

Meeting of:	Council
Date of Meeting:	Monday, 07 March 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Updated Final Proposals for the Revenue Budget 2022/23
Purpose of Report:	The purpose of this report is to set out the updated final revenue proposals for 2022/23 following receipt of the final settlement from Welsh Government.
Report Owner:	Report of the Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Interim Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	Scrutiny Committees and Corporate Management Team have been consulted on the initial budget proposals. Trade Unions have been consulted informally on the potential implications of the proposals. External stakeholders were also consulted on budget issues
Policy Framework:	This report is following the procedure laid down in the Constitution for the making of the budget and needs to be referred to Council to make the final decision.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The initial budget proposals presented to Cabinet in November 2021 outlined the potential financial picture for the Council in 2022/23. At the time the report was drafted, the Council had not received the provisional settlement from Welsh Government (WG) for 2022/23. • The provisional settlement was received on 21st December 2021 from Welsh Government (WG), which gave a headline increase of 10.51% over the current year. Taking into account adjustments, this is an increase in funding of £17.883m (10.64%) from the previous year. • On 1st March 2022 the Council received details of the final revenue settlement for 2022/23 from Welsh Government. It is an increase of £4k from the figure provided as part of the provisional settlement. It is therefore proposed that the use of the Council Fund in 2022/23 is reduced by this sum and will now be £996k, thus resulting in a budget for 2022/23 being set at £272.558m. • This will mean that the Band D Council Tax rate is still proposed to be set at £1,396.35 for 2022/23 which is an increase of 2.9% from the current year, the same as the original report presented to Cabinet on 28th February 2022 and referred to Council on 7th March 2022. 	

Recommendations

That Council agrees to :

1. Fix the budget for 2022/23 at £272.558 million including a provision of £290k for discretionary rate relief to rural shops and post offices and charitable organisations.
2. Approve the budgets for 2022/23 as set out in Appendix B and in the following table:

	£000
Schools	104,953
Strategy, Culture, Community Learning & Resources	8,956
Additional Learning Needs	3,334
Standards and Provision	3,547
Directors Office	242
Children & Young People	18,581
Adult Services	53,816
Resource Management & Safeguarding	7,742
Youth Offending Service	730
Neighbourhood & Transport Services	28,190
Building Services	0
Regulatory Services	2,103
Council Fund Housing Resources	1,444
Housing Benefits	983
Regeneration	692
Development Management	2,419
Private Housing	1,300
General Policy	413
Use of Reserves	34,109
	(996)
Grand Total	272,558

3. Approve the recommendations regarding Net Growth for 2022/23 as set out in Appendix C and efficiencies set out in paragraph 2.6.
4. Endorse the proposed draft report on Education Budget and Indicator Based Assessment (IBA) at Appendix A and the Director of Learning and Skills make arrangements for it to be forwarded to the School Budget Forum.

Reasons for Recommendations

1. To set the 2022/23 budget in line with statutory requirements.
2. To allocate budgets to services.
3. To reduce risk to services and balance the budget.
4. To present the report to the Schools Budget Forum.

1. Background

- 1.1 The Council is required under statute to fix the level of Council Tax for 2022/23 by 11th March 2022. The final decision on the budget cannot be delegated and must be made at a meeting of Council.

2. Key Issues for Consideration

Revenue Settlement 2022/23

- 2.1 As a result of the timing of the Standard Spending Assessment and UK Government settlement, the provisional settlement was received from Welsh Government on 21st December 2021. Local Authorities were advised of their final settlement on 1st March 2022. At that point the Final Revenue Proposals for 2022/23 had already been presented to and approved by Cabinet on 28th February 2022. That report was then to be referred to the Council on 7th March 2022. This report provides an update based on the final settlement figures received from Welsh Government.
- 2.2 WG have previously advised that as the late publication resulted in the provisional settlement including the amended tax base for each authority, changes between the provisional and final settlement will be kept to a minimum. However when the final settlement was received on 1st March 2022 the Aggregate External Finance (AEF) had increased by £4k from the provisional settlement of £186.011m to £186.015m.
- 2.3 The provisional figures for next year's Standard Spending Assessment (SSA) was £278.711m and the final SSA is now £278.715m.

