



Council Fund Budget 2022/23 Final Closing Stage

Cabinet and Council
15 February 2022



Content

- » Setting a Legal and Balanced Budget
- » The Journey so far
- » Changes to Additional Budget Requirement 2022/23
- » Budget Solutions 2022/23
- » Council Tax
- » Schools and Social Care budgets
- » Open risks
- » Earmarked and Un-Earmarked Reserves
- » Professional opinions and concluding remarks
- » Looking ahead and the Medium Term Financial Strategy (MTFS)

Setting a Legal and Balanced Budget

- » The duty to set a legal balanced budget is for Council as a collective (a reserved matter)
- » **Legal:** all budget proposals are within our powers
- » **Balanced:** income and planned cost reductions combined match planned and expected expenditure
- » **Risk Balance:** not overloading the budget with risks e.g. speculative or imprecise/un-costed budget proposals
- » **Implementation:** proposals have realistic timescales
- » **Provisions:** sufficient financial set-aside for main risks
- » **Advice and Opinions:** statutory roles of the S151 Officer and the Chief Executive in advising Council

The Journey so far...

- » In July last year an additional budget requirement of £16.750m was forecast for 2022/23 financial year
- » Overview and Scrutiny Committees reviewed all cost pressures in Sep / Oct with no suggested amendments
- » Additional budget requirement increased to £20.696m in December predominantly to account for an increase in NI Contributions and pay assumptions
- » Provisional Settlement was received on 21 December and advised of a number of new responsibilities that needed to be assessed and worked through – this work is now concluded



Changes to the Additional Budget Requirement 2022/23



Pay Awards 2022/23

- » Welsh Government have confirmed the full costs of future pay awards (teacher and non-teacher) will need to be met from within the Council's Budget i.e. there will be no supplementary allocations provided
- » Office of Budget Responsibility forecast 4% earnings growth in 2022/23
- » Pay assumptions revised to 3.5% for both teachers and non-teachers which increases budget requirement by £2.165m
- » Risk remains that national pay negotiations could conclude at a higher level

Real (foundation) Living Wage (RLW)

- » Provisional Settlement included a specific requirement for councils to implement the Real Living Wage for care workers
- » Significant cost implications for the independent sector from whom we commission care
- » Additional impact of implementing RLW for all council employees
- » Overall impact of £1.862m now included
- » Will also result in risks due to compression of grades and impact of recruitment and retention – review of Councils pay model is planned in 2022/23. The cost of this is not included in the budget at this time

Cessation of Hardship Fund (1)

- » Welsh Government support throughout the emergency has been significant in 2020/21 and 2021/22 – ceases end of March
- » Any additional costs and income losses will need to be borne by the Council from 2022/23
- » Alternative funding schemes have been confirmed for some areas e.g. Homelessness
- » Additional costs will temporarily remain for some areas such as staff cover for covid sickness, provision of PPE, additional vehicle costs to provide appropriate social distancing and increased waste tonnages due to continued home working

Cessation of Hardship Fund (2)

- » Income levels across most Council Services have now returned to budgeted levels with the exception of car park income
- » A further £0.250m has now been included (in addition to the previous £0.150m)
- » The Council has also been submitting lost income claims on behalf of our external partners such as Aura Leisure and Libraries and Newydd
- » Recommendation that a 'top up' of £3.250m is made to the Emergency Reserve on a one off basis to safeguard services where mitigation is not possible

Specific Grant Impacts – Social Care

- » Social Care Recovery Grant - £2.8m received in 2021/22 on a one-off basis
- » Partly used to offset in-year costs for Out of County Placements and to meet specific cost pressures arising from increases in inflation and service demand
- » Increased cost and demand is likely to continue in 2022/23 for some areas and an additional £0.820m is included for Adoption Services, Children's Services Professional Support and Disability Services
- » The inclusion of the above will still leave some risks due to the complexity and volatility of service areas and will be kept under close review

Other Changes to Pressures

- » Increases to inflationary uplifts (NWFRA & GwE)
- » Out of county placements budget increased by a further £0.500m based on current caseload (overall £1.5m)
- » Additional inflationary increase for Aura (£0.059m) as a contribution towards pay and additional costs of £0.042m for software licencing
- » Various reductions to pressures due to alternative funding or deferrals (£0.369m)
- » Schools' Delegated budgets - additional amount of £1m removed due to affordability and improved position on school reserves (due to additional grant funding and lower expenditure in 2021/22)
- » Reduction in requirement for Council Tax Reduction Scheme

Additional Budget Requirement 2022/23 (1)

