

CABINET

Date of Meeting	Tuesday, 15 th February 2022
Report Subject	Council Fund Revenue Budget 2022/23 – Final Closing Stage
Cabinet Member	Cabinet Member for Finance, Social Value and Procurement
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

Council has received full reports on previous stages of the budget setting process for 2022/23.

Cabinet received an update of an additional budget requirement of £20.696m for the 2022/23 financial year at its meeting on 14 December.

Cabinet received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement at its meeting on 18 January 2022.

Fundamentally, the settlement included confirmation of the need to meet the costs of some new responsibilities – the most significant of which being: 1) full costs of future pay awards; 2) implementation of Real Living Wage; 3) cessation of the hardship fund, and 4) Specific Grant impacts

Due to the above some urgent prioritised work was required and the outcome of this work is set out in the report.

The report also recommends solutions and sets out recommendations for the Council to be able to reach a legal and balanced budget.

This report also sets out the Council Tax recommendation for setting local taxation levels for 2022/23. We are also able to propose the formal resolution to Council when it meets later on 15 February as we have received notification of the

precepts of the Police and Crime Commissioner and all town and community councils within Flintshire.

Cabinet is invited to make final recommendations to Council to set a legal and balanced budget based on the detail as set out in this report.

A full presentation will be made at both Cabinet and Council.

The report includes the following tables:

- Table 1: Revised Additional Budget Requirement 2022/23
- Table 2: Proposed Budget Solutions 2022/23
- Table 3: Proposed Budget 2022/23
- Table 4: Medium Term Forecast 2023/24 – 2024/25

RECOMMENDATIONS

1	That Cabinet notes and approves the revised additional budget requirement for 2022/23.
2	That Cabinet approves the final proposals for the corporate efficiencies which will contribute to the budget.
3	That Cabinet recommends to Council a legal and balanced budget based on the calculations as set out within this report.
4	That Cabinet notes the open risks which remain to be managed in the 2022/23 financial year.
5	That Cabinet recommends an overall annual increase in Council Tax for 2022/23 of 3.3% for Council Services and 0.65% for contributions to North Wales Fire and Rescue Service, Regional Coroners Service and Regional Education Consortium GwE – an overall uplift of 3.95%.
6	That Cabinet approves an additional £3.250m be transferred from the Contingency Reserve to the Emergency Reserve to safeguard against the ongoing financial risks of the pandemic in 2022/23.
7	That Cabinet invites Council to pass the formal Council Tax resolution now that we have had notification of the precepts of the Police and Crime Commissioner and all town and community councils within Flintshire.
8	That Cabinet notes the medium-term forecast as a basis for the next revision of the Medium-Term Financial Strategy (MTFS).

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL FUND REVENUE BUDGET 2022/23
1.01	<p>The Additional Budget Requirement</p> <p>The additional budget requirement has been continuously revised to take into account the latest available information, and has been presented to members at stages throughout the budget planning and setting process.</p> <p>Cabinet received an update of an additional budget requirement of £20.696m for the 2022/23 financial year at its meeting on 14 December 2021.</p> <p>Cabinet received an update on the key headlines and financial impacts of the Welsh Local Government Provisional Settlement at its meeting on 18 January.</p> <p>Fundamentally, the settlement included confirmation of the need to meet the costs of some new responsibilities – the most significant of which being: 1) full costs of future pay awards; 2) implementation of Real Living Wage; 3) cessation of the hardship fund, and 4) Specific grant impacts</p> <p>Due to the above some urgent prioritised work was required and the outcome of this work is set out in the report.</p>
	Changes to the Additional Budget Requirement
1.02	<p>Funding for Pay Awards 2022/23</p> <p>Welsh Government have confirmed that the full costs of all future pay awards (teacher and non-teacher) will need to be met from the overall funding allocations provided to councils, and that there will be no supplementary allocations made should final pay awards exceed budgetary provision.</p> <p>Therefore, a review of pay provision has been undertaken and an annual uplift of 3.5% is now included for teacher and non-teacher pay which is more in line with national predictions on average earnings growth forecasts.</p> <p>This increase has added £2.165m to the additional budget requirement.</p>
1.03	<p>Implementation of the Real (Foundation) Living Wage (RLW)</p> <p>The provisional settlement included a specific requirement for councils to implement the Real Living Wage for registered social care workers which has significant cost implications that will impact predominantly on the independent care sector from whom we commission care. The estimated impact of this is £1.608m for 2022/23 which has been added to the budget requirement.</p> <p>The cost for implementing the Real Living Wage for all Council employees (including our partners Newydd and Aura) is estimated to be £0.254m and has also been included in the final budget proposals.</p> <p>Implementation of the RLW will also result in risks due to the compression of grades and the potential impact on recruitment and retention. Therefore, a</p>

