

CYNGOR SIR CEREDIGION COUNTY COUNCIL

REPORT TO: Overview and Scrutiny Co-ordinating Committee

DATE: 02/02/23

TITLE: Report on the draft Budget for 2023/24

PURPOSE OF REPORT: To consider the draft 2023/24 Budget as considered by Cabinet on 24/01/23

REASON SCRUTINY HAVE REQUESTED THE INFORMATION: Scrutiny is an integral part of the budget setting process.

BACKGROUND:

The Overview and Scrutiny Co-ordinating Committee is asked to consider the Budget report presented to Cabinet on 24/01/23. Each of the 4 individual thematic Overview and Scrutiny Committees will have an opportunity to consider the impact on the Services within their remits when they meet on 09/02/23 and 10/02/23.

RECOMMENDATIONS:

1. To note Overview and Scrutiny Committees will consider the impact on Services within their individual remits on 09/02/23 and 10/02/23.
2. To consider the overall Budget position as shown in the Budget report in Enclosure A.
3. To consider any views the Committee wishes to make with regards the 4 options outlined in Recommendation 3a) to d) of the report, namely:
 - 3a) A 6.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £179.627m, which would provide a lower contribution towards Delegated Schools Budget Cost Pressures.
 - 3b) A 7.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £180.101m.
 - 3c) A 8.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £180.576m, to provide a higher contribution towards Delegated Schools Budget Cost Pressures.
 - 3d) An alternative option over and above Recommendations 3a) to 3c) to provide a specific increase for a specific purpose, provided that any option is considered during the Budget Scrutiny meetings and that the Section 151 officer is given sufficient time in advance to fully model the impact and to provide an opinion on its robustness.

REASON FOR RECOMMENDATIONS:

To assist with the preparation of a balanced budget and ensure appropriate scrutiny of the overall Budget being proposed.

Appendix: Enclosure A – 24/01/23 Draft Budget report for 2023/24
Corporate Lead Officer: Duncan Hall, CLO - Finance and Procurement
Date of Report: 24/01/23

Report to: Cabinet

Date of meeting: 24/01/23

Title: Report of the CLO – Finance and Procurement upon the 2023/24 Revenue Budget and the Multi-year Capital programme.

Purpose of the report: To consider the draft Revenue Budget Requirement for 2023/24, an updated Multi-year Capital programme and to make a draft recommendation on the proposed level of Council Tax for 2023/24.

For: Decision

Cabinet Portfolio: Cllr Bryan Davies - Leader of the Council
Cllr Gareth Davies - Cabinet Member: Finance & Procurement Services
All Cabinet Members

1. Executive Summary

The higher than expected Provisional settlement increase from WG for 23/24 of 8.1% (on a cash basis) is welcomed. This should ensure that for the 23/24 financial year, services to residents in Ceredigion can be protected as much as possible, whilst acknowledging this is still an extremely challenging Budget. Key points from this report are:

- The Cost pressures being faced by the Council total an unprecedented £22m, equivalent to a Ceredigion specific inflation factor of over 13%. This compares with general inflation running at 10.5% (December 2022 CPI figure). A budget shortfall of £12m therefore needs to be found from a combination of Budget Savings and Council Tax increase considerations.
- The areas where Cost pressures are being seen are generally not unique to Ceredigion. There are recurring themes similar to those referenced in the national press, which are affecting a range of public and private sector organisations, as well as individual household finances. They range from Energy to Fuel to higher than normal Staff Payawards to Contracts with inflation linked clauses. There is also a proposed increase from the Mid & West Wales Fire Authority on their levy, which is at a level not seen before. A 13% proposed increase in their Budget is leading in turn to a significant cost pressure, in relative terms, on the Council’s own budget.