Proposed Budget 2022/23

- 2.4 The proposed budget for 2022/23 has been set in line with the current financial strategy and a summary of the change in the overall position from the provisional settlement to the final settlement is set out in the table below.

	Final Proposals 2022/23 (Based on Provisional Settlement)	Adjustment	Final Proposals 2022/23 (Based on Final Settlement)
	£'000	£'000	£'000
Base Budget 2021/22	251,653	0	251,653
Pay Award	5,758	0	5,758
Transfer In	185	0	185
Use of Council Fund	-1,000	+4	-996
Proposed Cost Pressures	16,458	0	16,458
Proposed Savings	-500	0	-500
Adjusted Base Budget 2022/23	272,554	+4	272,558

2.5 The final proposed base budget is attached at Appendix B.

2.6 It is proposed that the funding to cover cost pressures and the level of efficiencies to be achieved is not changed from the figures provided to Cabinet on 28th February 2022, with efficiencies allocated to services as shown in the following table.

	Target 2022/23
	£'000
Learning and Skills (Excl Schools)	-68
Social Services	-106
Neighbourhood Services and Housing	-106
Resources	-100
Place	-14
Policy	-106
Total	-500

- 2.7** It had been proposed that taking into account the additional funding that has been set aside in the Council Fund as part of the 2021/22 outturn, the significant gap between cost pressures and available funding despite a good settlement and the time lag associated with the implementation of savings, the Budget Working Group (BWG) had determined that the use of £1m from the Council Fund reserve in 2022/23 and a further £500k in 2023/24 would be appropriate in the context of the overall reserves position. It is proposed that due to the increase of £4k in the final 2022/23 AEF, the drawn down from the Council Fund next year will be reduced by this amount and therefore will be £996k.

Proposed Council Tax 2022/23

- 2.8** It should be noted that the increase after transfers of funding into the settlement equates to £17.5m, which is significantly less than the cost pressures projected as part of the initial proposals (£22.467m), and the revised pay awards (£5.758m), which equates to £28.225m. The available funding therefore still remains significantly less than the funding required by the Council. As the Council also wishes to avoid ceasing the provision of services, the Council still needs to consider an increase in Council Tax.
- 2.9** A council tax base of 61,978 for 2022/23 was approved by Cabinet on 6th December 2021 and reflects a collection rate of 97.1%. The council tax base has also been increased to reflect the impact of new developments in the Vale of Glamorgan.
- 2.10** If the Council decides to budget at £272.558m, deducting from this Revenue Support Grant of £138.065m and redistributed non-domestic rates of £47.950m, produces a requirement of £86.543m to be met from council tax. Dividing this by the council tax base of 61,978 gives a level of council tax for this Council's purposes (excluding police and community council precepts) for Band D properties of £1,396.35. This is an increase over the current year's council tax which is £1,357.02 of £39.33 or 2.9%. The average council tax set by councils in Wales for 2021/22 at Band D was £1,402.51 with rates ranging from £1,189.69 to £1,768.31 and therefore when taking into account increases to be approved by other Councils in Wales for 2022/23, this Council's Band D would still remain below the Welsh average.
- 2.11** Despite the increase in the WG settlement once existing cost pressures and inflationary increases in areas such as School Transport, Children's placements, pay awards and WG commitments such as the Real Living Wage, cost pressures exceed the available increased funding. The BWG have proposed a budget strategy to address this gap through a programmed use of reserves and an achievable savings target. As part of this approach the BWG's view is that the proposed increase in Council Tax at 2.9% is a reasonable compromise between the pressure on services and the financial pressures facing council taxpayers.