	<p>review of the Council's pay model is planned during the financial year, although the financial impact of this is yet to be costed with no provision included in the budget at this current time.</p>
1.04	<p>Cessation of the Welsh Government Hardship Fund</p> <p>Additional Costs The Welsh Government Hardship Fund, which has made a significant funding contribution to the Council's budget in the current financial year, is due to cease at the end of March 2022. Therefore, the continuation of additional costs and lost income will need to be borne by the Council in 2022/23.</p> <p>The Council has been heavily reliant on claims made to the fund in 2021/22 and a detailed risk assessment has been undertaken to consider how the continuation of any additional costs and losses of income may be met.</p> <p>Alternative funding streams have been confirmed in some areas. For example grant funding of £15m across Wales to tackle homelessness has been confirmed which will cover estimated costs in this area.</p> <p>There are some costs that will need to cease in 2022/23 now that funding has been removed. For example funding for the provision of free school meals during school holidays is only expected to continue until Easter.</p> <p>However, it is anticipated that additional costs will still be incurred in the following areas:</p> <ul style="list-style-type: none"> - Additional staffing to cover covid sickness and self-isolation - Provision of PPE - Additional waste tonnages due to a large proportion of residents continuing to work from home - Additional vehicle costs to provide appropriate social distancing for the workforce within Streetscene.
1.05	<p>Lost Income</p> <p>Income levels across most Council services have now returned to budgeted levels with the exception of car park income, which is still significantly under budget, with quarterly claims being made to the Hardship Fund. A further £0.250m has now been included in the budget to supplement the £0.150m that was previously included.</p> <p>In addition the Council has also been submitting lost income claims on behalf of our external partners such as Aura leisure and libraries and Newydd.</p> <p>It is recommended that a top up of £3.250m to the Emergency Reserve is made from the contingency reserve to ensure that there is sufficient provision for the continuation of any additional costs and losses of income previously claimed from the Hardship Fund.</p>
1.06	<p>Specific Grant Impacts</p> <p>Social Care Recovery Grant</p>

Within 2021/22 the Council received £2.772m of temporary additional funding from the Social Care Recovery Grant. An amount of £0.650m was used to mitigate some of the cost pressures within the out of county placements budget and the remainder was used to meet specific cost pressures arising from increases in inflation and service demand. A review of the potential ongoing impacts of the cost pressures funded by this grant has been undertaken and an additional amount of £0.820m has been included in the budget to support the following cost pressures in the service:

Adoption Services (£0.270m)

To enable the successful adoption of more complex cases, such as large sibling groups or special needs, the search for adoptees has been widened across the whole of the UK. Previous contract arrangements with the North Wales Adoption Service limited adoptees to the North Wales geographical area and for adoptions outside of this area there are additional charges from adoption agencies which can be significant. These were new costs in 2021/22 that will continue into 2022/23. As well as successful adoptions being a positive outcome for each child there is also a financial benefit as this will avoid future costs which would have impacted on the out of county placements budget.

Children’s Services Professional Support (£0.320m)

The number of children’s cases are increasing in volume and complexity and this has had an impact on the capacity within the Children’s Services professional support team. An increase in resources is required to ensure child safeguarding requirements can be met on a permanent basis. Agency and temporary arrangements have been put in place to meet this pressure in the current financial year.

Disability Services (£0.230m)

The service is incurring additional pressure from the need to increase care provision across a number of care packages such as increasing direct payment of homecare hours or providing additional support within supported living or residential settings. Historically, these increases can be offset by reductions in care packages or clients leaving the service, however, the current trend is showing the increase in demand to be much higher than cost reductions.

The inclusion of the above will still leave an element of risk within the social services budget due to the complexity and volatility of service areas and will need to be kept under close review. As in recent years, there is the potential for new grants during the year, although at this stage these cannot be relied upon.

1.07 Out of County Placements

Additional funding of £0.750m was included in the 2021/22 budget although this area continues to increase in terms of service demand and cost. As at the Month 9 2021/22 budget monitoring report there is a net projected in-year overspend of £0.860m; however this has been reduced by the contribution of £0.650m referenced in 1.06 from the Social Care Recovery Grant.

	<p>Therefore, additional budget provision of £0.500m has been included within the budget which, added to the £1m previously included, provides for an uplift of £1.5m in line with current demand. The risk remains around further potential net increases in clients in this volatile service area.</p>
1.08	<p>Transfers in to the Settlement</p> <p>The Provisional Settlement included two transfers in which will need to be passported to the relevant service areas. These are:</p> <ul style="list-style-type: none"> • North Wales Residual Waste Treatment Project (NWRWTP) Gate fees – (£5.620m) • Social Care Workforce Grant – (£0.217m) <p>These amounts have been added to the 2022/23 budget requirement.</p>
1.09	<p>Other new impacts</p> <p>The contribution to the North Wales Fire and Rescue Authority has now been confirmed as an increase of £0.531m, which is an increase of 6.4% on the amount paid in 2021/22. The previous budget requirement included an amount of £0.490m, so an additional £0.041m has now been added to the budget requirement.</p> <p>The contribution to the Regional Education Consortium GwE has also been confirmed as an increase of £0.037m (an additional 4.3% on 2021/22), which is an increase of £0.022m on the amount previously included.</p> <p>A further inflationary increase of £0.059m has been included for Aura as a contribution towards pay inflation, and a further amount of £0.042m has been included for costs associated with our move to Microsoft Office 365.</p>
1.10	<p>Pressures taken out of the additional budget requirement.</p> <p>Schools' Delegated Budgets – (£1m) The Council included additional funding of £1m for the secondary school sector in 2021/22 to help address an overall school deficit position, and this funding is recurring so remains in the base budget in 2022/23. The previously reported budget requirement also included a potential additional amount of £1m for 2022/23. Based on overall affordability and an improved position on school reserves (due to additional grant funding and lower expenditure in 2021/22) this has now been taken out.</p> <p>However, the proposed budget still includes an annual uplift in school investment of 5.8% (para 1.22 refers).</p> <p>Other budget Pressures – (£0.369m) As part of the continual review of pressures, there are a number of pressures that are able to either be reduced or removed due to additional funding being identified or the requirement for the cost pressure changing. These total £0.369m and are listed below:</p>

