

Meeting: Cabinet

Date: 14 February 2023

Cabinet Member: Councillor Ioan Thomas, Cabinet Member for Finance

Subject: 2023/24 Budget

Contact Officer: Dewi Morgan, Head of Finance

2023/24 BUDGET

Decision Sought

Recommend to the Council (at its meeting on 2 March 2023) that:

- 1. A budget of £317,880,310 should be set for 2023/24, to be funded by £227,842,930 of Government Grant and £90,037,380 of Council Tax income (which is an increase of 4.95% on the tax of individual dwellings).**
 - 2. A capital programme of £67,780,150 in 2023/24 should be established, to be funded from the sources set out in Appendix 4 of the report.**
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1. INTRODUCTION

- 1.1** The Council must set a balanced budget for 2023/24.
- 1.2** This budget is set at a time when Welsh local authorities are facing financial challenges, particularly in the context of overall inflation having reached levels in 2022/23 unprecedented for decades, the impact of which has worked its way through to the 2023/24 budget.
- 1.3** Cyngor Gwynedd has received a grant increase for 2023/24 which is a significant increase on the indicative settlement for 2023/24 that was announced in December 2021, which predicted an average increase of 3.5% across Wales. The Council has received a grant increase of 7.0%, equivalent to an £14.6m increase in external funding. In addition, a further £177k has been included to reflect the transfer of responsibilities to the settlement (matters previously funded through specific grants).
- 1.4** By 2023/24, our spending would need to be increased by £27.8m in order to "stand still" (details are in part 3 below). This includes £2.75m to meet pressures on service budgets (details of the individual 'bids' are in Appendix 2), which is additional to the

£3.0m of budget that is to be earmarked to the area of homelessness – the full Council has already resolved on 1 December 2022 to increase the Council Tax Premium on second homes to 150% to finance this increase.

- 1.5 It is seen in this report that demand pressures on services, as well as inflationary pressures indicate that a combination of Council Tax increases and the introduction of a new programme of savings and cuts must be considered if a balanced budget is to be set for 2023/24. The 2023/24 budget seeks to protect the services the Council provides to the people of Gwynedd and recommends a 4.95% increase in Council Tax to achieve that objective this year. Even then, we will need to look for savings of £6.4m to set a balanced budget, and forecasts suggest there will be further pressure in aiming to set a balanced budget for 2024/25.
- 1.6 Savings and cuts plans are the subject of a separate report on the programme for this meeting.
- 1.7 The savings that have been identified have been subject to consultation with Cabinet members, Chairs and Vice-Chairs of the scrutiny committees and leaders of opposition groups in a series of workshops in December 2022 and January 2023. The draft budget has been considered by a majority of Council members at a briefing session on the financial situation held on 26 January 2023, and scrutinised by the Governance and Audit Committee on 9 February. The role of Cabinet is to recommend a balanced and appropriate budget to the Council meeting on 2 March for 2023/24.
- 1.8 The setting of the 2022/23 budget enabled the majority of savings plans programmed for the year to be cancelled or delayed. The 2023/24 budget includes a substantial proportion of the savings that have slipped from previous years, worth £0.95m.
- 1.9 This year we propose to establish a capital programme worth £67.8m in 2023/24, as set out in Appendix 4.
- 1.10 It is for full Council to consider the budget and set Council Tax for 2023/24 based on the issues identified in the following report. This detailed report sets out the factors influencing the proposed revenue budget for 2023/24, and outlines the main changes since 2022/23.

2. WELSH GOVERNMENT GRANT

2.1 The Welsh Government has announced the indicative local authority funding settlement for 2023/24. Details as announced officially 'like-for-like' by the Welsh Government are set out in the table below:

Revenue Support Grant 2022/23 – 2023/24	Total Welsh Authorities £	Cyngor Gwynedd £
2022/23 Government Grant	5,110,643,128	213,016,800
2023/24 Government Grant	5,513,888,400	227,842,926
Increase £	403,245,272	14,826,126
Increase %	7.9%	7.0%

The Government will not publish its final settlement until 1 March 2023. Further details of the provisional settlement can be found here –

[Local government revenue and capital settlement: provisional 2023 to 2024 | GOV.WALES](#)

2.2 Official Welsh Government figures in the table above show notionally that Cyngor Gwynedd is receiving a grant increase of £14.8m by next year (after adjusting the relative 2022/23 figure to reflect the transfers into the settlement), which is an 7.0% increase, while the average across Wales is 7.9%.

