

Report to	Governance and Audit Committee
Date of meeting	23rd November 2022
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property
Report author	Steve Gadd
Title	Budget Process Update

1. What is the report about?

- 1.1. To update the Committee on the current Medium Term Financial Plan and Budget Timetable.

2. What is the reason for making this report?

- 2.1. To ensure the G&AC have received the latest information regarding the budget setting process.

3. What are the Recommendations?

- 3.1. Members note and discuss the latest budget timetable for setting the budget for 2023/24 and 2024/25 (see Section 4 and Appendix 1).
- 3.2. Members note the latest budget forecasts for the budget position for 2023/24 and 2024/25 (see Section 4 and Appendix 1).
- 3.3. It is recommended that Members consider the frequency of updates on the budget process to the Committee in light of the difficult financial position the Council faces.

4. Report details

- 4.1 **Budget Update for 2023/24**– A general update in included in Appendix 1 that was circulated to all Members on the 31st October. This is a very uncertain time for the Council and the importance of the announcement on the 17th November cannot be overstated. The timetable for the autumn is reproduced below:

- 3rd November – Trade Union Consultation
- 7th November – Full Council Briefing
- 14th November – Cabinet Briefing Paper
- 16th and 22nd November – Service Budget Meetings
- **17th November – UK Government Autumn Statement**
- 23rd and 30th November – Group Meetings with Lead Member and S151 Officer
- 23rd November – Governance and Audit Committee (on the process)
- **13th December – Welsh Government Budget expected**
- 13th December – Cabinet Budget Workshop
- 14th December – Update to Group Leaders Meeting
- **14th December – WG Draft LA Settlement**
- 17th January – Full Council Briefing
- 24th January – Cabinet Budget Report
- 31st January – Council Budget Report

However due to the scale of the uncertainty it is worth setting out two scenarios:

Possible scenario 1

- RSG confirmed as per indicative settlement
- Add likely School Transport Pressure £0.9m
- Care Fees increase £3m
- Reduce service pressure by at least £1m (refuse ‘nice to haves’)
- Pensions saving at the higher end of options – saving of £3.8m
- Gap remaining would be £4.3m
- This level of gap could be filled, for example, through further increase of 1% in Council tax (to 4.8% - £600k) and use of cash reserves

Possible scenario 2

- RSG cash flat – increase gap by £5.7m
- Add likely School Transport Pressure £0.9m
- Care Fees increase £3m
- Assumes can’t reduce current service pressures
- Pensions saving at the lower end of options – saving of £2m
- Gap remaining would be £12.8m – We don’t have the cash to bridge this gap so would need to take urgent action

Obviously these scenarios are just examples but they do exemplify the range of risks even at this late stage of the budget setting process

Reserves: A further complicating factor is the level overspend in year (2022/23). Any net overspend will need to be funded from cash reserves. The following two reserves are available for the purposes of supporting the budget:

- Budget Mitigation Reserve – currently stands at £4.85m – there is a possible draw down of c£600k in year for SPF funded projects
- Unearmarked reserves – we have a policy to keep £5m unearmarked reserve. However currently we have £7.1m in this reserve allowing us to utilise £2.1m without needing to pay it back

Although this sounds healthy the expected overspend to be reported at November's Cabinet will be c£4m, which would only leave c£2.2m to help with the funding of the 23/24 budget gap. As S151 Officer I could consider the use of these reserves if I was confident that there was the political will and organisational buy-in to take the very difficult decisions that will be required to balance the budget in 2024/25.

4.3 Budget Update for 2024/25

Current Gap is £14m – but this will be impacted by all those variable yet to be finalised for 22/23 and the gap could quite easily rise to well over £20m and we probably need to plan for that kind of figure. £20m is 8.5% of total Council Budget of £234m in 22/23, however we need to take account of fixed costs and what would be politically acceptable. Some scenarios of how the impact might fall in services is set out below (NB these are for illustrative purposes only and should not be taken as proposals):

- Excluding fixed budgets but including schools – 10% reduction in budgets
- If schools are removed – 18% reductions
- If schools and social care protected – 42% reductions for other budgets
- If schools and social care budgets reduced by 5% - rest of the council would see 26% reductions

Original 5 year Budget Plan hoped to make savings through identification of large projects including:

- Scope for commercialisation – charging / alternative delivery models – ensuring full cost recovery
- Scope for doing things differently – Business Process Re-engineering / areas that require financial benchmarking
- Services own plans and ideas for savings

This is still important but will not be sufficient to cover the scale of the budget gap. Strategy for using cash in 2023/24 will allow the Council properly for the scale of the decisions required to balance the 23/24 budget. Work will need to start as soon as the 23/24 budget has been finalised and all options / ideas need to be 'on the table'. This will require extensive consultation will hopefully involve an element of all Wales approach to communications.

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

- 5.1. Setting a balanced budget each year is a core duty of the Council and is crucial to ensure the good governance of the Council as set out in the new Corporate Plan.

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

- 6.1. Section 4 and Appendix 1 clearly outline the financial implications of the budget position for 23/24 and 24/25.

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

- 7.1. We have not currently undertaken a wellbeing impact assessment, this would be progressed when final decisions are required.

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

- 8.1. The Budget Update included in Section 4 and Appendix 1 details consultation that has already taken place and the dates for further consultation over the coming weeks and months.

9. Chief Finance Officer Statement

- 9.1 It is hoped the strategy for using cash in 2023/24 will allow the Council to plan appropriately for the scale of the decisions required to balance the 23/24 budget. However this remains a very concerning time for the Council. We have faced low settlements before but never with this scale of increasing costs.

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

10.1. The risks associated with the budget position are clearly stated in Section 4. The non-financial risks are difficult to quantify until proposals are finalised but a reduction in real terms funding of this scale is likely to impact service delivery.

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.