Pressure	£m	Reason for removal/reduction
Schools' Digital Advisor	0.063	Funded from Grant in 2022/23
Support for Autism	0.034	Funding reallocated from Portfolio for part of pressure
Managing Learning Recovery	0.040	Pressure reduced due to grant maximisation
Transformation Fund Posts	0.100	Removed due to confirmation of grant, though risk on match funding remains
Programme Manager Post	0.014	No longer required
Additional Learning Needs Reforms	0.031	Pressure reduced following review
Free School Meals	0.087	To be met by existing budget in 2022/23
Total	0.369	

1.11 Further Review of Pressures

Council Tax Reduction Scheme (CTRS)

The Month 9 revenue monitoring position shows a reduction in the level of expenditure on the CTRS due to demand being less than anticipated. In addition, the initial pressure was modelled on a council tax increase of 5%, so the amount included has now been reduced to reflect the proposed overall increase of 3.95%. As a result of the above, it is possible to reduce this budget pressure by £0.239m.

On-site Inclusion Centres

An amount of £0.124m was previously included due to an anticipated start date for this facility of September 2022. However, it is now likely that this will not start until September 2023, so the cost pressure has been deferred until 2023/24.

School Utility Inflation/Demography

The budget requirement included a pressure of £0.250m for utility costs for schools. A detailed review of the energy funding formula compared with estimated costs has been undertaken and this pressure is now able to be reduced to £0.070m.

However, further pressures have emerged linked to a change in the demography of our learners and increases in eligibility for free school meals. In the current academic year there is a shift, with more learners in Key Stage 4 of the Secondary phase which requires a higher level of funding per pupil than those in the lower years. An amount of £0.180m has now been included to contribute to these increases.

1.12 The changes in the budget requirement are summarised below:

Table 1: Additional Budget Requirement 2022/23

	£M	Paragraph
Budget Requirement December 2021	20.696	
Add:		
Additional Pressures:		
Additional Funding for Pay Awards	2.165	1.02
Impact of Real Living Wage	1.862	1.03
Car Parking - loss of income	0.250	1.05
Adoption Costs	0.270	1.06
Professional Support	0.320	1.06
Disability Services	0.230	1.06
Out of County Placements	0.500	1.07
Transfer in - NWRWTP Gate Fees	5.620	1.08
Transfer in – Social Care Workforce Grant	0.217	1.08
North Wales Fire and Rescue Authority	0.041	1.09
Regional Education Consortium - GwE	0.022	1.09
Aura Inflation	0.059	1.09
Microsoft Pressure	0.042	1.09
Less:		
Removal of pressure Schools' Delegated Budgets	(1.000)	1.10
Removal of other Pressures	(0.369)	1.10
Reduction of CTRS/Deferral on site inclusion	(0.363)	1.11
Total Revised Budget Requirement	30.562	

Proposed Solutions to meet the Revised Budget Requirement

1.13 The Welsh Local Government Provisional Settlement

The Welsh Local Government Provisional Settlement was announced on 21 December and full details were included in the January report.

The provisional Aggregate External Funding (AEF) represents a cash uplift of £25.396m over the 2021/22 amount of £206.778m (12.3%) before taking into account the transfers in to the settlement.

1.14 Council Tax

The level of annual increase in council tax is a decision for Full Council.

In previous years, Council has set a clear direction that any annual increase should be at 5% or less. The Council has had to include a number of additional pressures to provide for the new responsibilities identified in the Welsh Local Government Provisional Settlement which has increased the budget requirement.

Based on the final additional budget requirement of £30.562m an overall annual increase of 3.3% is required on council tax for Council Services and 0.65% for additional contributions to North Wales Fire and Rescue Service, Regional Coroners Service and Regional Education Consortium GwE. This equates to an overall uplift of 3.95% and provides overall additional yield of £3.825m in 2022/23.

This amounts to an annual increase of £55.08 per annum and brings the amount to £1,449.58 on a Band D equivalent (£1.06 per week equivalent).

Police Precept/Town and Community Councils

The Police Precept and Town and Community Council Precepts for 2022/23 have all been notified to the Council as the Council Tax collection authority and a separate report on the Council agenda later today sets out the formal resolutions.

