox="320 1447 1083 1480">Environment and Economy</td> <td data-bbox="1091 1447 1410 1480">12/10/21</td> </tr> <tr> <td data-bbox="320 1480 1083 1514">Housing and Assets</td> <td data-bbox="1091 1480 1410 1514">13/10/21</td> </tr> <tr> <td data-bbox="320 1514 1083 1547">CRO&SC – Collective view</td> <td data-bbox="1091 1514 1410 1547">14/10/21</td> </tr> <tr> <td data-bbox="320 1547 1083 1608"></td> <td data-bbox="1091 1547 1410 1608"></td> </tr> </tbody> </table>	Overview and Scrutiny Meeting	Date			CRO&SC – Corporate Services review	16/9/21	Education, Youth and Culture	16/9/21	Social & Health	30/9/21	Environment and Economy	12/10/21	Housing and Assets	13/10/21	CRO&SC – Collective view	14/10/21		
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1.11	<p>Budget Timeline</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p>																		

Table 3: Budget Timeline

Date	Event
September/October	Overview and Scrutiny Committees
19 October	Cabinet
20/21 December	WG Draft Budget/Provisional Settlement
14 December	Cabinet
18 January	Cabinet
15 February	Cabinet and Council
1 March	WG Final Budget/Settlement

2.00 RESOURCE IMPLICATIONS

- 2.01 **Revenue:** the revenue implications for the 2022/23 budget are set out in the report.
- 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

3.00 CONSULTATIONS REQUIRED / CARRIED OUT

- 3.01 Member and Group Leader Briefings June/July 2021
Corporate Resource Overview and Scrutiny Committee
Individual Scrutiny Meetings September/October

4.00 RISK MANAGEMENT

- 4.01 As set out in the report.

5.00 APPENDICES

- 5.01 None

6.00 LIST OF ACCESSIBLE BACKGROUND DOCUMENTS

- 6.01 MTFs and Budget 2022/23 Cabinet Report 13th July 2021
Presentation to CROSC July 2021

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

8.00	GLOSSARY OF TERMS
8.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Budget Requirement: The amount of resource required to meet the Councils financial priorities in a financial year.</p> <p>Forecast: An estimate of the level of resource needed in the future based on a set of demands or priorities.</p> <p>Capital: Expenditure on the acquisition of non-current assets or expenditure which extends the useful life of an existing asset.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p>

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.