- Demands on Social Care related budgets continue to increase, plus there is over £1.7m of funding within the Provisional Settlement (1.5% of the 8.1% increase) that needs to be passported to Externally Commissioned services in Ceredigion to ensure registered Social Care workers continue to be paid at least the Real Living Wage (which has risen from £9.90 to £10.90 per hour – a 10.1% increase).
- Despite operational challenges at times in some Services, Ceredigion County Council continues to deliver high quality services that meet external regulator satisfaction. The Council is assessed by Audit Wales as remaining financially stable, albeit recognising that financial challenges do lie ahead creating ongoing financial risks.
- The current 22/23 Band D Council Tax level in Ceredigion (for all components) is £1,777.27 which is in line with on the average Band D Council Tax in Wales at £1,777.18. Average Council Tax levels in Wales are also considerably lower than the equivalent average for English Unitary Authorities of £2,034 for 22/23. The County Council element of the current 22/23 Band D Council Tax is currently £1,447.90.
- The Leader and the Cabinet are, as all Councillors are, acutely aware of the impact that the Cost of Living is having on household personal finances. It is proposed that Council Tax increases for 23/24 are kept below the current rate of inflation and limited to no more than an additional £10.02 per month for the County Council element.
- The Leader and the Cabinet are therefore recommending that a draft proposed Council Tax increase in the range of 6.3% to 8.3% is put forward for further scrutiny (alongside all other aspects of this report) by the Budget Overview & Scrutiny Committees in early February. This range includes a 1.3% element in relation to the proposed Fire Authority levy increase.
- The Leader and the Cabinet's preferred option in this range is a 7.3% proposed Council Tax increase, which includes a 1.3% element in relation to the proposed Fire Authority levy increase and which equates to an additional £8.81 per month for the County Council element.
- Challenging and difficult times continue to lie ahead - with an indicative WG Settlement average increase for 24/25 of only +3.1%. The extent of the challenge will be focussed on as part of presenting an updated Medium Term Financial Strategy in due course.

2. Provisional Local Government Finance Settlement

The 23/24 Provisional Local Government Finance settlement was published by WG on 14/12/22. Appendix 1 contains the Minister's covering letter to the Settlement. Full details of the Settlement can be found at:

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

[Setliad refeniw a chyfalaf llywodraeth leol: dros dro 2023 i 2024 | LLYW.CYMRU](#)

The following section outlines the key outcomes for Ceredigion from the 23/24 Provisional Settlement:

a) Revenue Funding

The Aggregate External Finance (AEF) allocated to Ceredigion is £129.050m for 2023/24 compared with £119.419m for 2022/23. **This is a cash increase of £9.6m (8.1%) with Ceredigion ranked 9th.** Appendix 2 shows the like for like increases for all Welsh authorities which range from 6.5% (Blaenau Gwent) to 9.3% (Monmouthshire) with an average increase of 7.9%.

There are no grant / funding transfers into the 23/24 Provisional Settlement, however the Ministers covering letter references the following transfer proposed for the 23/24 Final Settlement:

'.....the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement'.

Following dialogue with Mid & West Wales Fire Authority, the relevant sum for Ceredigion would be £143k and it equates to a 3.4% increase on the Fire levy. This sum is therefore built into the Budget workings and will need to be passported through to the Fire Levy budget heading to ensure this element remains cost neutral. It is disappointing that this change is being done late in the Budget process with no prior consultation.

Ceredigion's Settlement outcome reflects a range of factors, but the main driver is the overall level of additional funding that WG have put into the Settlement. Other pertinent factors to note relate to Population data changes which account for a £54k increase and Pupil Numbers data changes which account for a £70k decrease.

- The gain on Population could have been higher (c£350k) as the 2021 Census recorded the Ceredigion population as 71,468, whereas the population dataset used for the 23/24 Settlement was a combined average of the 2021 Census population data and the 2018 based population projections for 2023 which is 71,188. In addition at least the previous 2 Settlements (21/22 & 22/23) have used understated population data.

- On Pupil numbers, Nursery & Primary numbers have declined by 2.7% to 4,951, whereas Secondary numbers (Yrs 7-11) have increased by 2.5% to 3,599. This reflects a national trend of increasing Secondary pupil numbers and decreasing Nursery & Primary pupil numbers, when comparing data used for 22/23 and 23/24 Settlements.

£70m across Wales was included in the Settlement for the continuation of WG's commitment to ensure registered Social Care Workers in Wales are paid at least the level of the Real Living Wage which is now rising to £10.90 per hour.

b) Capital Funding

General Capital funding has increased significantly across Wales from £150m to £180m. However, this increase was announced 12 months ago, so is already broadly reflected in the Council's existing Multi-Year Capital Programme.

The 23/24 General Capital allocation for Ceredigion is £5.860m (22/23 was £4.891m), split into Supported Borrowing of £2.891m and General Capital Grant of £2.969m. Capital funding levels have still though never returned to the pre-austerity heights of £7m in 2008/09.