1.15 Service Transformation and Efficiencies

As consistently reported, there are limited options available to the Council for new efficiencies of scale. An initial target of £2m was set for newly identified service efficiencies, with £1.256m previously identified and reported. A further efficiency of £0.085m has been identified following review of the central utilities budgets including anticipated increases from suppliers. This work has now been concluded and a final efficiencies total of £1.341m has been identified as a contribution to the budget (See Appendix 5).

1.16 Table 2: Summary of Proposed Budget Solutions

	£M
Revised Minimum Additional Budget Requirement (as in Table 1)	30.562
Less:	
Provisional Settlement	(25.396)
Corporate Efficiencies	(1.341)
Council Tax (3.95%)	(3.825)
Amount Remaining	0

1.17 SUMMARY AND CONCLUSIONS

A legal and balanced budget for 2022/23 can be recommended by Cabinet to Council based on (1) the calculations and assumptions set out above, and (2) the detailed proposed budget as set out below.

1.18 **Table 3: Proposed Budget 2022/23**

Funding	£m
Aggregate External Funding (AEF) / RSG NNDR	232.174
Council Tax	94.504
SSA/Budget Requirement	326.678
Specific Grants (Estimated)	35.868
Total Funding	362.546
Expenditure	£m
Base Budget Rolled Forward	331.965
Transfers in (Appendix 1)	5.837
Previous Years Growth/Items Dropping Out (Appendix 2)	0.806
Inflation (Appendix 3)	10.690
Pressures & Investments (Appendix 4)	13.229
<u>Efficiencies</u>	
Corporate Efficiencies (Appendix 5)	(1.341)
<u>Grants</u>	
Less Specific Grants 2021/22	(34.508)
Plus Specific Grants 2022/23 (Estimated Appendix 6)	35.868
Total Expenditure	362.546
Balance	0

Open Risks 2022/23

1.19 **Pay**

The revised budget requirement includes pay inflation for 2022/23 at 3.5% for both teachers and non-teaching staff. Should national pay negotiations conclude at a higher level, this would mean the difference would need to be met by reserves in 2022/23.

A further risk remains as the negotiations for the 2021/22 non-teaching pay award have not yet been concluded. The latest offer of 1.75% is included in

	<p>the budget requirement but should this be agreed at a higher level then again this would also need to be met from reserves.</p> <p>The outcome of the pay modelling to be undertaken in 2022/23 represents a further risk which will need to be considered as part of its agreement and prior to implementation.</p>
1.20	<p>Out of County Placements</p> <p>This remains an open risk as set out in 1.07 above.</p>
1.21	<p>Ongoing Impact of the National Emergency</p> <p>The Hardship Fund will cease from April 2022. As such an assessment of ongoing pressures has been made the details of which are set out in 1.04. However, we are holding the balance of the £3.0m emergency reserve set aside at the outset of the emergency (£1.5m forecast at the end of 2021/22) and a further amount of £3.250m is recommended to be added to that from the contingency reserve to mitigate against continuing financial impacts.</p>
1.22	<p>School Budgets</p> <p>Within this budget the Council recognises the increasing demands and pressures that schools face with an increase of 5.8% in funds for education and schools. Additional funding is included to fund pay awards for teachers and non-teaching Staff, the increase in employer national insurance contributions and energy inflation. Demographic changes in pupil numbers has also been funded alongside funding for increases in eligibility for free school meals and additional and more complex service demands in additional learning needs.</p> <p>The level of school reserves rose in the year ending 31st March 2021 due to school closures arising from the pandemic and significant additional late grants from Welsh Government. Welsh Government have continued to provide significant additional grants during the year and have indicated that some grants will continue into future years. The exact purposes of these grants have yet to be confirmed and therefore it is difficult to assess the impact on school expenditure and school balances at this stage.</p> <p>The Council continues to be concerned about the length of time some of our secondary schools have been in deficit and the impact on those schools. The adequacy of the current level of funding within the schools' funding formula for the medium-term must therefore remain under review.</p>
1.23	<p>RESERVES AND BALANCES</p> <p>Earmarked Reserves</p> <p>The Council 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 £9.7m to £5.7m by the end of the 2022/23 financial year as these reserves are 'drawn down' (See Appendix 7).</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>
1.24	<p>Un-Earmarked Reserves</p> <p>The Council holds a base level of reserve of £5.769m and this position remains unchanged for 2022/23. Levels of unearmarked reserves over and above this figure are referred to as the Contingency Reserve. This reserve is projected to be at £7.407m at year end based on the Month 9 2021/22 budget monitoring report, though the amount needed to fund the in-year impact of the NJC pay award is likely to be £1.251m (if agreed at 1.75%) which will reduce the amount available to £6.156m.</p> <p>In addition, the Council set aside £3.0m as an emergency fund at the outset of the pandemic and in advance of confirmation of support from Welsh Government. As reported in the Month 9 2021/22 monitoring report, the current balance of this reserve is £1.8m, however there are still a number of outstanding claims to Welsh Government and the balance of the fund will be reduced if any of the claims are not approved in whole or in part. It is estimated that the balance of this will be around £1.5m at the end of the financial year. This fund should remain in place as a safeguard against the financial impacts of the ongoing pandemic situation and it is recommended that a further amount of £3.250m be transferred from the Contingency reserve into this emergency reserve to safeguard against the ongoing financial risks of the pandemic into 2022/23.</p> <p>The Contingency Reserve is the Council's main 'defence' against in-year cost pressures. It is used to meet the impact of an overall overspend in any given financial year and to mitigate against potential financial risks. The main open risks that the Council will face in 2022/23 are detailed in paras 1.19 – 1.21.</p>
1.25	<p>Formal Advice of the Corporate Finance Manager</p> <p>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.</p>
1.26	<p>The 2022/23 budget has again been set within the context of the Medium Term Financial Strategy and during a year which has seen the Council continue to adapt to meet the challenges of a national emergency. The emergency situation – in scale and length - has posed significant financial challenges. This will continue to be the position as we go into the new financial year, particularly with the cessation of the hardship fund and other specific one off funding.</p>
1.27	<p>For the estimates contained within the budget, all figures are supported by a clear and robust methodology with the efficiency proposals considered</p>