2.12 The Council Tax bandings at a base budget of £272.558m assuming a 2.9% increase in Council Tax are set out below.

Band	Council Tax £
A	930.90
B	1086.05
C	1241.20
D	1396.35
E	1706.65
F	2016.95
G	2327.25
H	2792.70
I	3258.15

Reserves

2.13 The estimated level of the Council Fund Reserve at 1st April 2022 is £15.219m (after transferring £849k into the Waste Transfer Station reserve) assuming a proposed contribution of £4.2m from the estimated revenue surplus in 2021/22. It is proposed that £996k of this sum is utilised in 2022/23 and a further £500k will be utilised in 2023/24 to help maximise the cost pressures that can be awarded and allow a sufficient timescale to implement the required savings to balance the budget. A further £2.696m will be utilised to support a number of schemes in the 2022/23 capital programme.

2.14 The Section 151 Officer's view is that the current minimum level for the Council Fund Reserve of £10m is appropriate but may not be able to be maintained in light of the continued uncertainties around the impact of inflationary pressures and the ongoing Coronavirus pandemic. The Council Fund provides cover for unforeseen expenditure whilst, in the short term, maintaining a working balance. Unforeseen expenditure can be substantial, and several instances can occur in a year. Whilst there is no set requirement for the minimum level for the Council Fund Reserve, some commentators use 5% of the net budget as a guide. For the Vale of Glamorgan this is currently about £13.6m. However, in view of the prudent approach the Council takes with regard to Specific Reserves, it is proposed that £10m should be maintained for this report and this will be reviewed as part of the MTFP.

2.15 It is projected that there will be a large fall (46%) in the level of reserves over the 5 year period as substantial calls on funds are made. However, these are still deemed to be adequate as known risks are largely covered and the Council Fund Reserve is at a reasonable level, not expected to fall below £10m.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

Delivering Well Being

- 3.1** In setting the revenue budget, the Council needs to consider its corporate priorities as set out in the Corporate Plan through the 4 well-being outcomes which are shown below with examples of how the Council is providing support through the 2022/23 revenue budget.
- An Environmentally Responsible and Prosperous Vale - Additional funding is being allocated to support the waste and recycling service;
 - An Aspirational and Culturally Vibrant Vale – Funding has been provided for schools; and
 - An Active and Health Vale – Funding has been provided to support Social Services and collaborative work will continue with Health as part of the ICF grant funding.
- 3.2** These outcomes demonstrate the Council’s commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need. Even with reductions in funding, where practical, the Council will strive to maintain services which contribute towards this agenda.
- 3.3** In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. These budget proposals reflect this new approach to working. The 5 ways of working are: -
- Looking to the long term - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
 - Taking an integrated approach - The budget proposals highlight and encourages ways of working with partners.
 - Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
 - Working in a collaborative way – The budget proposals recognises that more can be achieved, and better services can be provided by collaboration and it encourages this as a way of working in the future.
 - Understanding the root cause of issues and preventing them – The budget process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

4. Resources and Legal Considerations

Financial

- 4.1** The total budget shown at Appendix B is £272.558m. After adjusting for discretionary rate relief of £290k, it is £6.447m below the Council's SSA of £278.715m. The 2021/22 budget was £5.714m below the SSA and the 2020/21 budget was £4.169m below the SSA.
- 4.2** The Council's SSA (IBA) is an indication of the relative resources needed to provide a standard level of service. It is based on statistical data and formulae, any of which can be flawed in assessing need. It is used primarily as a method of distributing AEF. It is not an absolute indicator of a required spending level for a particular service in a particular area. It is for local councils to best determine their own spending priorities in light of local circumstances.
- 4.3** It is proposed that a transfer of £996k is made in 2022/23 from the Council Fund to support the base budget and a further transfer of £500k is made in 2023/24.

