



# **Title of report: Supplement to Consultation outcomes and draft budget proposals**

**Meeting: Cabinet**

**Meeting date: Thursday 26 January 2023**

**Report by: Director of Resources and Assurance**

## **Supplementary information**

- 1) Scrutiny Management Board considered the proposed budget at its meeting on 17 January 2023.
- 2) The recommendations of the Scrutiny Management Board, proposed responses and additional information requested are attached as appendix 1 to this supplementary paper.

## **Recommendation(s)**

The recommendations are unchanged from the original report. Recommendation (i) proposes that the response to the scrutiny recommendations, as set out in this supplementary report, be approved.

**Summary of the Scrutiny Management Board recommendations and the executive responses to the proposed 2023/24 Budget and MTFS**

On 17 January 2023, the Scrutiny Management Board, having been invited for its views on the budget proposals for 2023/24 following the announcement of the provisional financial settlement, recommended that:

<b>Recommendation a)</b>	<b>Scrutiny Management Board supports the approach to pull more funding forward for capital projects, with the assurances given of the increased capacity to deliver through the PMO, into 2023/24.</b>
<b>Executive response</b>	Noted. The delivery of the capital programme will remain under review during 2023/24 and where opportunities to advance the delivery of capital projects are identified, the associated funding requirements will be considered in the context of the 2023/24 revenue budget and Treasury Management Strategy.

<b>Recommendation b)</b>	<b>With the significant drop in reserves in 2022/23 of some 32%, the committee recommends greater transparency on the Cabinet approach to the use of reserves and the level to be kept and what this means for the future sustainability and creditability of the Medium Term Financial Strategy.</b>
<b>Executive response</b>	<p>Noted. The council maintains a prudent level of reserves to address current and future challenges. There has been an increase in the balance of earmarked reserves held at the accounting period end between the years 2019/20 to 2021/22 due to the receipt and required accounting treatment of Covid and other grant funding permitted to be carried forward for use in future years. The increased movement in reserves over this 3-year period is largely attributable to the application of this carried forward funding in each subsequent accounting period.</p> <p>Earmarked reserve balances at 31 March 2022 include £23.1m of grant funding carried forward to 2022/23. This represents amounts of grant funding received, with no grant conditions attached, which have not yet been applied to relevant expenditure. In accordance with the principles of the CIPFA Code of Practice on Local Authority Accounting 2021/22 and relevant accounting standards, these amounts are treated as earmarked reserves at 31 March 2022 to be carried forward for application in future accounting periods. There are no conditions attached to these funds and therefore these amounts are not repayable by the council.</p> <p>The forecast earmarked reserve balance at 31 March 2023 includes the application of remaining Covid grant balances of £7.9m and £17.4m planned use of the financial risk reserve to support the Children's Improvement Plan and to address the 2022/23 forecast overspend arising as a result of cost and demand pressures in the Children &amp; Young People Directorate.</p> <p>The council's general fund balance is expected to be maintained at £9.6m at 31 March 2023 which represents 5.4% of net expenditure in 2022/23. This is in line with our reserve policy which requires a minimum level of between 3 and 5% of net revenue</p>

	<p>budget and this level is informed by CIPFA recommended practices. This balance is above average when compared with other unitary authorities.</p> <p>An annual review of earmarked reserve balances is undertaken by Cabinet. In addition, the reserve balances are reviewed as part of statutory work undertaken by external audit to assess the council's financial sustainability under the Value for Money (VFM) framework. No significant risks have been identified as part of this work.</p>
<b>Recommendation c)</b>	<b>A more robust reserves policy supporting the budget is developed for future years.</b>
<b>Executive response</b>	<p>The level of reserves and accompanying policy will be kept under review as part of routine in-year financial monitoring and forecasting to ensure that balances remain prudent and balance the need to support current and future challenges.</p> <p>Please also see the response to recommendation b) above.</p>
<b>Recommendation d)</b>	<b>Through transformation of service delivery, to seek and build the capacity and economies of scale by considering combining some services, both internal and contracted out – notably back office and maintenance of the public realm - with partners.</b>
<b>Executive response</b>	Agreed. As part of planned transformation activity in 2023/24, the council will maximise opportunities to deliver synergies through collaboration with strategic partners.
<b>Recommendation e)</b>	<b>Summary of consultation results to be published, in preparation for the Cabinet meeting, together with the changes made to the budget as a result of the feedback.</b>
<b>Executive response</b>	<p>The results of the local public and online consultations have been included at Appendix F and Appendix G respectively.</p> <p>The proposed 2023/24 budget reflects the combined results of the consultations in which the responses from residents showed support for key approaches to saving or generating additional revenue as well as specific proposals.</p> <p>Respondents supported “raising money in ways in which mean people who can afford it, pay more towards services” – the 2023/24 budget assumes a 4.99% increase in Council Tax to deliver additional income to support services.</p> <p>Respondents supported “continuing the 100% discount on Council Tax for people most in need” – Cabinet will recommend the continuation of the existing Council Tax Reduction Scheme for 2023/24 to Council to maintain the maximum level of discount to ensure that eligible households receive support as the impact of the cost of living crisis continues.</p> <p>Respondents supported “making more services available online” – planned transformation activity in 2023/24 across all Directorates will include a review of the council's online services to identify opportunities to improve the digital experience for customer and to generate efficiencies.</p> <p>Respondents supported “helping communities to help themselves by building community capacity to help reduce demand on the social care and health system” – the 2023/24 budget supports the strengthened community offer through Talk Community, enhances the council's edge of care off and prevention activity and includes a review of customer services and adult social care</p>