	achievable. The cost pressures are supported by evidenced method statements.
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 2021/22 through the monthly budget monitoring report, with a detailed challenge of earmarked reserves undertaken throughout Summer 2021 which resulted in an amount of £0.585m being released from earmarked reserves back to the general contingency reserve. This process ensures that members can have a good understanding of all the reserves held by the Council.
1.29	I can confirm the reasonableness of the estimates contained in the proposed budget having regard to the Council's spending needs in 2022/23 and the financial context within which the budget is being set. It is clear that there are still some significant open risks within the 2022/23 budget proposals - particularly around pay provision, social care demands, and the ongoing impact of the pandemic. The multi-year indication on our Aggregate External Finance (AEF) provided within the provisional local government settlement is welcome although the increases are shown to be significantly lower than the level received this year. Therefore, it is important that the Council protects its current level of reserves to safeguard against these risks. 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.
1.30	I recommend that Council should maintain sufficient general balances of £5.769m and retain its contingency reserve in full as a safeguard to manage any in-year cost pressures and variances. In addition the Emergency Reserve needs to be retained and increased to provide safeguards for the continuing impacts of additional costs and lost income arising from the pandemic.
1.31	The recurring budget proposals do not require the use of temporary reserves which builds on our approach last year, where for the first time in many years the proposed budget was funded on a predominantly recurrent and sustainable basis. The outlook for 2023/24 and beyond shows an essential need for maintaining this.
1.32	Formal Advice of the Chief Executive My professional advice complements that of the Corporate Finance Manager, as set out above.
1.33	The draft budget as presented follows the Medium-Term Financial Strategy (MTFS) adopted by the Council. It has been developed according to the budget setting model which has been adopted by the Council, and our principles and values.

1.34	We have taken a prudent and balanced approach to our annual budget, as required by law and the principles of good governance, whilst protecting the improvement objectives and public service duties and obligations of the Council. Our budget-setting process is an intricate one with all decisions being carefully risk-assessed.									
1.35	We have advised Council throughout that there are no new cost reductions or cost efficiencies of scale beyond those reported in stages one and two of the budget-setting process. Council, as advised by Cabinet and the six Overview and Scrutiny Committees, has concurred with this advice and has not asked for any further reviews of corporate or service portfolio budgets to be undertaken to reduce cost provisions. Our strategy for achieving a legal and balanced budget was heavily reliant on the sufficiency of Government funding for local government and public services as noted by Audit Wales in their most recent commentary on the financial resilience and sustainability of the Council.									
1.36	A number of 'open risks' remain to be managed and we will again be challenged to manage our budget in-year throughout 2022/23. Our advice on risk management and how it affects setting a prudent budget needs to be carefully heard.									
1.37	It is important that we continue to plan for the medium-term and work with Governments on a sustainable funding model for local government – seeing beyond the emergency situation and a recovery from it – and avoiding an over-reliance on Council Tax as a form of local income.									
1.38	<p>Concluding Advice to Close the Budget</p> <p>Council is able to set a legal and balanced budget for 2022/23 based on the calculations and advice set out in this report, and can fulfil its collective legal responsibility. All calculations are based on an overall council tax rise of 3.95% (3.3% for Council Services and 0.65% for the regional contributions to the North Wales Fire and Rescue Service, the Coroners Service and the Regional Education Consortium GwE).</p>									
1.39	<p>Medium Term Financial Forecast</p> <p>The financial forecast for the medium-term, for the financial years– 2023/24 – 2024/25, have been reviewed in readiness to update the MTFs. A high-level estimate on the major cost pressures predicted over the next two years following this budget is included in Table 4. The forecast includes (1) potential annual pay awards of 2.5%; (2) commissioning cost pressures within Social Services, and (3) other known cost pressures.</p> <p>The figures below show the minimum budget requirement.</p> <p>Table 4: Medium Term Forecast</p> <table border="1"> <thead> <tr> <th>Cost Pressure Group</th> <th>2023/24 (£m)</th> <th>2024/25 (£m)</th> </tr> </thead> <tbody> <tr> <td>Pay Inflation</td> <td>5.033</td> <td>4.852</td> </tr> <tr> <td>Non-Pay Inflation</td> <td>0.595</td> <td>0.604</td> </tr> </tbody> </table>	Cost Pressure Group	2023/24 (£m)	2024/25 (£m)	Pay Inflation	5.033	4.852	Non-Pay Inflation	0.595	0.604
Cost Pressure Group	2023/24 (£m)	2024/25 (£m)								
Pay Inflation	5.033	4.852								
Non-Pay Inflation	0.595	0.604								