On top of this there is going to be an additional £20m of funding available across Wales for 23/24 and 24/25 for Decarbonisation, as part of the net zero 2030 target. Further details of how to bid and access this fund are still awaited.

On top of the core unhypothecated Revenue and Capital WG Settlement funding, there will be specific WG grants that get announced at different points in time and each will come with their own individual grant offer with specific terms and conditions. There is now a WG consultation period of 7 weeks following the Provisional Settlement announcement which closes on 02/02/23. A formal response has been prepared on behalf of the Leader and Cabinet and this will be shared with all Members in due course.

3. Budget Considerations

The Budget model is predicated on the level of available external funding, the level of Cost pressures that Services are facing, with the resulting shortfall needing to be met by a combination of Budget Savings and Council Tax increase considerations.

a) Funding Available

The WG Settlement cash increase of £9.6m forms the largest component.

It is also important to note that in setting the 22/23 Budget, the originally proposed Council Tax increase of around 5% was reduced to 2.5%, following an extremely late announcement of one-off funding from WG. Whilst that approach was appropriate at the time, the funding was only one-off and not recurring, so this element needed to be replaced on an ongoing base budget basis.

The Q1 Financial monitoring report to Cabinet on 06/09/22 tackled this and approved that the original use of £1m WG one-off funding be replaced with a £700k improved Council Tax collection rate assumption, combined with an £300k increase in the Treasury Management Investment Income target. For 23/24, the £700k Council Tax collection rate element now forms part of the Council Tax Base calculation. In overall net terms for 23/24 there is also a £300k gain from the Tax base calculation after allowing for the £700k movement.

b) Cost Pressures

Detailed iterative work has been carried out to identify and assess the unavoidable cost pressures faced by all Services, plus the aspects considered as Corporate items. This work has identified c£22m of Cost pressures, which equates to 13.4% of the 22/23 Budget. This level of Cost Pressure is extraordinary and exceeds the £13m seen in the 22/23 budget. Prior to COVID and the current high levels of inflation in the UK economy, cost pressures were typically around £8m and c.6% of net budget.

Cost pressures being faced can be summarised as follows, with further supporting detail shown in Appendix 3:

| | <u>£'000</u> | |
|--|---------------------|-----|
| <u>Employee Costs related</u> | | |
| 22/23 Payawards Shortfall v Base Budget Provision | 3,058 | |
| 23/24 Assumed Payaward Costs | 6,249 | |
| Less 1.25% Employers National Increase reversal | (718) | |
| Other Employee Costs | 46 | |
| | 8,635 | 39% |
| <u>Premises & Transport Costs related</u> | | |
| Energy Inflation | 1,442 | |
| Transport Related Inflation | 1,266 | |
| Less NNDR April 2023 Revaluations impact | (43) | |
| | 2,665 | 12% |
| <u>Other Social Care related</u> | | |
| Provision for Externally Commissioned Services uplifts (including Real Living Wage increase) | 2,542 | |
| Year 2 Pump Priming Investment in TAW model | 224 | |
| Increased Service demands | 3,039 | |
| Out of County Placements / In county Provision | 2,183 | |
| | 7,988 | 36% |
| <u>Other Items</u> | | |
| Other Contract related inflation | 717 | 3% |
| Loss of Income and/or Grant Funding | 551 | 2% |
| Corporate Items | 1,721 | 8% |
| Total Cost Pressures | 22,277 | |

The table together with the detail shown Appendix 3 shows:

- Employee related costs are a considerable factor at just under 40% of the total Cost pressures.

This is in part due to the national Payawards agreed for 22/23 which significantly exceeded Base Budget provision (Awards were 5% for Teachers and a decreasing sliding scale for general Council staff, ranging between 10.5% for the lowest earners to 1.45% at the highest end (with an average impact of c7.5%) and in part due to provision being made for estimated national Payawards for 23/24 (which are as yet not determined).

The Council does not set Employee Payawards, nor does it take part in Payaward negotiations, this is done by Welsh Government for Teachers Pay and by the UK Local Government Employers body for general Council staff.

- Social Care cost pressures remain considerable at 36% of total Cost Pressures. However £2.5m of this relates to funding for commissioned services, with a large element (£1.7m) covering the WG commitment for Registered Social Care workers to be paid the Real Living Wage which has risen from £9.90 to £10.90 per hour (10.1% increase). This needs to be passported to private sector providers in Ceredigion and is resulting in provisional inflation uplifts of 8.16% for Domiciliary Care & Supported Living, 8.37% for Residential Care and 9.08% for Direct Payments.