Statement of Section 151 Officer on Robustness of Estimates

- 4.4** The Local Government Act 2003 requires that the Section 151 Officer (currently the Head of Finance) must report on the robustness of the estimates, which are to be approved by Council. This Section constitutes that assurance.
- 4.5** In view of the uncertainties of the current and future economic climate there is increased risk facing the Council's financial position and, as a consequence, the delivery of services. This has been recognised and referenced within this report, where relevant, together with actions that can be taken to manage that risk.
- 4.6** Estimates in the budget report are robust subject to any reservations/ qualification or other commentary contained in the report. All services' expenditures are under pressure and there is always a risk that a service may overspend, particularly in light of unforeseen circumstances.
- 4.7** A measure to guard against this will be to monitor the budget during the year and to identify problems as they arise and put in place remedial action. Key to this will be the delivery of efficiencies including those required under the Reshaping Services programme. Cabinet, Scrutiny and managers continue to have a key role in reviewing and maintaining budgetary performance.
- 4.8** Reserves have been again reviewed and, with the proposed changes to the level of the Council Fund, are considered adequate to cover contingencies and the risks stated in the report.

Employment

- 4.9** The budget proposals will have implications for the Council's employees and there could be a loss of jobs however the reduction for 2022/23, excluding schools, is estimated to be low as the majority of the savings target is expected to be focused on digital service delivery and reduction in accommodation costs.

Legal (Including Equalities)

- 4.10** The Council is required under statute to fix its Council Tax for 2022/23 by 11th March 2022 and in order to do so will have to agree a balanced revenue budget by the same date.

5. Background Papers

Local Government Provisional Revenue Settlement letter dated 21st December 2021

Local Government Final Revenue Settlement letter dated 1st March 2022

Report of the Chief Executive

Reasons for Difference between Final Education IBA and Budget

Background

The Welsh Government (WG) previously required each local authority to compare its total budget for education to its education Indicator Based Assessment (IBA), and report on reasons for the difference between the two. Although this comparison is no longer a WG requirement, the Vale of Glamorgan Council continues to track the level of Education funding against the IBA.

The Vale of Glamorgan Council's 2022/23 final education IBA is £122.169M (*table 4 final settlement*) compared to an education budget of £123.353M. The Council is therefore funding educational services at £1.184M above the final IBA.

Issues

The 2022/23 WG final revenue settlement has increased the Aggregate External Finance (AEF) for this Council by £17.887M; an increase of 10.6% from 2021/22 after adjusting for transfers. (*table 1a final settlement*)

The Council's overall 2022/23 Standard Spending Assessment (SSA) is £278.715M (*table 4c final settlement*) which has increased by £21.453M from the 2021/22 SSA of £257.262M (*table 4b final settlement*). The 2022/23 SSA has therefore increased by 8.34%.

The final Education IBA at £122.169M has increased by £8.332M when compared to the previous year adjusted value of £113.837M.

Table to Show Demographic Impact on the Individual Schools Budget (ISB)

The 2022/23 final settlement recognises an increase of 215 Vale of Glamorgan pupils compared to the previous year which has a financial Impact estimated at £1.07M as identified in the table below.

	2021/22	2022/23	Change	SSA Unit Value	Increased Cost
Pupil Numbers Nursery and Primary	12,255	12,272	17	£3,978.88	£67,641
Pupil Numbers Secondary in Yr Groups 7-9	4,767	4,876	109	£4,690.79	£512,234
Pupil funding Pupils in Yr 10 & 11	3,178	3,251	73	£5,861.61	£426,652
COST OF DEMOGRAPHIC INCREASE			199		£1,006,528

Learning and Skills Budget 2022/23

The overall increase in the Learning and Skills budget is £7.211M, the table below shows the movement between the 2021/22 and 2022/23 Budgets

Learning and Skills Budget 2022/23	£'000
2021/22 Learning and Skills Budget	113,821
Pay inflation	3,686
Demographic increase mainstream schools	1,000
Demographic increase in special school	1,000
ALN in mainstream schools	700
Increase in free school meals	350
Central pressures ALN and complex needs	174
Reshaping Services and Efficiency Savings	(68)
Central recharges adjustment	369
<u>Net budget increase</u>	<u>7,211</u>
2022/23 Learning and Skills Budget	121,032

Education IBA Comparison

The Learning and Skills 2022/23 Budget is £121.032M however not all departments within the Learning and Skills Directorate fall under the heading of Education for IBA comparison (e.g. Libraries, CYPP and Arts).