2.3 A number of factors feed into the local government grant allocation formula, such as the county's population, the number of pupils in our schools, and the number of income support claimants. This year, there has been a significantly greater increase in these numbers in other authorities. In particular, it is noted that the impact of the 2021 Census – which shows a decline in Gwynedd's population – is beginning to have an impact on the settlement. The full effect will not be seen for a few more years.

2.4 The Welsh Government will publish the final grant settlement for local authorities on 1 March, together with the Welsh Government's own final budget, and there will be a relevant debate in the Senedd on the 8 March. Following discussion with Welsh Government officials, no significant change is expected from the 'indicative' grant figures in the draft settlement.

2.6 If the grant figure changes up or down at the time of the publication of the Final Settlement, so late in the 2023/24 budget and tax-setting round, it would be too late to change council tax figures. We will therefore either use the Council's overall balances to reconcile a reduction in grant funding, or contribute to general balances to reconcile an increase in grant funding.

3. COUNCIL REVENUE EXPENDITURE - 2023/24

3.1 The increase in expenditure required to "stand still" in 2023/24 is set out in the table below.

Additional Expenditure Requirements

	£	£
Base Budget		295,232,820
Staff Salary Inflation	14,185,140	
Other Inflation (suppliers)	11,075,410	
Levies (Fire, NRW & CJC)	773,650	
Demography	261,320	
Bids – Pressures on Services	5,748,170	
Various Budget Adjustments	(872,060)	
Borrowing Costs / Interest on Balances	(1,506,900)	
Transfers to the Settlement	176,980	
Services' Income Adjustments	400,000	
Minimum Revenue Provision	(2,400,000)	
Net total of increases		<u>27,841,710</u>
Total spending 2023/24 requirements before savings		<u>323,074,530</u>

3.2 Base Budget 2022/23

Although the net expenditure for 2022/23 is £295m, it is important to note that the Council's actual expenditure is £501m, because we receive a host of specific grants worth £136m, charge an overall income of £68m for services we provide and £2m of reserves were used to un one-off bids.

3.3 Salary Inflation £14.2m

An agreement was reached on workforce pay (apart from teachers) for April 2022 to March 2023 by agreeing an increase of £1,925 on each pay point. In line with most other local authorities we had budgeted prudently for a 4% increase, but the final agreement exceeded what had been budgeted for. The result is that the wage inflation in the 2023/24 budget includes an element to correct this gap as well considering the notional inflation of 2023/24.

This budget sets aside the objective of an increase in the 2023/24 pay agreement of 5% for the whole workforce (teachers from September 2022, remaining workforce from April 2022).

3.4 Other Inflation £11.1m

This is a 'net' amount which includes provision for a range of changes dependent on the rate of inflation in a number of specific areas. The main areas where increases are seen are:

- Independent Residential Care Homes £1.5m
- Non-residential Care:
 - Supported Housing £937k,
 - Domiciliary Care £396k,
 - Other services £240k
- Energy (Electricity) £3.3m
- Fuel (Diesel and Petrol) £658k
- Increase in other prices:
 - Insurance £174k
 - Revaluation of property rates £155k

3.5 Levies £774k

The levies paid to the relevant bodies will increase as follows between 2022/23 and 2023/24:

- | | |
|---|-------|
| • North Wales Fire and Rescue Authority | £701k |
| • Snowdonia National Park Authority | £0 |
| • Natural Resources Wales (Special Levies) | £7k |
| • North Wales Corporate Joint Committee (CJC) | £64k |

3.6 Demography £261k

A net total which reflects +£229k due to a net reduction in pupil numbers in schools and +£32k due to an increase in children looked after by the Children and Supporting Families Department.