	Social Care Pressures	5.284	4.235
	Other Pressures	4.384	1.727
	Total	15.296	11.418
1.40	<p>The 2022/23 Provisional Settlement included indicative all-Wales revenue allocations for 2023/24 and 2024/25 of £5.3bn and £5.4bn respectively. This equates to an increase of £177m (3.5%) in 2023/24 and £128m (2.4%) in 2024/25 for local government.</p> <p>Whilst the announcement of multi-year settlements is welcome, these are at a considerably lower level than this year's settlement and will present the Council with a significant challenge over the medium term.</p>		
1.41	<p>The timetable for the closing stages of the annual budget setting process is as follows: -</p> <p>15th February Council Meeting: Final budget-setting decisions including final agreement on the level of Council Tax and the passing of the Council Tax Resolution</p> <p>1 March 2022: Announcement of the Final Welsh Local Government Settlement.</p> <p>It is not anticipated that there will be any significant changes within the Final Settlement when it is announced on 1 March. However, if there are any minor changes it is recommended that a relevant contribution to / from reserves is included as an adjustment to the budget.</p>		

3.00	RESOURCE IMPLICATIONS
3.01	<p>Revenue: the revenue implications for the 2022/23 budget are set out in the report.</p> <p>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</p> <p>Human Resources: there are no implications for additional capacity or for any change to current workforce structures or roles at this stage.</p>

4.00	IMPACT ASSESSMENT AND RISK MANAGEMENT		
4.01	<p>Ways of Working (Sustainable Development) Principles Impact</p> <table border="1"> <tr> <td>Long-term</td> <td>Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging</td> </tr> </table>	Long-term	Negative – the absence of longer-term funding settlements from Welsh Government means that sustainable support for service delivery is challenging
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	for the longer term. Sustainable funding from Welsh Government that provides additional funding for Indexation, Service demands and new legislation will provide a positive and sustainable position for the Council in the longer term.
Prevention	As above
Integration	Neutral Impact
Collaboration	Services continue to explore opportunities for collaboration with other services and external partners to support positive impacts.
Involvement	Communication with Members, residents and other stakeholders throughout the budget process.

Well-Being Goals Impact

Prosperous Wales	Longer term funding settlements from Welsh Government that provide additional funding for indexation, service demands and new legislation will aid sustainability and support a strong economy that encourages business investment in the region. The opposite will be true if settlements are inadequate.
Resilient Wales	Continuation of services to support communities and social cohesion will have a positive impact. The opposite will be true if settlements are inadequate.
Healthier Wales	An appropriate level of funding will ensure that communities are supported and will have a positive impact. The opposite will be true if settlements are inadequate.
More equal Wales	A positive impact with greater parity of funding from Welsh Government for all Welsh Local Authorities. The opposite will be true if settlements are inadequate.
Cohesive Wales	Appropriate level of funding will support services working alongside partners. The opposite will be true if settlements are inadequate.
Vibrant Wales	As Healthier and Cohesive Wales above
Globally responsible Wales	Neutral impact.

5.00	CONSULTATIONS REQUIRED/CARRIED OUT
5.01	Overview and Scrutiny Committees in September/October 2021 Member Briefing December 2021. Consultation with the principle NNDR payers has been undertaken

6.00	APPENDICES
6.01	Appendix 1: Transfers in Appendix 2: Prior Years Decisions Appendix 3: Inflation Appendix 4: Pressures & Investments Appendix 5: Efficiencies Appendix 6: Specific Grants 2022/23 Appendix 7: Balances & Reserves

7.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
7.01	The series of preparatory budget reports for the 2022/23 financial year. The series of presentations made to Cabinet and Council for the 2022/23 financial year.

8.00	CONTACT OFFICER DETAILS
8.01	Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

9.00	GLOSSARY OF TERMS
9.01	<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>

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.