In order to compare the Education budget with the Education IBA, the Learning and Skills budget must be adjusted as demonstrated in the table below.

The resulting Education budget of £123.353M exceeds the final Education IBA (£122.169M) by £1.184M.

Education IBA Comparison	Budget 2022/23
	£'000
Schools	104,953
Standards and Provision	3,546
ALN and Wellbeing	3,334
- Less CYPP	-282
Strategy, Community Learning and Resources	8,956
- Less Libraries and Arts	-2,075
Directors office	242
Education Transport (under Environment and Housing)	4,679
TOTAL EDUCATION BUDGET	123,353
2022/23 SSA	122,169
Variance above SSA	1,184

Delegated authority has been given to the Director of Learning & Skills to determine the split of Learning and Skills funding in light of consultation with the Schools Budget Forum.

Conclusion

In setting a budget that is both prudent and achievable, the Council must have regard to the fair distribution of resources amongst all of its services in relation to their relative priorities.

The Education and Schools 2022/23 budget is £1.184M above the SSA of £122.169M, however educational services will continue to face challenges in managing within existing resources. As part of the Council's Reshaping Services Agenda, the directorate and schools will continue to look at the services on offer, service delivery models, economies of scale, and opportunities for innovation in order to meet the needs of our colleagues, learners, and their communities.

BASE BUDGET 2022/23

APPENDIX B

	Original Budget 2021/22 £000	Asset Rents/ IAS 19 £000	Base Estimate 2021/22 £'000	Rechgs/ Transfs £'000	Budget Adjustment £'000	Pay Transfers Inflation £'000	Growth £'000	Efficiencies £'000	Base Estimate 2022/23 £'000	Asset Rents/ IAS 19 £000	Original Budget 2021/22 £000	
Learning and Skills												
Schools	97,982	-	97,982	0	540	3,381	0	3,050	0	104,953	-	104,953
Strategy, Culture, Community Learning and Resources	8,149	-	8,149	341	363	135	0	0	-32	8,956	-	8,956
Additional Learning Needs and Wellbeing	3,079	-	3,079	0	8	90	0	174	-17	3,334	-	3,334
Standards and Provision	4,379	-	4,379	28	(912)	71	0	0	-19	3,547	-	3,547
Directors Office	232	-	232	0	1	9	0	0	0	242	-	242
Total Learning & Skills (Excluding Schools)	15,839	-	15,839	369	(540)	305	0	174	-68	16,079	-	16,079
Social Services												
Children and Young People	17,700	-	17,700	31	(813)	178	0	1,508	-23	18,581	-	18,581
Adult Services	52,742	-	52,742	162	(5,883)	288	185	6,390	-68	53,816	-	53,816
Resource Management & Safeguarding	292	-	292	19	6,696	245	0	500	-10	7,742	-	7,742
Youth Offending Services	707	-	707	(4)	0	32	0	0	-5	730	-	730
Total Social Services	71,441	-	71,441	208	0	743	185	8,398	-106	80,869	-	80,869
Environment and Housing												
Neighbourhood and Transport Services	24,791	-	24,791	78	0	431	0	2,990	-100	28,190	-	28,190
Building Services	0	46	46	(49)	0	49	0	0	0	46	(46)	0
Regulatory Services	1,825	-	1,825	250	0	28	0	0	0	2,103	-	2,103
Council Fund Housing	1,420	-	1,420	(47)	0	43	0	34	-6	1,444	-	1,444
Total Environment and Housing	28,036	46	28,082	232	0	551	0	3,024	-106	31,783	(46)	31,737
Resources												
Resources	809	-	809	(793)	0	622	0	445	-100	983	-	983
Housing Benefit	652	-	652	40	0	0	0	0	0	692	-	692
Total Resources	1,461	0	1,461	(753)	0	622	0	445	-100	1,675	0	1,675
Place												
Regeneration	1,869	-	1,869	63	36	64	0	396	-9	2,419	-	2,419
Development Management	1,209	-	1,209	(20)	(99)	74	0	140	-4	1,300	-	1,300
Private Housing	328	-	328	5	63	18	0	0	-1	413	-	413
Total Place	3,406	0	3,406	48	0	156	0	536	-14	4,132	0	4,132
General Policy	33,488	46	33,442	(104)	0	0	0	831	-106	34,063	46	34,109
Met from General Reserves	0	-	0	0	0	0	0	(996)	0	(996)	-	(996)
TOTAL	251,653	0	251,653	0	0	5,758	185	15,462	-500	272,558	0	272,558