The net figure of +£229k for schools masks a different situation in different sectors, namely secondary +£49k, special +£315k and primary -£135k.

3.7 Pressures on Services £5.75m

Appendix 2 contains details of each individual request for additional expenditure arising from pressures on the services.

It is recommended that bids worth £2.75m for additional permanent resources submitted by Council departments to meet inevitable pressures on their services are approved.

This is in addition to the £3m of increase to the Homelessness budget which is funded from the Council Tax Premium, following the decision by the full Council on 1 December 2022 to increase the Premium.

All departments are asked to identify any expenditure the Council must deliver to ensure continuity of basic service. The procedure here is not for desirable new developments, but rather for the continuation of existing basic services.

An element of these applications of course manifests itself as we review the current year's spending patterns. Others are the result of issues arising where spending is necessary to protect outcomes for the public, or to meet statutory requirements. There is also an element of central government creating pressures and expectations, followed by the Council having to cope with the knock-on effects.

Due to the financial pressures this year, the number of bids approved this year is significantly lower than was possible for 2022/23.

The items presented in Appendix 2 have been thoroughly challenged by the Leadership Team before being recommended for Cabinet approval. Furthermore, all these spending requests were presented at the Budget Seminar held on 26 January 2022.

3.8 Various Budget Adjustments (£1.8m)

A total reflecting a significant number of adjustments to different budgets across the Council. This includes the impact of an increase in interest receipts of (£1.5m) in returns in investing balances and the Council's cash flow, a reduction in employer pension contribution of (£1.1m) as a result of the three-annual re-valuation, but an £800k cost increase due to fee and price adjustment and other budgetary considerations.

3.9 Minimum Revenue Provision (£2.4m)

When the Council funds capital expenditure through debt, it must put resources aside to repay the debt at a later date. The amount charged on the revenue budget for repayment of the debt is known as the Minimum Revenue Provision (MRP) and the amount due is known as Capital Financing Requirement (CFR).

Although "debt" is mentioned no external debt has necessarily been taken – Cyngor Gwynedd has borrowed internally for a large number of years now.

The overall aim of a Welsh Government Guide published in 2018 is to ensure that the debt is repaid over a period that either reasonably corresponds to the period in which the capital expenditure provides benefits, or, in the case of borrowing supported by the Government Revenue Support Grant, over a period reasonably equivalent to the period covered in determining the grant.

The WG Guide asks the Council to approve an MRP Statement annually, and recommends a number of options for calculating a prudent amount of MRP.

Following a review by the Council's Treasury Management consultants, it is recommended that the MRP policy is adapted for the supported lending element.

The current policy (approved in March 2022) means that the reducing balance will be charged by 4% annually and it will take 345 years to reduce the current balance to less than £100.

It is recommended that a more prudent approach is taken that will clear the Capital Financing Requirement debt in fewer years, but offer savings for the first few years. In particular, it will mean that the Council has to set aside £2.4m less in 2023/24 than would be the case under current policy.

4. EXISTING SAVINGS THAT HAVE ALREADY BEEN APPROVED

4.1 Cyngor Gwynedd has delivered over £33.5m of savings plans since 2015/16.

4.2 At its meeting on 18 January 2022, while considering a progress report on the realisation of savings schemes, Cabinet decided to move the delivery profile for schemes worth £1,290,250 to 2023/24 and subsequent years. The need to slip was due, in large part, to the significant impact of the Covid-19 pandemic.

4.3 This total included savings worth £950,250 to be achieved in 2023/24. The draft 2023/24 budget considers that these savings will be achieved during this year, and attainment will be reviewed and considered during the year. More details are found in Appendix 3.

4.4 All individual schemes to be implemented by the departments in 2023/24 are listed in Appendix 3 for reference, and the departmental totals are summarised in the following table.