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Transfers In	£m
<u>Streetscene & Transportation</u>	
North Wales Residual Waste Treatment Project (NWRWTP) - Gate Fees	5.620
<u>Social Services</u>	
Social Care Workforce Grant	0.217
TOTAL - TRANSFERS IN	5.837

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Prior Years Growth / Items Dropping Out	£m
<u>Central & Corporate</u>	
P2P Upgrade	(0.019)
Minimum Revenue Provision	0.301
21C Schools Band B Borrowing Costs	0.128
<u>Education & Youth</u>	
Pupil Referral Unit Revenue Costs	0.019
<u>Governance</u>	
Registration Service - Cancellation of Events	(0.036)
<u>Social Services</u>	
Childrens Registered Residential Care Home	0.413
TOTAL - PRIOR YEARS	0.806

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Inflation	£m
<u>21/22 Pay Inflation</u>	
NJC Pay Award Estimate (Non Schools) - 21/22	0.990
NJC Pay Award Estimate (Schools) - 21/22	0.261
Teachers Pay Award Estimate - 21/22 Full Year Impact	1.282
<u>22/23 Pay Inflation</u>	
NJC Pay Award Estimate (Non Schools)	3.347
NJC Pay Award Estimate (Schools)	1.194
Teachers Pay Award - Sept to March 22	1.515
Real Living Wage (Estimated Initial Cost)	0.254
<u>22/23 National Insurance Increase</u>	
National Insurance Base Increase - NJC (Non Schools)	0.474
National Insurance Base Increase - NJC (Schools)	0.161
National Insurance Base Increase - Teachers	0.696
<u>Service Contract Inflation/National Insurance</u>	
Service Contract Inflation	0.176
Natinal Insurance Increase - Service Contracts	0.084
<u>Schools Inflation</u>	
Utilities	0.070
Regional Educational Consortium (GwE)	0.037
<u>Other Inflation</u>	
Fuel Costs	0.100
Business Systems Inflationary Rises	0.016
Parc Adfer Contract Inflation	0.033
TOTAL - INFLATION	10.690

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Pressures & Investments	£m
<u>Central & Corporate</u>	
North Wales Fire and Rescue - Levy increase	0.531
Coroners Service - Fee Increase	0.027
SubTotal - Central & Corporate	0.558
<u>Chief Executives</u>	
Income & Marketing Manager	0.063
Social Value	0.024
SubTotal - Chief Executives	0.087
<u>Out of County Placements</u>	
Out of County Placements	1.500
SubTotal - Out of County Placements	1.500
<u>Education & Youth</u>	
Additional Learning Needs (ALN) - Reforms	0.169
Additional Learning Needs - Additional Schools Funding	0.565
Schools Demography	0.180
Managing Learning Recovery	0.024
Support for Autism	0.028
Early Years Additional Learning Needs and Education Tribunal Act (ALNET)	0.050
New Pupil Referral Unit Building - (Increased Capacity)	0.265
Joint Archive Service - Staffing	0.039
Outreach Provision - Plas Derwen Pupil Referral Unit	0.154
Sub Total - Education & Youth	1.474
<u>Governance</u>	
Connectivity Upgrade to Support Cloud Delivery	0.020
Independent Review Panel for Wales (IRPW)	0.213
Resource to Support Digital Delivery (2 posts)	0.093
Resource to Address Service Capacity Issues (1.2 posts)	0.037
Software to support "Golden Customer" development	0.010
Software to Support DP compliance within SharePoint	0.031
Project Manager Resource - Digital Strategy	0.047
Capacity & Resilience - Legal Services	0.059
Microsoft Licences Retention and Security	0.042
Increased Microsoft Licensing Costs	0.177
Members Broadband Allowance	0.025
Sub Total - Governance	0.754
<u>People & Resources</u>	
Employment Services	0.035

Pressures & Investments	£m
DBS Pension Data Service	0.011
Occupational Health - Counselling	0.074
Occupational Health - Physiotherapy	0.032
Sub Total - People & Resources	0.152
<u>Housing & Assets</u>	
Benefits - Council Tax Reduction Scheme (CTRS)	0.369
Homelessness - Additional Capacity (2 posts)	0.090
Carelink - Budget Issue (Housing Support Grant)	0.109
Sub Total - Housing & Assets	0.568
<u>Planning & Environment</u>	
Investing in Parks	0.100
Environmental Health Officer (2 posts)	0.106
Flood Prevention & Response Post	0.142
Planning Enforcement Officer	0.047
Social Enterprise Development Officer	0.043
Empty Homes Post	0.035
Wales Rally GB	0.030
Sub Total - Planning & Environment	0.504
<u>Social Services</u>	
Social Care Commissioning	4.306
Liberty Protection Safeguards	0.300
Transition to Adulthood	0.943
Adoption Costs	0.270
Professional Support	0.320
Disability Services	0.230
Increased Homecare Capacity	0.150
Special Guardianship Orders (SGO's)	0.050
Childrens Services Group Homes	0.300
Sub Total - Social Services	6.869
<u>Streetscene & Transportation</u>	
Car Parking Income Post COVID	0.400
Garden Waste Income - Static Price	0.050
Electric/Hydrogen Vehicles Revenue Costs	0.050
Streetscene Enforcement Post	0.078
Re-procurement of Transport Tender Post COVID	0.185
Sub Total - Streetscene & Transportation	0.762
TOTAL - PRESSURES & INVESTMENTS	13.229