Cost pressures are also being seen on Independent Fostering Agency costs and Placements costs within the areas of Learning Disabilities, Older Persons and Mental Health. Whilst there has also been a considerable increase in Out of County Child placement costs (low number but high individual cost), the new strategy of creating in county provision will produce savings but this will come to fruition over the medium term.

- Premises and Transport inflation accounts for 12% of total Cost Pressures and this contains items that are affected in a similar way to the effects being seen on individual household finances – namely Fuel and Energy. These are key cost elements for essential statutory services such as Waste Collection, Home to School transport, Schools and Care Homes.
- Across all the headings - Delegated Schools Budget related cost pressures total £4.8m (equating to c10.8% of the £44.7m Delegated Schools budget). This mainly consists of Teacher Payawards, Energy Costs and general staff Payawards.

- Within the Corporate Items, the main components are Capital Programme Financing costs for the WG Supported Borrowing (£200k), the cost of the Council Tax Reduction Scheme (£460k), a central provision for Energy & Pay award inflation type risks (£400k) and a proposed increase in the Fire levy (£519k).

The Fire levy is still subject to formal confirmation following the Fire Authority meeting on 06/02/23, but a 13% Fire Authority Budget increase is being proposed and has been supported as the preferred budget option. The resulting £519k financial impact on the Council equates to a 1.3% Band D Council Tax increase. Apart from the fact that Ceredigion has 2 Councillors nominated on the Fire Authority, there is very little the Council can do about this cost pressure because the Fire Authority are a levying body not a precepting body unlike the Police Authority.

It would not be right to force Council services to make savings to offset the magnitude of this proposed increase. It is therefore proposed that Members consider treating this cost pressure as a stand-alone item as part of the Budget and Council Tax deliberations.

The Cost Pressures are also summarised by type and by CLO in Appendix 4.

c) **Budget Shortfall**

The resulting shortfall between Funding Available and Cost Pressures is therefore just over £12m:

| | |
|--|---------------------|
| | <u>£'000</u> |
| <u>Cost Pressures</u> | |
| Service Cost Pressures | 20,556 |
| Corporate Cost Pressures | 1,721 |
| | 22,277 |
| <u>Less Funding Available</u> | |
| Increased Funding from WG AEF | 9,629 |
| Net Increase resulting from Tax base calculation | 300 |
| | 9,929 |
| Initial Budget Shortfall | 12,348 |

d) **Budget Savings**

One of the initial guiding principles from the new political administration was (as far as possible) to avoid cuts in Service provision, to minimise Redundancies and to not go down a salami slicing savings route and to continue to take a corporate and transformational approach to medium term savings.

Given the scale of the financial challenge there is a limit to how far all aspects of this approach can be achieved in full and on Delegated School Budgets proactive decisions will be needed by individual Schools as their level of School Balances and available grant funding declines.

Leadership Group have therefore challenged and refreshed a draft Medium Term Financial Savings plan, with the aim of achieving up to £10m of savings for 23/24 and putting plans in place for programmes that extend into future years as well. Approaches taken include an initial set of workstreams under the banner of 'Doing things Differently: A Corporate approach', as well as a review of certain Corporate budget headings and the outcome of the latest Dyfed Pension Fund Triennial results.

Given that these items in the main aren't focussed on individual Delegated Schools Budgets, the final component of the proposed Savings is to ask Schools to find an element of the overall level of Savings required. This is partly a reflection of the current elevated level of School Balances at £8.3m (although these are projected to potentially fall by just over 50% by 31/03/23) and is partly a picture generally being seen nationally as the level of WG funding received is not sufficient. It is therefore not possible to fully fund all £4.8m of the Schools Cost pressures without an increase in Council Tax of c12% or further savings of c£2.1m being found from other Services. Prior to the WG Provisional settlement, Schools were given financial scenarios of either flat budgets or a 3% funding increase.

Limiting the increase to Delegated Schools Budgets to 5.8% would still mean that Teachers Payawards for 22/23 (known) and 23/24 (estimated) and Energy cost pressures are funded in full, together with a further contribution towards other cost pressures (which mainly stem from other Staff Payawards).

