

## CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

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

### EXECUTIVE SUMMARY

As in past years the budget for 2022/23 will be built up in stages.

The first stage was concluded in July where we established a robust baseline of cost pressures. The review by Overview and Scrutiny Committees throughout September and October will form stage 2 with Stage 3 being the identification of the funding solutions to ensure a legal and balanced budget.

In July, Cabinet and Corporate Resources Overview and Scrutiny Committee received the updated position on the budget for 2022/23 which showed that we have a minimum additional revenue budget requirement of an estimated £16.750m. The cost pressures identified were referred to the respective Overview and Scrutiny Committees with a request that they all undergo a rigorous review.

A further request was made that all service reserves and balances be reviewed to ensure that they were still required for their original purpose, and to see if any pressures could be met or eased from the release of any to the general reserve. Work is ongoing on this review and the details will be presented at the October meeting.

The details of the cost pressures for Corporate Services and Corporate Financing – which fall within the remit of this Committee - are included within this report. The Committee is invited to review these cost pressures and risks, and to advise on any areas of cost efficiency it believes should be explored further and the reasoning behind the request.

A slide presentation will be made at the meeting.

## RECOMMENDATIONS

1	That the Committee reviews and comments on the Corporate Services and Corporate Financing cost pressures.
2	That the Committee advises on any areas of cost efficiency it believes should be explored further.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE BUDGET POSITION 2022/23</b>		
1.01	The first stage for budget setting was concluded in July where we established a robust baseline of cost pressures. The review by Overview and Scrutiny Committees throughout September and October will form stage 2 with Stage 3 being the identification of the funding solutions to reach a legal and balanced budget.		
1.02	In July, Cabinet and Corporate Resources Overview and Scrutiny Committee received the updated position on the budget for 2022/23 which showed that we have a minimum additional revenue budget requirement of an estimated £16.750m. The cost pressures identified were referred to the respective Overview and Scrutiny Committees with a request that they all undergo a rigorous review.		
1.03	The purpose of this report is to set out in detail of the cost pressures for Corporate Services and Corporate Finance that are included within the minimum budget requirement.		
1.04	<b>Corporate Portfolio Pressures</b>  These are set out in the paragraphs which follow.		
1.05	<b><u>Table 1: Governance Pressures</u></b>		
	<b>Pressure Title</b>	<b>£m</b>	<b>Note</b>
	<b>Prior Year Decision/Approval</b>		
	<b>Unrealised Efficiency</b>		
	<ul style="list-style-type: none"> <li>Registration Service</li> </ul>	(0.036)	1.
	<b>Legislative/Unavoidable Pressures</b>	<b>Indexation</b>	
	<ul style="list-style-type: none"> <li>Independent Review Panel for Wales (IRPW)</li> </ul>	0.029	2.
	<ul style="list-style-type: none"> <li>Increased Microsoft Licencing Costs</li> </ul>	0.177	3.
	<ul style="list-style-type: none"> <li>Business Systems Inflationary Rises</li> </ul>	0.016	4

<b>Strategic Decisions</b>		
• Members Broadband Allowance	0.025	5.
• Digital Strategy Pressures	0.301	6.
<b>New Posts</b>		
• Capacity & Resilience – Legal Services	0.058	7.

1. Registration Services – This reflects a pressure for loss of income in 21/22 which was one off and will therefore drop out from the base for 2022/23.
2. Independent Review Panel for Wales (IRPW) – An estimate of the annual increase to Members allowances which is due to be notified to Councils by the end of the year.
3. Increased Microsoft Licencing Costs – The pressure reflects the anticipated increased cost of the renewal of the Microsoft agreement in March 2022 due to enhanced security requirements and an increase in the number of users.
4. Business Systems Inflationary Rises – The pressure represents a 3% increase in the cost of business software maintenance agreements in 2022/23.
5. Members Broadband Allowances – The pressure is due to the introduction of a Members allowance for broadband as part of the Independent Remuneration Panel for Wales 2020 Annual Report.
6. Digital Strategy Pressures – Additional Pressures to support the delivery of the digital strategy including connectivity upgrades, software and additional resources.
7. Capacity and Resilience – Legal Services. This pressure is to address additional workloads in legal services. As set out in section 1.10, a number of requests for additional posts have been prioritised and will be included in an accelerated approvals report to Cabinet in September.

1.06

**Table 2: People and Resources Pressures**

Pressure Title	£m	Note
<b>Prior Year Decisions/Approvals</b>		
• P2P Upgrade	(0.019)	1.
<b>Strategic Decisions</b>		
• E Procurement Tools	0.041	2.
<b>New Posts - Capacity</b>		
• Occupational Health	0.074	3.
• Employment Services	0.035	4.