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Efficiencies	£m
<u>Corporate Efficiencies</u>	
<u>Central & Corporate</u>	
Increase in Reserves	(0.471)
Utility Inflation	(0.085)
Total - Central & Corporate	(0.556)
<u>Chief Executives</u>	
Efficiency from Restructure	(0.025)
Recharge to HRA	(0.027)
Sub Total - Governance	(0.052)
<u>Governance</u>	
Single Person Discount (SPD) Review (One off)	(0.300)
Sub Total - Governance	(0.300)
<u>Housing & Assets</u>	
Connah's Quay Power Station	(0.290)
Rent Newydd	(0.020)
Sub Total - Housing & Assets	(0.310)
<u>Social Services</u>	
Sleep in Pressure not required	(0.123)
Sub Total - Social Services	(0.123)
TOTAL - EFFICIENCIES	(1.341)

BUDGET 2022/23 - COUNCIL FUND REVENUE

Specific Grants	Budget 2021/22 £	Budget 2022/23 £	Variance £	Conf (C) or Est (E)
Education & Youth - Non Delegated				
Promoting Positive Engagement (Youth Crime Prevention Fund)	196,143	196,152	9	C
YOT / Youth Justice Board (inc. JAC)	227,966	223,448	(4,518)	E
Welsh Network of Healthy School Schemes	101,380	101,380	0	E
Youth Support Grant (Youth Service Revenue Grant)	468,614	469,114	500	C
Free School Milk	245,891	245,891	0	E
Families First	1,505,090	1,485,772	(19,318)	C
Pupil Development Grant	4,422,900	5,567,305	1,144,405	E
Reducing Infant Class Sizes	333,000	120,282	(212,718)	E
Rural Schools Grant	139,625	0	(139,625)	C
Additional Learning Needs Transformation	45,000	34,031	(10,969)	E
Adult Community Learning	216,000	244,231	28,231	E
Feminine Hygiene	124,137	124,137	0	E
Education Improvement Grant for Schools	5,880,701	5,852,651	(28,050)	E
Sub Total - Education & Youth (Non Delegated)	13,906,447	14,664,394	757,947	
Education & Youth - Delegated				
6th Form Funding (Formally DCELLs)	4,439,673	4,224,925	(214,748)	E
Sub Total - Education & Youth (Delegated)	4,439,673	4,224,925	(214,748)	
Housing & Assets				
Housing Support Grant (formerly Supporting People)	7,828,610	7,828,610	0	E
Sub Total - Housing & Assets	7,828,610	7,828,610	0	
Planning & Environment				
Substance Misuse	500,832	500,832	0	E
Domestic Abuse Co-ordinator Funding (VAWDASV)	167,674	167,674	0	E
Legacy Fund	127,680	127,680	0	C
Communities for Work Plus	431,300	431,300	0	C
Sub Total - Planning & Environment	1,227,486	1,227,486	0	
Social Services				
Social Care Workforce Development Programme	312,069	312,069	0	E
Flying Start	2,901,515	3,225,513	323,998	C
St. David's Day	40,758	40,758	0	C
Childcare & Play	97,877	97,877	0	C
Children and Communities Grant Project Management / Early Help	33,329	271,959	238,630	C
Childcare Admin Offer	298,050	339,762	41,712	E
Sub Total - Social Services	3,683,598	4,287,938	604,340	
Strategic Programmes				
Free Swimming	60,750	60,750	0	E
National Exercise Referral	123,750	123,750	0	E
Active Young People	43,860	256,500	212,640	E
Sub Total - Strategic Programmes	228,360	441,000	212,640	

Specific Grants	Budget 2021/22 £	Budget 2022/23 £	Variance £	Conf (C) or Est (E)
Streetscene & Transportation				
Concessionary Travel	1,900,000	1,900,000	0	E
Sustainable Waste Management	737,209	737,209	0	E
Bus Service Support Grant	557,000	557,000	0	E
Sub Total - Streetscene & Transportation	3,194,209	3,194,209	0	
TOTAL - GRANTS	34,508,383	35,868,562	1,360,179	

BUDGET 2022/23 - COUNCIL FUND REVENUE
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Summary of Council Fund Earmarked Reserves	Est Bal 01/04/22 £m	Est Bal 31/03/23 £m
<u>Service Balances</u>		
Corporate Services	0.496	0.123
Education & Youth	0.003	0.000
Housing & Assets	0.065	0.000
Planning & Environment	0.272	0.084
Social Services	0.229	0.030
Streetscene	0.372	0.000
Total - Service Balances	1.437	0.237
<u>Corporate Balances</u>		
Single Status / Workforce	0.989	0.966
General Reserve - Investment in Organisational Change	1.048	0.757
Total Corporate Balances	2.037	1.723
<u>Specific Reserves</u>		
County Elections	0.236	0.000
Local Development Plan	0.242	0.000
Warm Homes Admin Fee	0.202	0.000
Winter Maintenance	0.250	0.250
Severe Weather	0.120	0.000
Insurance Funds	2.350	2.575
Flintshire Trainees	0.613	0.524
Supervision Fees	0.049	0.000
LMS Curriculum	0.232	0.150
Tribunal Costs	0.125	0.000
North Wales Regional Waste Treatment Project (NWRWTP)	0.230	0.220
Grants & Contributions	1.609	0.030
Total Specific Reserves	6.257	3.749
Total Earmarked Reserves	9.731	5.709