As a result, the following estimated Budget savings are being proposed:

| | <u>£'000</u> |
|--|---------------------|
| <u>Doing things Differently: A Corporate approach</u> | |
| Treasury Management Investment Income | 1,000 |
| Corporate Assets review - Usage, Income generation | 250 |
| Energy Schemes Investment | 125 |
| New Approach to Fostering opportunities | 50 |
| Learner Transport review | 400 |
| Strategic Review of Primary Schools | 100 |
| Car Parking Income | 400 |
| General Fees & Charges Income | 250 |
| Review use of Capital Programme funding | 500 |
| | 3,075 |
| <u>Review of Corporate Budget Headings</u> | |
| Delete Contribution to Boosting the Economy Reserve | 2,440 |
| Delete Corporate COVID budget | 500 |
| | 2,940 |
| Reduction in Dyfed Pension Fund Employers Contribution rate | 782 |
| Limit the increase in Delegated Schools budgets to 5.8% | 2,065 |
| Total Budget Savings proposed | 8,862 |

Workstreams will naturally proceed at different speeds of delivery. Should some areas overachieve then those savings will be fully banked, which would then either provide an in-year buffer should any areas underachieve or in a best-case scenario provide savings in advance of need for 2024/25.

e) Council Tax Increase Considerations

The position resulting from paragraphs a) to d) above can be summarised as follows:

| | |
|--|---------------------|
| | <u>£'000</u> |
| Total Cost Pressures | 22,277 |
| Less Funding Available | -9,929 |
| Initial Budget shortfall | 12,348 |
| Less Budget Savings proposed | -8,862 |
| Shortfall prior to Council Tax considerations | 3,486 |

A c£3.5m shortfall would equate to a Band D Council Tax increase of 7.3%, noting that the proposed 13% Fire Authority Budget increase would equate to 1.3% of this. At this level, the balance of funding split between WG and Ceredigion Taxpayers would be 72% versus 28%, which remains substantially below the 80:20 split seen over a decade ago.

The costs of the Council Tax Reduction Scheme and the Council Tax 2nd Homes premium are variable factors which change relative to different levels of Council Tax increase. Therefore, if other scenarios different to 7.3% are considered, these Cost pressure items are also subject to change. In broad terms each 0.25% change in Council Tax equates to a net benefit of c.£100k. I.e. a 1% Council Tax change generates c.£400k, after those variable considerations and adds a monthly cost of £1.21 to the Band D Council Tax level.

If Members were minded to provide a different level of funding with regards to Delegated Schools budgets (noting that the Schools estimated Cost pressures are in the order of 10.8%), the following scenarios could be considered:

| <u>Level of Council Tax Increase</u> | <u>Approx. Delegated Schools Budget Increase *</u> | <u>Resulting Band D Council Tax (Ceredigion only element)</u> | <u>Annual Increase compared to 2022/23</u> | <u>Equivalent Monthly Increase</u> | <u>Equivalent Weekly Increase</u> |
|--------------------------------------|--|---|--|------------------------------------|-----------------------------------|
| 2022/23 | | £1,447.90 | | | |
| +6.3% | 4.9% | £1,539.12 | £91.22 | £7.60 | £1.75 |
| +7.3% | 5.8% | £1,553.60 | £105.70 | £8.81 | £2.03 |
| +8.3% | 6.7% | £1,568.08 | £120.18 | £10.02 | £2.31 |

* Note that the Delegated Schools Budget increases shown are the approximate average increase in the overall Delegated Schools Budget total and that at an individual school level the respective increases will be driven by for example PLASC pupil numbers etc, so each individual school's position will be unique to them.

The Band D Council tax set for the Ceredigion element of the Council tax in 2022/23 was £1,447.90, rising to £1,777.27 once the Police and average Town & Community Council precept elements are included. The average Welsh Band D Council Tax bill for 22/23 was £1,777.18 and the average Band D Council Tax level for an English Unitary Authority was £2,034 for 22/23.

4. **Budget Requirement**

As a result of the detailed draft Budget considerations, the current 22/23 Budget Requirement of £165.843m would increase under the different scenarios as follows:

| <u>Level of Council Tax Increase</u> | <u>Budget Requirement £'000</u> | <u>Resulting Band D Council Tax (Ceredigion element)</u> |
|--------------------------------------|---------------------------------|--|
| +6.3% | 179,627 | £1,539.12 |
| +7.3% | 180,101 | £1,553.60 |
| +8.3% | 180,576 | £1,568.08 |

The detailed Budget requirement calculation for the 7.3% scenario is shown in Appendix 5. As this Budget proposal is based on the 23/24 Provisional settlement, it is to subject to any adjustments that may need to be included once the WG Final Settlement is issued. Therefore, any necessary adjustments would need to be made in accordance with the following:

- the value of any specific grants transferred into RSG will be passported through to the relevant Service's budget (e.g. £143k Fire Authority related Pension grant to the Fire levy budget)
- any other specific changes to be directly targeted to the affected Service(s), if appropriate
- any other change to the AEF will be dealt with by an adjustment to the Leadership Group budget.