1. P2P Upgrade – The Purchase to Pay system (P2P) is the system by which purchase orders are raised within the Council and is an integral system that enables electronic invoicing. In 21/22 a one off pressure was included which drops out in 22/23.
2. E Procurement Tools – This pressure relates to Basware software which is linked to the P2P system reducing manual intervention. This has previously been funded by Welsh Government but is due to cease in March 2022.
3. Occupational Health - This pressures relates to additional increases in workload within the Occupational Health Team over the last 18 months. As set out in section 1.10, a number of requests for additional posts and resources have been prioritised and will be included in an accelerated approvals report to Cabinet in September.
4. Employment Services – A number of Itrent system improvements have been on hold for some time due to the capacity of this team. This pressure is for a fixed term contract for a period of 12 months to implement some key projects.

1.07

**Table 3: Corporate Financing Pressures**

Pressure Title	£m	Note
<b>Prior Year Decisions/Approvals</b>		
• Minimum Revenue Provision (MRP)	0.301	1.
• 21 <sup>st</sup> C Schools Band B Borrowing costs	0.128	2.
<b>Legislative/Unavoidable Indexation</b>		
• Coroner Service Fee Increase	0.027	3.
• North Wales Fire and Rescue Authority	0.331	4.
<b>National Funding Requirement</b>		
• NJC Pay Award 21/22 (Non Schools)	0.799	5.
• NJC Pay Award 22/23 (Non Schools)	1.790	6

1. Minimum Revenue Provision (MRP) – This is the amount set aside for the repayment of debt for historical capital spend following the change of policy to the annuity method.
2. 21<sup>st</sup> C Schools Band B Borrowing costs – These are the borrowing costs for the schemes that have already been approved.
3. Fee Increase for Coroners Service – An estimate of the increase required for the next financial year.
4. North Wales Fire and Rescue Authority (NWFRA) – An estimate of the increase required for the next financial year. This figure is based on the levy increase from the previous budget. The final figure may be higher or lower than this estimate
5. NJC Pay Award 2021/22 – Potential Pay award in year net of the provision made in the 21/22 budget for posts under £24,000. This is still subject to negotiation and an increased offer has been made since the calculation of this pressure (from 1.5% to 1.75%).
6. NJC Pay Award 22/23 – Estimate of an additional pay award in 22/23 with a range of scenarios modelled from 1% to 3%. Includes incremental increases and assumes an increase of 1.5% for 21/22. This will be subject to amendment once the final pay offer has been agreed.

1.08

**Table 4: Chief Executive Office Pressures**

Pressure Title	£m	Note
<b>New Post - Capacity</b>		
<ul style="list-style-type: none"> <li>• Strategic Executive Officer</li> </ul>	0.063	1.

1. **Strategic Executive Officer** – This position replaces the Income Generation and Marketing Manager post which has been adapted as a new post within a mini restructure of the Chief Executive’s portfolio following changes to the former Corporate Business and Communications team. As set out in section 1.10, a number of requests for additional posts have been prioritised and will be included in an accelerated approvals report to Cabinet in September.

1.09

**Table 5: Summary of Pressures**

Portfolio	Low (£m)
Governance	0.570
People & Resources	0.131
Corporate Financing	3.376
Chief Executive	0.063
<b>Total</b>	<b>4.140</b>

1.10

**Organisational Capacity**

The capacity of the organisation has been reduced over a number of years, in some areas of service management and operations, due to the need to reduce budget overheads to achieve our efficiency targets. The experience of managing the pandemic and endemic situation over the past 18 months has led to some increases in workload in certain areas, and the Council has set out some priorities which will require additional capacity in the Council Plan and through the leadership of the Council.

The Chief Executive and Chief Officer Team have reviewed these capacity needs in depth. We have prioritised a number of requests for additional posts to supplement operational teams for consideration by the Overview and Scrutiny Committees as potential cost pressures for 2022/23 onwards. These requests are all supported by business cases. Our recommendation to Council will be that these requests are supported in order of priority. The extent to which this list of requests can be funded will depend on the financial “headroom” we will have when we are on the verge of setting the annual budget in the new year.

From amongst this set of requests a small number have been prioritised for accelerated approval within 2021/22 and in advance of the annual budget setting. This accelerated approval will be the subject of a separate report to Cabinet in September.

1.11

**Budget Timeline**

An outline of the local budget timeline at this stage is set out in the table below:

**Table 6: Budget Timeline**

Date	Event
September/October	Overview and Scrutiny Committees
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

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p><b>Revenue:</b> the revenue implications for the 2022/23 budget are set out in the report.</p> <p><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</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>Member and Group Leader Briefings June/July 2021 Corporate Resource Overview and Scrutiny Committee Individual Scrutiny Meetings September/October</p>

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	MTFS and Budget 2022/23 Cabinet Report 13 <sup>th</sup> July 2021 Presentation to CROSC July 2021

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

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<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>

**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.

**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.

**Budget Requirement:** The amount of resource required to meet the Councils financial priorities in a financial year.

**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.