

Report to	Cabinet
Date of meeting	24 th January 2023
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance and Property
Title	Budget 2023/24 - Final Proposals

1. What is the report about?

The report sets out the implications of the Local Government Settlement 2023/24 and proposals to finalise the budget for 2023/24.

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 2023/24, including the level of Council Tax.

3. What are the Recommendations?

3.1 To note the impact of the Draft Local Government Settlement 2023/24.

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 2023/24.

3.3 To recommend to Council the average Council Tax rise of 3.8% 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 2023/24 was received by the council on 14th December and resulted in a positive settlement of 8.2%, compared to the Welsh average of 7.9%. The Final Settlement is expected in early March but Welsh Government (WG) have indicated that there should be very few changes. Within the announced figure WG have advised 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.

4.2 The draft settlement includes a slightly increased indicative average settlement increases of 3.0% for 2024/25. Although this is very welcome from a planning perspective it does indicate that difficult decisions will be required over the coming years.

4.3 There were no 'transfers in' included in the draft settlement.

4.4 The final proposals to balance the 2023/24 budget are shown in the Medium Term Financial Plan (MTFP) in Appendix 1. The main areas of growth and pressures are:

- Pay pressures (including net impact of decrease in National Insurance) of £3.269m
- Price and energy inflation of £2.897m – this includes the latest energy increase estimates received on the 22nd December (increase of £2.6m)
- Fire Service Charge of £535k
- Allowance for increase in Council Tax Reduction Scheme of £350k
- Schools inflationary pressures are recognised amounting to £3.936m
- Schools demographic pressure of £310k

- £8.187m 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
- £2.700m to recognise existing pressures in Education and Children's Services relating to Out of County Placements and Recoupment.
- £1.000m pressure to meet the increased costs within School Transport which is becoming evident in the monthly monitoring
- Increase in insurance costs relating to impact of inflation of £150k
- Investment in priorities amounting to £0.500m:
 - Further investment in Carbon Zero Project of £134k for additional staff to undertake the necessary work. The programme proposes to use the existing allocation of prudential borrowing to fund capital spend in 23/24 due to underspends over the last two years.
 - Increased Investment in Highways Capital Programme as proposed by Council (£4m capital) – requires an estimated £235k in Capital Finance Budget
 - This leaves £131k which it is proposed will be used in year to continue to fund capital projects in year (eg those that were brought forward by the Horizon Scanning exercise or that come out of the new Capital Plan) - £131k would equate to capital investment of c£2.2m.
- Service non-strategic pressures of £1.282m – pressures and requirements for investments identified by services themselves and summarised in Appendix 2.

4.5 The pressures identified above amount to £25.116m. A draft settlement of around 14.5% would have been required in order to fund all these pressures. The net +8.2% settlement generates £14.231m additional revenue leaving a funding gap of £10.885m.

The following items are included in the proposals in order to bridge that gap:

- There are savings in the Capital Financing Budget amounting to £1.067m – these do not reflect reductions in the capital programme but an increase use of cash and delays to some projects.
- Corporate contingencies relating to the unused element of the Covid Contingency put aside as part of last year's budget process amounting to £1.200m.
- The impact of the triennial actuarial review of the Clwyd Pension Fund means that the Council now finds itself in a position of a small surplus instead of a significant deficit that required repaying. This results in a saving of £3.828m.

- The savings from bringing the Revenues and Benefits Service back in house are now confirmed and a further £300k can be released.
- Services were asked to identify 1% savings/efficiencies and were able to identify £961k of savings as summarised below (and included in full at Appendix 3):
 - Fees and Charges Income Budgets have been inflated in line with agreed Fees and Charges policy which increases external income by £423k.
 - Savings involving some element of service change amount to £371k
 - Technical budget reductions which have no impact on service delivery amount to £167k
- Schools were also asked to plan for 1% efficiencies which amount to £816k.
- It is recommended that the Council Tax increases by 3.8% which, along with minor changes to the Council Tax Base, will generate £2.713m additional revenue. This level is at the lower end of indicative increases across Wales. It is also lower than the average of 4.35% over the last four years.

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?

A Well-being Impact Assessments for the Council Tax increase is included in Appendix 5.

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.

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 2023/24.

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.