The overall Budget considerations would translate into draft proposed allocations to Services as summarised below (subject to the final Full Council decisions on the Budget and Council Tax levels on 02/03/23). A further analysis of the changes from 2022/23 to draft 2023/24 Controllable Budget totals is shown in Appendix 6.

Budget Totals Movements by Service (based on 7.3% Council Tax scenario)

| | 2022/23 Latest Controllable Budget Totals £'000 | 2023/24 Draft Controllable Budget Totals £'000 | <i>Change compared to 2022/23 Latest Budget %</i> |
|---|--|---|---|
| Customer Contact | 6,150 | 6,431 | 4.6% |
| Democratic Services | 4,628 | 4,977 | 7.5% |
| Economy & Regeneration | 3,637 | 3,984 | 9.5% |
| Finance & Procurement | 18,800 | 18,900 | 0.5% |
| Highways & Environmental Services | 18,078 | 19,431 | 7.5% |
| Legal & Governance | 1,566 | 1,649 | 5.3% |
| People & Organisation | 2,161 | 2,321 | 7.4% |
| Policy, Performance & Public Protection | 2,340 | 2,468 | 5.5% |
| Porth Cymorth Cynnar | 4,355 | 5,160 | 18.5% |
| Porth Cynnal | 28,602 | 33,870 | 18.4% |
| Porth Gofal | 13,603 | 16,256 | 19.5% |
| Schools & Culture | 50,887 | 54,576 | 7.2% |
| Leadership Group | 6,981 | 4,596 | -34.2% |
| Levies, C/Tax Premium & Reserves | 4,055 | 5,482 | 35.2% |
| TOTAL | 165,843 | 180,101 | 8.6% |

5. Budget Risks

A Budget Risks paper, updated for relevant changes, is attached at Appendix 7. It identifies the main risks for the Budget together with appropriate comments and controls applied to minimise each risk.

6. Multi-Year Capital Programme

An updated Multi-year Capital programme is attached (Appendix 8) together with the Capital Strategy (Appendix 9).

The updated Capital Programme proposed for 2022/23 is £35.2m and for 2023/24 is £60.1m. The proposed Capital programme totals £129.8m over the period 2022/23 to 2025/26. At this stage prior to the start of the new financial year, many specific grants are yet to be announced. These will therefore be added to the Capital programme as and when grant offer letters are received and accepted. In some cases this may also require an element of match funding, for which some provision is already made in the Programme.

As Members will be aware there has been a review of the reporting arrangements and structure of the Development Group, which is the strategic forum to consider and focus on future long-term investment to deliver and underpin the delivery of the Council's 2022-2027 Corporate Strategy and associated Corporate Priorities.

A re-invigorated approach will provide a more strategic long-term vision and plan for the Council's assets. This will include moving to a more thematic programme orientated approach to Asset Management Planning, and less of a project by project approach, as well as a much longer term planning horizon.

With the new arrangements only just starting to come into being, the latest iteration of the multi-year Capital Programme has by default an element of a holding position to it. Moving forwards, it's anticipated there will be far more demand and prioritisation needed to deliver the 2022-2027 Corporate Strategy. For example there are competing demands stemming from Building Condition Surveys, Fleet Replacement requirements, Highways Asset Management Plans, Economic investment, Carbon Net Zero investment and Schemes that will deliver Revenue Budget savings e.g. Energy Efficiency. These are just some examples, there will be other areas.