Savings that have already been programmed to reduce the 2023/24 Funding Gap	
	£
Adults, Health and Wellbeing Department	935,250
Economy and Community Department	15,000
Existing Planned Savings 2023/24	950,250

5. FUNDING GAP 2023/24 AND COUNCIL TAX

- 5.1 Part 3 above shows that the Council's spending needs (before savings are removed) for 2023/24 are £323.1m. Part 2 noted that the grant from the Welsh Government will be £227.8m.
- 5.2 As explained in part 4 above, there are a total of £950,250 of savings to be used to reduce the funding gap.

Establishing the 2023/24 Budget	
	£
2022/23 Base Budget	295,232,820
Additional Expenditure Requirements	<u>27,841,710</u>
2023/24 Expenditure Requirements before Savings	323,074,530
less Welsh Government Revenue Grant Income	(227,842,930)
Funding Gap from Council Tax and further savings	<u>95,231,600</u>

- 5.3 That means there is a residual gap of £95.2m that needs to be filled. There is a separate report on the agenda of the Cabinet meeting which recommends the implementation of new £3.1m of savings in 2023/24, with further savings to be achieved in 2024/25 and 2025/26, and it is recommended that the schools' budget is also reduced by £1.1m in 2023/24, after considering inflation. Given the £0.95m of savings already approved for 2023/24 previously (see Part 4 above), it is recommended that a total of £5.2m of savings are used to contribute to filling the funding gap.

Funding Gap from Council Tax and Savings	95,231,600
Less Existing Savings already approved	(950,250)
Less new Savings	(4,243,970)
Funding Gap from Council Tax	<u>90,037,380</u>

- 5.4 Further details on the savings are found in Appendix 3.
- 5.5 It is recommended that the remainder of the gap is to be greeted through Council Tax. Whether to increase the Tax on individual dwellings by 4.95% will generate £90,037,380 of income, and this would be sufficient to fill the gap.
- 5.6 This will be £8.0m of additional Council Tax income compared to the 2022/23 budget, which is a combination of £3m of additional premium funding for homelessness and £5m for the Council's overall spending needs. That equates to a Council Tax increase

of £75.59 for properties in Band D, or £1.45 a week. The tax levied by the Police and Crime Commissioner (an increase of 5.14% for 2023/24) and the community councils (various %) will of course be in addition to this.

- 5.7 Background information and the context for setting the Tax level is set out in Appendix 6.
- 5.8 If Council members wanted a less than 4.95% increase in the level of Tax, then fewer permanent resources would have to be committed to deal with the pressures on services, there would be a need to find further savings and cuts, or a combination of both.
- 5.9 The choice between maintaining services and taxation is always a difficult one. For 2023/24 it is expected that the proposal to raise the tax by 4.95% to meet the pressures on services while setting a balanced budget will be a similar level to the majority of authorities in north Wales.

6. CONCLUSIONS / BUDGET 2023/24

- 6.1 This report and the appendices set out the factors that should be taken into account in establishing the 2023/24 budget and despite a grant increase higher than the one originally expected, some historic savings will still have to be harvested, new saving will have to be introduced, and the level of tax will need to be raised to set a balanced budget.
- 6.2 It is recommended that revenues of £323.1m be spent, having added £27.8m, which includes the provision of £5.7m to address demand for services.
- 6.3 Having received a grant from Welsh Government of £227.8m and relying on £5.2m of savings (£950k of historic savings that have already been programmed and £4.2m of new savings), the level of Council Tax will need to increase by 4.95% to generate £90m of income to close the 2023/24 funding gap.

Balanced budget for 2023/24	
	£
2023/24 Expenditure Requirements before Savings	323,074,530
2023/24 Savings Total	(5,194,220)
2023/24 Budget	<u>317,880,310</u>
To be funded from -	
Grant Income	227,842,930
Council Tax (yield after raising 4.95%)	<u>90,037,380</u>
2023/24 Budget	<u>317,880,310</u>

- 6.4 This will involve setting a net budget of **£317,880,310**. A breakdown of the budget per service is given in Appendix 1.

