

THE VALE OF GLAMORGAN COUNCIL

CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE:
16TH NOVEMBER, 2022

REFERENCE FROM HEALTHY LIVING AND SOCIAL CARE SCRUTINY
COMMITTEE: 8TH NOVEMBER, 2022

“425 FINANCIAL STRATEGY 2023/24 AND MEDIUM-TERM FINANCIAL PLAN
(REF) –

The reference from Cabinet of 6th October 2022 was presented by the Operational Manager for Accountancy.

There was a three-year settlement announced in March 2022 and indicative Aggregate External Finance (AEF) increases of 3.5% and 2.4% for 2023/24 and 2024/25 respectively. Indications currently suggested that there should be no expectation of an improved settlement for 2023/24. The settlement was not expected to be announced until late December. Council Tax was assumed to increase by 3.9% but this was only for planning purposes and would be subject to a policy decision by Full Council in March '23.

The Officer advised that there was a significant funding gap in 2023/24 and across the medium term for the Council as a whole. The gap for 2023/24 was forecast at £28.190m. There were forecast cost pressures of £38.108m but likely funding of only an additional £9.918m coming through from Welsh Government grant and Council Tax. The key cost driver was inflation with £21.659m of pressure coming through on pay awards, energy costs, care, and transport contracts. On top of this were the continued demographic pressures coming through with a growing number of pupils with Additional Learning Needs and an aging population.

The overall level of reserves and how they were earmarked needed to be continuously reviewed. The Officer advised that this was both to protect against unexpected costs and enable investment in services to ensure they operated as efficiently as possible in the future. It was not just about having sufficient overall reserves but ensuring that as well as covering known commitments, both revenue and capital, that they reflected the risks which the Council faced. There are new risks around interest rates and inflation which would not have featured significantly more recently.

In conclusion, the Officer noted that the Committee was requested to review the finding and costs assumptions in the MTFP refresh as set out within the Cabinet report prior to further consideration of the Draft Budget by Cabinet in January '23 and subsequently Full Council in March '23 prior to the Council Tax setting deadline. Subsequently, the Officer apprised the Committee on the cost pressures within the remit of the Committee included at Appendix 1 to the Cabinet report.

Following the Operational Manager's presentation, the Vice-Chair thanked officers for a comprehensive report and acknowledged the uncertainty surrounding the Council's finances until the Welsh Government settlement was received later in the year. They added that the Social Services Directorate was a big spender in terms of the Council's overall spending due to the number of statutory services covered by the Directorate and therefore, due to the statutory nature of the spending, this was unavoidable.

In addition, the Director for Social Services highlighted that the cost pressures for the Directorate were staggering and were further impacted by the rise in energy costs and financial inflation. The difficulty of recruiting domiciliary care staff continued to be a significant concern for the Council.

With no further comments or questions, the Committee subsequently

RECOMMENDED -

- (1) T H A T both the Cabinet reference and appended report be noted.
- (2) T H A T the following comments of the Healthy Living and Social Care Scrutiny Committee be passed to the Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee:

- The Cost Pressures set out within the report, that lie within the remit of the Committee, are legitimate and fully endorsed by the Committee.
- The majority of services provided by the Council under the Social Services Directorate are statutory provision and therefore, the Council has very little choice over the spending in relation to these services. Therefore, meeting the needs of the most vulnerable to ensure that the Council complies with its statutory duties remains paramount.
- Committee notes the significant pressures placed on the Domiciliary Care Service in terms of recruitment and the need to enhance the Council's employment offer to potential employees in order to improve recruitment and subsequently provide the level of care the Council is required to provide.

Reasons for recommendations

- (1) Having regard to the contents of both the Cabinet reference and report on the Financial Strategy assumptions made on costs and funding in the Medium-Term Financial Plan refresh.
- (2) In order that Cabinet be informed of the comments of Committee via the Corporate Performance and Resources Scrutiny Committee before further Cabinet consideration."