The Capital Programme is likely to evolve quite substantially in time, which will include essential deliberations around Asset rationalisation. The following therefore reflects the key changes in this latest proposed iteration of the Capital Programme:

- There are minimal changes to the latest 2022/23 Capital Programme, compared with the recent in year report to Cabinet alongside the Q2 Financial monitoring report.
- The 2023/24 Council funded elements of the programme are in the main generally recurring schemes, with the main additions being provision for investment in schemes to reduce Energy costs and a higher Fleet Replacement budget. The significant grant funded schemes are the Band B 21st Century Schools Programme and the Coastal Defence Schemes funded by WG.
- Preparatory works regarding the Coastal Defence Schemes at Aberaeron and Aberystwyth are progressing. The associated cost estimates in the Capital Programme are still provisional, with funding approvals still awaited from WG and final tender prices still to be determined. There is therefore a risk that final estimates could well increase further. The funding from the Council (no more than 15% of scheme costs) will come from the Promoting Environmental & Community Resilience Reserve. Provisional Expenditures estimates has been profiled over the following financial years 2022/23, 2023/24 and 2024/25.
- The Growing Mid Wales programme will have specific schemes to add into the Capital programme once they are at Full Business Case approval stage and the agreed Growing Mid Wales growth deal funding has been formalised into grant offer letters.

- A short review has been undertaken to maximise the appropriate use of the Capital Programme. The proposed outcome is that all ICT equipment will now be capitalised and that there will be a renewed focus on Highways Improvements where expenditure will significantly enhance the life and value of Highways related assets. Therefore, there are proposed increased capital allocations in these areas, part funded by a revenue contribution.
- The Council has been successful in receiving Levelling Up grant approval for £10.8m from the UK Government that involves the delivery of schemes across 2021/22 through to 2024/25. In addition, in December 2022 the Council been awarded Shared Prosperity Funding which includes a regional capital component of £7.2m over the period 2022/23 to 2024/25. Of this £2.5m relates to Ceredigion and £4.7m to Powys. The Council is the lead accountable body for this funding, so will receive all the funding but then make grant funding payments to Powys County Council for their aspects, with the arrangements being underpinned by legal agreement.

The Multi-year Capital Programme and Capital Strategy is therefore now presented for approval and recommendation to Full Council, as part of the Budget process.

7. **Financial Resilience**

The Council's financial resilience and sustainability is robust, supported by a balance sheet which remains strong. The Council's approach and track record is underpinned by a consistently sound approach to financial management, supported by an experienced professional Finance team.

The Leadership Group, led by the Chief Executive, operate in a corporate strategic manner and have collectively worked hard, together with the Leader and Cabinet Members, to face the financial challenges head on and to produce these draft Budget proposals. As the Q1 and Q2 Financial Monitoring reports to Cabinet this year have shown, financial management in the current climate is very challenging.

Audit Wales review and challenge the Council's financial position on a regular basis. Their latest assessment published in December 2022 concluded that:

'The Council is financially stable, helped recently by additional Welsh Government funding. However, delivering sustainable planned future savings in an increasingly challenging financial climate is an ongoing significant financial risk'.

It is recognised that the level of cash backed balances on the balance sheet has reached its peak and will start declining as a planned use of certain reserves occurs (e.g. Use of the Cost & Inflationary Pressures reserve, School use of their Delegated School Balances, Use of Social Care Placements Equalisation reserve). This is and will continue to be done in a managed and controlled manner. This is extremely important, not only for financial stability, but also due to the £1.0m assumed Budget Savings relating to Treasury Management.

If significant use of reserves was employed as a Budget strategy this would jeopardise the achievement of this item and would run contrary to previous Audit Wales views on this issue. In addition, the Council has maintained an ‘internal’ level of borrowing, whereby external borrowing has been minimised and if this were to be unwound then there would be a considerable cost implication to this.

The Budget has always been set so that no base budget demand is made from General Balances, other than for funding highly exceptional one-off items should the need arise. The Council’s approved target is for General Balances to be maintained at between 3% and 5% of net expenditure.

The following table shows the current and forecasted position, with the reason for the declining percentage being driven by the higher than average proposed increase in the Council’s Budget Requirement:

| | 31/03/22 Actual | 31/03/23 Planned | 31/03/24 Planned |
|-------------------------------|----------------------------|-----------------------------|-----------------------------|
| General Balances - Amount | £6.7m | £6.7m | £6.7m |
| General Balances - Percentage | 4.1% | 3.7% | 3.7% |

8. Medium Term Financial Strategy

Managing the in year 22/23 financial position, as well as the 23/24 Budget process, has been challenging due to the current financial climate and the ever-changing economic landscape. This includes the impact of significant levels of inflation being seen in multiple areas and Services that are facing operational challenges due to post COVID impacts and some recruitment & retention issues. Medium Term financial challenges are further exacerbated when indicative future levels of funding don’t bear much resemblance to the subsequent outcomes that materialise.