7. CAPITAL

- 7.1 The 2019/20–2028/29 asset strategy was established by full Council on 7 March 2019. The new asset strategy is operational for the period 2019/20 to 2028/29. It will be incorporated as part of the Capital Programme, and we are adding to that by 2023/24. Details of the current capital programme can be found in Appendix 4.
- 7.2 The two tables shown in Appendix 4 reflect the capital requirements, together with the funding, for setting the 2023/24 to 2025/26 capital budget, in order to establish a whole programme worth £67,780,150 in 2023/24, to be funded from the sources analysed in Appendix 4.
- 7.3 The table in Appendix 4 states that £500k is available annually for the funding of capital bids. For 2023/24, £385k from this budget has been earmarked for the 5 relevant capital bids detailed in Appendix 2b.

8. LONGER TERM STRATEGY

- 8.1 In announcing the draft 2023/24 settlement in December 2022, Welsh Government has confirmed that Welsh Local Authorities will receive +3.0% in 2024/25. Of course, Gwynedd may receive less than the Welsh average as a result of the population changes that became apparent in the 2021 Census. For example, +7.0% was received this year compared to the Welsh average of +7.9%.
- 8.2 As well as saving schemes that have been introduced to meet the 2023/24 gap, there are further proposals to be implemented in 2024/25, including £0.8m of school savings and £2.8m of savings for the rest of the Council. The matter will be under ongoing review during 2023/24, including assessment of further saving proposals, as necessary.

9. OTHER CONSIDERATIONS AND VARIOUS ASSESSMENTS

- 9.1 The current level of the Council's general balances is £7.9m. Given the increased pressures expected on the Council's budgets over the next few years, it is considered that this level of balances will be appropriate to reserve for practical cash flow and unexpected expenditure. Information on the balances and reserves is presented in Appendix 7.
- 9.2 Appendix 5, 'Addressing the Schools Budget in 2023/24', explains the position of the Gwynedd schools budget.
- 9.3 In determining a budget, Cabinet and Council must consider the impact of their decisions in terms of equality, in line with the statutory duties placed on the Council through the Equality Act 2010. Appendix 8 deals specifically with the duty, including the statutory finance officer's comments on the whole Budget in terms of equality. The assessment confirms that there will be a positive overall impact from the continuity of services that are considered a priority for protection and funding to the additional level of demand and it is not believed that any negative impacts will be significant.
- 9.4 The Council complies with the requirements of the Well-being of Future Generations (Wales) Act 2015 and the recommendations in the report are based and developed in accordance with the statutory duty on the Council under Section 3 to undertake sustainable development in all its activities. As usual, more detailed information about the Well-being Act and relevant conclusions is provided at Appendix 9.
- 9.6 The statutory finance officer must express a view on the robustness of the estimates. An appropriate risk assessment and confirmation is presented at Appendix 10.
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Views of the local member

Not a local issue

Views of statutory officers

Monitoring Officer:

Although it is a matter for the full Council to make a final decision on the budget, it is important that the Cabinet gives them a clear recommendation regarding its expenditure plans and the draft budget, and this report achieves that. Once the Council has agreed on the financing sources, then the Cabinet will be responsible for the expenditure and the priorities within that budget.

Head of Finance:

I have worked with the Cabinet Member to prepare this report and confirm the contents. Having considered all the risks outlined in Appendix 10 to the report, and the mitigation, I consider that the Council's Budget for 2023/24 is robust, adequate, and achievable.

APPENDICES

- 1 Proposed Budgets
- 2 Summary of Bids
- 2a Permanent Revenue Bids
- 2b Capital Bids
- 3 Savings
- 4 Capital
- 5 Dealing with the Schools Budget in 2023/24
- 6 Council Tax
- 7 Balances
- 8 Assessing the Impact on Protected Characteristics, the Welsh Language and Socio-Economic Disadvantage
- 9 Well-being of Future Generations (Wales) Act 2015
- 10 Robustness of Estimates