Requirement as at January	£m
Additional Budget Requirement as reported in December	20.696
Additional Pressures:	
Additional Funding for Pay Awards	2.165
Impact of Real Living Wage	1.862
Car Parking – loss of income	0.250
Adoption Costs	0.270
Professional Support	0.320
Disability Services	0.230
Out of County Placements	0.500
Transfer in – NWRTWP Gate Fees	5.620
Transfer in – Social Care Workforce Grant	0.217
North Wales Fire and Rescue Authority	0.041

Additional Budget Requirement 2022/23 (2)

	£m
Additional Pressures (continued)	
Regional Education Consortium (GwE)	0.022
Aura Inflation	0.059
Microsoft Pressure	0.042
Less:	
Removal of Pressure – Schools’ Delegated Budgets	(1.000)
Removal of Pressures funded/reduced	(0.369)
Reduction of CTRS Pressure/Deferral of on site inclusion centres to 23/24	(0.363)
Total Revised Budget Requirement	30.562



Budget Solutions 2022/23



Bridging the Additional Budget Requirement

- » Provisional Settlement – cash uplift of £25.396m (12.3%) before taking into account transfers into the settlement (9.2% compared to adjusted AEF including transfers)
- » Portfolio and Corporate Efficiencies – final total of £1.341m identified (£1.256m previously included)
- » Council Tax - Increase for Council Services of 3.3% and increase of 0.65% to pay for regional services e.g. North Wales Fire and Rescue Service, Coroners and GwE (overall uplift of 3.95% yielding £3.825m)

Summary of Proposed Solutions

Summary of Proposed Solutions	£m
Revised Budget Requirement	30.562
Less:-	
Provisional Settlement Uplift	(25.396)
Corporate Efficiencies	(1.341)
Council Tax (3.95%)	(3.825)
Remainder to be found	0



Council Tax 2022/23





Council Tax

- » Council has set a clear direction to keep the increase in Council Tax to below 5%
- » Budget proposals include an overall increase of 3.95% to meet the Council's additional budget requirement
- » This comprises 3.3% for Council budgets and 0.65% as regional contributions to the North Wales Fire and Rescue Authority, Regional Education Consortium (GwE) and the Coroners Service.
- » Precepts for Police and Crime Commissioner and Town and Community Councils are separate to the above

Band D Charges – Annual, Monthly, Weekly

Band D Charge	2022/23 £	Annual Difference £	Monthly Difference £	Weekly Difference £
Flintshire County Council	1,449.58	55.08	4.59	1.06
North Wales Police & Crime Commissioner	316.80	11.25	0.94	0.22
Town & Community Councils	49.02	1.19	0.10	0.02
Total Band D Charge	1,815.40	67.52	5.63	1.30

Analysis of Band D Charges

Band D Charge	2022/23 £	2021/22 £	Difference £	Difference %
Flintshire County Council	1,449.58	1,394.50	55.08	3.95
North Wales Police & Crime Commissioner	316.80	305.55	11.25	3.68
Town & Community Councils	49.02	47.83	1.19	2.49
Total Band D Charge	1,815.40	1,747.88	67.52	3.86

Analysis of Band D Charges

	Charge £	Increase %
Flintshire's Band D Charge	1,449.58	3.95
Wales Average	1,474.00	3.62
Difference	-24.42	0.33
Comparative English Council Average	1,638.00	3.37
Difference	-188.42	0.58



Schools and Social Care Budgets



Schools Funding 2022/23

- » Net uplift for Schools of £5.924m (5.8%) which includes funding for:
 - » Non Teacher pay inflation for the shortfall in 2021/22 and for a new award in 2022/23
 - » Teacher pay inflation for 2021/22 (full year impact) and for a new award in 2022/23 (Sept – March)
 - » Increased National Insurance contributions for school based employees
 - » Demography, energy and Additional Learning Needs

Social Care Funding 2022/23

- » Net uplift for Social Care of £8.5m (10.8%) which includes funding for:
 - » Increases in demand for Out of County Placements
 - » Transition to Adulthood
 - » Social Care commissioning costs including implementation of Real Living Wage
 - » Increased demand and support for Adults and Children's Services
 - » Liberty Protection Safeguards

Open Risks



Open Risks in 2022/23

- » Potential Annual Pay Awards negotiated higher for 2021/22 and 2022/23
- » Additional cost of pay modelling required in 22/23 due to implementation of Real Living Wage
- » Further increases in demand for Out of County Placements
- » Ongoing Impact of the national emergency situation over and above reserve set aside