	<p>front door. Transformation activity will be focused upon integrated models of care to maximise the use of community based assets available.</p> <p>Where responses to specific proposals indicated support, these have been considered as part of the budget setting process. The results of public and online consultations reflected support to:</p> <ul style="list-style-type: none"> <li>• increase parking charges;</li> <li>• introduce fixed penalty notices;</li> <li>• reduce the services delivered within the public realm contract; and</li> <li>• review fees and charges to identify opportunities to increase income.</li> </ul> <p>Proposals to reflect this support are included in the Economy &amp; Environment Savings Proposals. The results indicate support to accelerate the disposal of assets; proposals to reflect this are included in the Corporate Savings Proposals.</p> <p>Where responses to specific proposals indicated a lack of support, for example Reductions to the Early Help Service, Directorate Savings Proposals do not include measures to reduce service delivery.</p>
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<b>Recommendation f)</b>	<b>That a narrative be provided, in preparation for the cabinet meeting, to justify the inflation figures used for the budget and the MTFS.</b>
<b>Executive response</b>	<p>The starting point for planning is the 2022/23 base budget as approved by Council in February 2022. A detailed review of demand and cost pressures is undertaken to determine the required budget to deliver services. In addition, work to identify savings and efficiencies is carried out to ensure a balanced budget is achieved. It should be noted that assumptions represent a reasonable and prudent estimate of the expected impact on council budgets and are supported by information available at the time the budget is prepared. As estimates they are subject to change and the impact of inflation will remain under review over the term of the MTFS and updated as required.</p> <p>Pay inflation at a rate of 5% has been assumed in the 2023/24 budget. The announcement of the pay award for 2022/23 at £1,925 per FTE resulted in a cost pressure in-year as this was higher than the 2% previously budgeted. For 2023/24, the 5% provision represents a prudent estimate of the likely award pending the outcome of the annual National Joint Council pay negotiations.</p> <p>Contractual price increases represent a significant cost pressure to the council and our contract management arrangements support a commitment to ensure that value for money is achieved in contract negotiations and reviews. The largest contributor to the inflationary pressures in 2023/24 relate to Adult Social Care and reflect the impact of forecast increases in the national living wage and consumer price index on the cost of services that are commissioned from external providers. Sector guidance provided by the Local Government Association reports expected increases in the cost of providing social care and this has been used to inform our assumptions in this area where increases are not specified in individual contracts.</p>

	Additional inflationary pressures in children’s social care, transport services, highways, waste and energy budgets have been identified as part of the budget setting process. Where appropriate, the pressures included in the 2023/24 budget are based on industry forecasts, advice from external experts and nationally published datasets to reflect the most recent indices including Retail Price Index (RPI), Consumer Price Index (CPI) and Average Weekly Earnings (AWE) as relevant to the category of expenditure. Where contracts specify the rate of inflation, this has been used to calculate the additional pressure for 2023/24.
<b>Recommendation g)</b>	<b>The committee recommend that cabinet set up a working group to consider where and how other local authorities are reversing the trend of reducing percentage allocations of budget to Economy and Environment priorities.</b>
<b>Executive response</b>	Cabinet will invite the Chair of the Scrutiny Management Board to add this to the relevant Scrutiny Committee work programme for 2023/24.

