

Report to	Governance and Audit Committee
Date of meeting	14 th June 2023
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance and Audit
Title	Budget Process Update

1. What is the report about?

The report sets out the revised financial projections for the 3 year period 2024/25 to 2026/27 and a proposed budget strategy for setting the budget the 2024/25.

2. What is the reason for making this report?

2.1 To update the committee on the revised financial projections for the 3 year period 2024/25 to 2026/27.

2.2 To update the committee on the budget strategy agreed by Cabinet for setting the budget for 2024/25.

3. What are the Recommendations?

3.1 To note the revised financial projections for the 3 year period 2024/25 to 2026/27.

3.2 To note and consider the budget strategy agreed by Cabinet for setting the budget for 2024/25.

4. Report details

4.1 Summary of 23/24 budget setting position

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%. This resulted in additional funding of £14.231m. However, this was against a background of the Council facing pressures of £25.116m leaving a funding gap of £10.885m. The gap was bridged by increasing Council Tax by 3.8% (£2.713m), one-off corporate savings (£6.095), small service savings (£1.261) and 1% school savings (£0.816m).

On the positive side this has meant that no cash from reserves was required to support the budget. However, we were aware of a number of risks around energy costs, pay increases and those services that have historically struggled to stay within the budgets set at the beginning of the year (eg adult's and children's social care, school transport).

4.2 Revised Budget Projections for 2024/25 to 2026/27 (see Appendix 1)

The draft settlement included a slightly increased indicative average settlement increase of 3.0% for 2024/25. Although this is very welcome from a planning perspective it does result in a very difficult financial position. No indications have been given for future years and obviously the political and economic environment remains extremely uncertain. The Council has never experienced a period of prolonged very high inflation and a return to well below inflation settlements – this is what we are facing in 2024/25.

It should be noted that the figures in Appendix 1 do not include estimates for savings that could be achieved yet – it only shows an estimate of the pressures and a possible impact of increases in Council Tax and Revenue Support Grant (which has already been set in principle). The increases in the projections largely relate to factoring in likely/possible overspends in year relating to pay, energy and known pressure areas. On top of these we have also reviewed other key pressures in light of the continuing high inflation and a known risk to the integrity of the grading system for staff used which is likely to become unfit for purpose in response to the rising National Living Wage. The table includes a Low, Medium and High estimate for each row – this is illustrative of the uncertainty of the figures and also of the amount of work that still needs to be carried out in particular. The key points are:

- High level estimates indicate we could be facing pressures of £37m in 24/25 (compared to £25m in 23/24)
- 3% Revenue Support Grant will only result in an additional £5.6m (compared to £14.2m in 23/24)
- If Council Tax increase remains at 3.8% this will only generate £3m income, the £7.7m figure would require an increase of 10%. It should be stressed that these are for illustrative purposes only at this point.
- Although it looks like the worst case scenario is a budget gap of £23.4m, if Council Tax increase remains at 3.8% the actual worst case scenario is £28.3m.
- It could be assumed that we should achieve c£3m in 1% savings (including all services and schools) and increases in fees and charges which would slightly reduce those figures.
- In practice it is unlikely that all the pressures will come out at the highest level (also see work stream below) but we should and are planning to take action to reduce the projected net expenditure by c£20m.

4.3 Key areas to contribute to the Budget Strategy for 2024/25

Service 1% Efficiencies – services will be expected to continue to deliver 1% small-scale savings which do not include gradual increments in fees and charges.

Fees and Charges – services will be expected to increase fees and charges in line with cost inflation in most cases as per the fees and charges policy.

Other Savings – these are envisaged to be large scale service changes – services are being asked to develop initial ideas which will be initially reviewed by CET for deliverability and Cabinet for political acceptability.

Reduction of areas of overspend – a request for ideas to reduce areas of overspend has also gone out to services – without keeping a tight control of spend in these areas other services will have to contribute more and more savings.

Council Tax – consideration of the level of Council Tax will need to be undertaken (MTFP assumption still at 3.8%).

Pressures – Strategic Pressures will continue to be considered when identified – however service will be expected to mitigate the impact of small pressures.

4.4 Other key aspects of the Budget Strategy for 2024/25

Staff involvement – staff are being encouraged to engage with the processes within services (see 4.2) – however a staff suggestion scheme will also be developed in the coming months.

Member involvement – a process of capturing the ideas of backbench and political groupings will be developed including the ensuring that detailed budgets are available for members to use in their deliberations.

CET Lead – CET will lead on driving the significant projects forward.

Communications Plan - A formal plan has been developed and agreed in draft form by CET in preparation for review by Cabinet Briefing and a summary is included as Appendix 2. It includes details of how we will engage with the stakeholders identified in Section 8.

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?

Financial implications will become evident during the implementation phases of the budget strategy.

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

A Well-being Impact Assessments for all significant budget savings and Council Tax increase will be developed over the coming months to ensure that decisions are well informed.

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

As noted above a Communication Strategy has been developed to ensure that the following groups are consulted at the appropriate times: Corporate Governance Committee, SLT, Cabinet, Group Leaders, all Council Members, the School Budget Forum, Trade Unions, our employees, local businesses and our residents.

9. Chief Finance Officer Statement

The aim of the budget process is to ensure that the council delivers a balanced budget. The projections and strategy set out in this report will help ensure that the Council is informed and prepared to set a budget at this challenging time

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. Budget proposals will need to identify and manage risks specific to those proposals.

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.