Reserves



Un-Earmarked Reserves

- » Contingency Reserve estimate of £7.407m available (over the base reserve of £5.769m) - estimated impact of 2021/22 pay award reduces this to £6.156m
- » A further £3.250m is recommended to be set aside for the continuing costs of the emergency which will be added to the remainder of the original reserve set aside (estimated to be £1.5m by year end)
- » Leaves £2.9m as the contingency reserve to fund any other unforeseen risks and variations in 2022/23
- » Important to retain and build reserves to safeguard against open risks and for the medium term in the light of the reduced settlements in 2023/24 and 2024/25



Earmarked Reserves

- » Set aside for specific purposes
- » Regularly reviewed and reported as part of the budget monitoring process under our Reserves and Balances Protocol
- » Appendix 7 of the report lists the reserves to be retained for known future commitments or to mitigate known risks
- » They will be kept under review as part of Medium Term Financial Strategy (MTFS) planning
- » We have one of the lowest reserve levels in Wales (source: Audit Wales)



Formal Advice on Reserves

- » Section 25 of the LGA 2003 places a specific duty on the CFO to formally advise Council when considering its budget
- » There are some significant open risks before the Council as we enter 2022/23 and the future is very uncertain as we continue to adapt to meet the challenges of the emergency
- » Reserves can only be used once and cannot support the recurring costs of services year on year
- » We used £6.9m of reserves to balance budgets between 2017/18 and 2019/20 and ended this unsustainable practice in 2020/21 – essential that this continues in view of reduced settlements from 2023/24
- » Recommend that the Council maintains its base level of reserves and safeguards the Contingency Reserve and Emergency Reserve - this will allow the budget to continue to be set on a recurrent and sustainable basis

Professional Opinions and Concluding Remarks

Professional Opinions

Section 151 Officer/Corporate Finance Manager:

Setting a budget whilst the Council continues to meet the challenges of the recovery from a national emergency continues to be difficult. The scale and length of the pandemic has posed significant financial challenges which will continue; the budget also includes some significant open risks around pay, social care demand and the cessation of the hardship fund; The outlook for future years is particularly concerning and we need to start planning immediately to meet the challenges arising from indicative funding settlements; it is essential to protect the Contingency and Emergency Reserves to safeguard against these risks; the recommended budget represents a balanced risk based approach within resources available

Professional Opinions

Chief Executive:

The budget has been built-up according to our adopted budget-setting model; we have taken a prudent and balanced approach as required by law and the principles of good governance; the Council accepts that there are no new cost reductions or efficiencies of scale; Council, as advised by Cabinet and the six Overview and Scrutiny Committees, has concurred with this advice and we have protected all services

Conclusions

- » The Council is able to set a legal and balanced budget today based on the recommendations of Cabinet and the advice of officers
- » We have been successful in protecting all services at a safe level whilst meeting known cost pressures and protecting our priorities e.g. schools and social care
- » The recommended Council Tax increase allows us to balance additional responsibilities with risk whilst remaining focussed on the medium term
- » The overall increase of 3.95% means that the overall Band D charges for Flintshire remain lower than the welsh average
- » We should not draw upon reserves to fund recurring expenditure as it is unsustainable

Looking Forward

Medium Term Forecast

Minimum Budget Requirement	2023/24 £m	2024/25 £m
Pay Inflation	5.033	4.852
Non Pay Inflation	0.595	0.604
Social Care	5.284	4.235
Other Known Costs Pressures	4.384	1.727
Totals	15.296	11.418

Professional Advice – The Future

- » Welsh Government have included indicative All Wales revenue allocations for 2023/24 and 2024/25
- » These equate to 3.5% in 2023/24 and 2.4% in 2024/25
- » These are considerably lower than this and previous years settlements
- » We will need to consider further service change and efficiencies over the medium term as inflationary and service demand will inevitably exceed the resources available.
- » Early planning for 2023/24 - 2024/25 is essential and underway

Next Steps and Timelines

- » **Today:** Final budget setting decision including final agreement on the level of Council Tax and passing of the Council Tax Resolution
- » **1st March:** Announcement of the Final Welsh Local Government Settlement
- » **Future dates:** the budget announcements of the UK Government and the Chancellor of Exchequer

Recommendations for Cabinet

1. Note and approve the revised budget requirement
2. Approve the final proposals for efficiencies which will contribute to the budget
3. Recommend to Council a legal and balanced budget
4. Note the 'open risks' which remain to be managed
5. Recommend to Council an annual increase in Council Tax for 2022/23 of 3.3% for Council Services and 0.65% for contributions to Regional Partners (overall 3.95% uplift)
6. Approve an additional £3.250m set aside to safeguard against the ongoing financial risks of the pandemic
7. Invite Council to pass the formal Council Tax Resolution
8. Note the medium-term forecast



Recommendations for Council

1. To approve a legal and balanced budget on the recommendation of Cabinet

1. To approve the level of Council Tax for 2022/23