

Report to	Cabinet
Date of meeting	18 th January 2022
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Budget 2022/23 - Final Proposals

1. What is the report about?

The report sets out the implications of the Local Government Settlement 2022/23 and proposals to finalise the budget for 2022/23.

2. What is the reason for making this report?

2.1 The Council is legally required to set a balanced and deliverable budget before the start of each financial year and to set the resulting level of Council Tax to allow bills to be sent to residents.

2.2 To provide an overview of the budget process and the impact of the Local Government Settlement and to approve the budget for 2022/23, including the level of Council Tax.

3. What are the Recommendations?

3.1 To note the impact of the Draft Local Government Settlement 2022/23.

3.2 That Cabinet supports the proposals outlined in Appendix 1, and detailed in Section 4, and recommends them to the full Council in order to finalise the budget for 2022/23.

3.3 To recommend to Council the average Council Tax rise of 2.95% proposed.

3.4 To recommend to Council that authority is delegated to the Head of Finance and Property in consultation with the Lead Member for Finance to adjust the use of cash

included in the budget proposals by up to £500k if there is movement between the draft and final settlement figures in order to allow the setting of Council Tax in a timely manner.

3.5 That Cabinet confirms that it has read, understood and taken account of the Well-being Impact Assessment.

4. Report details

4.1 The Draft Local Government Settlement for 2022/23 was received by the council on 21st December and resulted in a positive settlement of 9.2%, compared to the Welsh average of 9.4%. The Final Settlement is expected on the 1st March but Welsh Government (WG) have indicated that there should be very few changes. Within the announced figure Welsh Government have advised that there are a number of new responsibilities, not all of which have clear funding consequentials within the data. Those expectations that we are required to fund include the following:

- All pay increases for both teaching and non-teaching posts are included within the RSG.
- The responsibility to pay both our own Social Care and the private sector Social Care sector the Real Living Wage.
- The core operational costs in connection with the new Corporate Joint Committee.
- Mitigation for the fact that the Covid Hardship Fund will cease as from the end of the existing financial year.

4.2 As promised by WG the draft settlement includes indicative average settlement increases of 3.5% for 2023/24 and 2.4% for 2024/25 (estimated DCC figures would 3.3% and 2.2%). Although this is very welcome from a planning perspective it does indicate that difficult decisions will be required over the coming years.

4.3 As part of the settlement there were 'transfers in' of £0.275m which have been passported to the relevant service areas as in previous years:

- Gate Fees for Regional Waste Recycling £0.109m
- Social Care Workforce Grant £0.166m

4.4 The final proposals to balance the 2022/23 budget are shown in the Medium Term Financial Plan (MTFP) in Appendix 1. The main areas of growth and pressures are:

- Pay pressures (including impact of increase in National Insurance) of £3.000m
- Price and energy inflation of £250k
- Fire Service Charge of £321k
- Allowance for increase in Council Tax Reduction Scheme of £350k
- Schools inflationary pressures are recognised amounting to £3.769m
- Schools demographic pressure of £606k
- £3.127m to recognise demand pressures and forecasts in Community Support Services as part of the council's long term strategy to manage care budgets as well as recognising the agenda to ensure all care staff are paid the Real Living Wage
- £0.750m to recognise existing pressures in Education and Children's Services relating to Out of County Placements and Recoupment.
- £500k pressure to meet the increased costs within School Transport which is becoming evident in the monthly monitoring
- Investment in priorities amounting to £1.281m:
 - Further investment in Carbon Zero Project of £0.440m, £0.233m of this is for additional staff to undertake the necessary work and the remaining £0.207m is to fund the revenue impact of capital spend (prudential borrowing)
 - Final increase required for the Rhyl Flood scheme amounting to £0.081m
 - Increased Investment in Highways Capital Programme as proposed by Council (£4m capital) – requires an estimated £235k in Capital Finance Budget
 - £0.175m is required in order to maintain the existing levels of Capital Spend within the Block Allocations to make up for a shortfall in WG funding this year
 - This leaves £0.350m which it is proposed will be used in year to start to fund capital projects in year (eg those that were brought forward by the Horizon Scanning exercise or that come out of the new Corporate Plan)
- Service non-strategic pressures of £1.111m – pressures and requirements for investments identified by services themselves and summarised in Appendix 2.
- An estimated pressure of £0.300m has been included to pay for DCC's element of the ongoing budget requirement for the new Corporate Joint Committee.
- In light of the scale of the draft settlement indicating that there will be no general Covid Hardship Fund next financial year (but that funds have been included within the settlement) a Covid contingency of £1.988m has been included. It is hoped that this will be used for one-off unavoidable costs next financial year but that we would look to release this the following year to help balance the budget.

4.5 The pressures identified above amount to £17.628m. A draft settlement of around 11% would have been required in order to fund all these pressures. The net +9.2% settlement generates £15.005m additional revenue leaving a funding gap of £2.623m. The following items are included in the proposals in order to bridge that gap:

- Fees and Charges Income Budgets have been inflated in line with agreed Fees and Charges policy which increases external income by £0.120m.
- Operational efficiencies amounting to £634k have been identified which are within Head Service delegated responsibility in consultation with Lead Members (see Appendix 2 for summary by category).
- No savings have been requested from Community Support Services or Schools.
- It is recommended that the Council Tax increases by 2.95% which, along with minor changes to the Council Tax Base, will generate £1.869m additional revenue. This compares to last year's increase of 3.8% and 4.3% the year before that.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas. The proposals include allocations to continue to support both corporate and service priorities.

6. What will it cost and how will it affect other services?

Details are set out in Section 4.

7. What are the main conclusions of the Well-being Impact Assessment?

Well-being Impact Assessments for the Council Tax increase is included in Appendix 4.

8. What consultations have been carried out with Scrutiny and others?

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by SLT, Cabinet Briefing, Group Leaders and Council Briefing meetings. The School Budget Forum have been included in the proposals through-out the

year. Trade Unions have been consulted through Local Joint Consultative Committee. The Covid pandemic has continued to impact on the level of consultation and engagement with the public, however plans are in place to engage early with all stakeholders during the budget process for 2023/24.

9. Chief Finance Officer Statement

9.1 The aim of the budget process is to ensure that the council delivers a balanced budget. The proposals set out in this report offer a balanced approach which takes into account the principles of the new budget process:

- Aim to recognise and remedy in year and forecast service pressures as much as possible in order to build in resilience.
- Ensure services are challenged to deliver efficient services, but to try and minimise the impact of proposals on services users and staff.
- Keep Council Tax increases as low as practicable.
- Limit the use of Cash which only delays the need to identify savings.
- Maintain funding for corporate priorities.

9.5 Due to the very late date for the Final Settlement it is recommended that Cabinet and Council delegate authority to the Head of Finance and Property in consultation with the Lead Member for Finance to adjust the use of cash included in the budget proposals by up to £500k. WG has indicated that there are unlikely to be any material changes, however it is sensible to have a contingency plan agreed beforehand.

9.4 If the proposals in this report are not accepted, alternative proposals must be submitted to balance the budget.

10. What risks are there and is there anything we can do to reduce them?

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. Failure to agree these proposals without viable alternatives will risk achieving a balanced budget for 2022/23.

11. Power to make the decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.