Proposed Growth 2022/23APPENDIX C
FINAL
PROPOSALS
FEB 2022

Description	2022/23
	£'000
Directorate: Learning and Skills	
Learning and Skills Incl Schools	
Demographic increase in mainstream schools	1,000
Autism Special Resource Base at Whitmore High School	100
Demographic increase in pupils requiring placement in special school Ysgol Y Deri	1,000
Additional Learning Needs Support in Mainstream Schools	500
ALN Early Years Provision	100
Learning and Wellbeing Class	100
Post 16 ALN Provision	35
Health provision - tracheotomy support for mainstream schools	39
Increase in pupils eligible for free school meals	350
Total Learning and Skills Incl Schools	3,224
Total Learning and Skills	3,224

Directorate: Social Services	
Children and Young People's Services	
External Placements	800
Supporting Children in Emotional Distress	190
Capacity at Vale Valleys and Cardiff Regional Adoption Service	18
One to one support for children subject to care and support plans	150
Direct Payments	70
Case Management Capacity	135
Placement Team Capacity	120
Business Support Core Teams	25
Total Childrens Services	1,508

Adult Services	
Demographic Pressures	500
Provider Fees and Quality Assurance (Incl Real Living Wage)	5,600
Reablement	150
Long Term Care Service (LTCS)/Review	80
Integrated Locality Manager	60
Total Adult Services	6,390

Resource Management and Safeguarding	
Performance and Improvement Review	80
Contracts and Commissioning/Quality Assurance	150
Safeguarding and Quality Assurance	120
Increase resilience around Staff absence in Care Homes	150
Total Resource Management and Safeguarding	500
Total Social Services	8,398

Proposed Growth 2022/23APPENDIX C
FINAL
PROPOSALS
FEB 2022

Description	2022/23 £'000
Directorate: Environment and Housing	
Neighbourhood Services	
Waste Pressures	1,400
Highways - Maintain Highway and footway Network (£200k ringfenced for pavements)	700
Coastal Resorts	80
SUDs - Sustainable Drainage Resource	80
Total Neighbourhood Services	2,260
Transportation	
Supported Bus Service	90
School Transport	640
Total Transportation	730
General Fund Housing	
Housing - Community Safety Serious Violence and PROTECT duties	34
Total General Fund Housing	34
Total Environment and Housing	3,024
Directorate: Place	
Director of Place	140
Regeneration	
Project Management Unit Reorganisation	110
New Structure External Funding, Community Development and Innovation Team	240
Place Making	46
Total Regeneration	396
Total Place	536
Directorate: Resources	
Director of Resources	140
ICT	
ICT Savings Shortfall	100
Ransomware Support Costs	40
Total ICT	140
Procurement	
Procurement Additional Capacity	60
Total Procurement	60

Proposed Growth 2022/23APPENDIX C
FINAL
PROPOSALS
FEB 2022

Description	2022/23	
	£'000	
Legal and Democratic Services		
Electoral Registration Service		30
Coroner		25
Total Legal and Democratic		55
Human Resources		
Health and Safety		50
Total Human Resources		50
Total Resources		445
Policy		
Additional Members and increased allowances		450
Public Participation and Petition Software		20
Fire Levy Increase		175
Ringfence Funding allocated for CJC in the settlement		86
Project Zero Support Team		100
Total Policy		831
COUNCIL TOTAL		16,458

Summary

Learning and Skills		3,224
Social Services		8,398
Environment and Housing		3,024
Place		536
Resources		445
Policy		831
TOTAL		16,458