Nevertheless the ‘Doing things Differently: A Corporate Approach’ work the Leadership Group is progressing on various workstreams (which have multi-year dimensions to them in most cases) currently provides early indications of potential savings of at least £2.1m for 24/25 and £1.9m for 25/26.

The Minister’s Written Statement accompanying the 23/24 Provisional Settlement states that:

‘The indicative Wales-level core revenue funding allocation for 2024-25 is £5.69bn – equating to an uplift of £169m (3.1%). This figure is indicative and dependent on both our current estimates of NDR income and any 2024-25 UK budgets.’

The Medium Term Financial Strategy is therefore in the process of being updated to reflect and provide further details on the workstreams, plus allowing more time to digest 2021 Census datasets, as well as using no higher than the 3.1% indicative level of WG Settlement funding for 24/25 as a funding proxy and considerations to be made around future Payaward estimates (which remain difficult to estimate).

It is therefore intended to table the updated Medium Term Financial Strategy as a separate report in due course, to allow a more considered and focussed approach, given that further difficult decisions will lie ahead beyond 23/24. It is likely that work on the 24/25 Budget will also need to start much sooner than normal.

9. Conclusions and Opinion of the Section 151 Officer

The WG Final settlement is expected to be published on 28/02/23, the same day as the WG Final Budget. This hardly allows any time before the Full Council meeting on 02/03/23 where all Members will meet to consider and make final decisions on the Net Budget and the level of Council Tax. The proposed transfer into the Final Settlement of the Fire Pensions grant is therefore being included in the draft Budget Requirement figures being presented at this stage.

After considering all aspects, a balanced budget can be achieved within the tolerances of the scenarios contained within the report and taking account of the overall level of Funding available and the Budget savings proposed. I would like to thank all members of the Leadership Group, their managers and staff for the work that's been done on the budget up to this point, as well as the Leader, Cabinet Member for Finance & Procurement and all Cabinet Members for their constructive direction, input and contributions. There remains a lot of work still to do and the delivery of the Budget Savings will in many cases be ongoing workstreams.

Even though the 23/24 Budget process is challenging enough in itself, the outlook for the future remains bleak and therefore a refocussed Medium Term Financial Strategy will be essential to continue the Council's track record of sound financial management, continuous improvement and achieving balanced budgets. This will require further Budget savings and efficiencies to continue to be progressed and delivered.

Taking all the matters contained in this report into account, as Section 151 officer, I am therefore able to confirm that the proposed budget has been prepared in a robust manner. It is subject to the delivery of Budget Savings and these will be actively monitored during the course of the year through the usual financial management arrangements. This includes Latest in year Budgets being updated on a regular basis, regular Financial Monitoring reports to Cabinet, exception reporting as required and Budget-Holders taking corrective action at an early enough stage in the year if unforeseen issues do arise. I am also able to confirm that the current Capital plans and Capital Strategy are prudent and affordable and that the overall risk on these aspects is considered low.

A final proposed Budget Requirement and Council Tax recommendation to Full Council will be made following the Budget Scrutiny process and at the Cabinet meeting to be held on the 14/02/23.

Wellbeing of Future Generations: Has an Integrated Impact Assessment been completed? If, not, please state why:

The Overview and Scrutiny Committees will consider the Long term, Integration, Involvement and Prevention issues arising from the detailed budget proposals.

Recommendations:

1. To note that the proposed increase in the Mid & West Wales Fire Authority levy (their 13% Budget option) means a £519k cost pressure on the Council's 23/24 Budget, which is the equivalent of a 1.3% Band D Council Tax increase for Ceredigion residents.
2. To approve a preferred option for the draft 23/24 Budget Requirement of £180.101m, which would represent a proposed Band D Council Tax increase for County Council purposes of 7.3% (including 1.3% in relation to the proposed Fire Authority Levy increase).
3. To recommend that the Budget Overview and Scrutiny Committees consider the following options for the 23/24 Budget Requirement and resulting Council Tax increase for County Council purposes of:
 - a) A 6.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £179.627m, which would provide a lower contribution towards Delegated Schools Budget Cost Pressures.
 - b) A 7.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £180.101m.
 - c) A 8.3% Council Tax increase (including 1.3% in relation to the proposed Fire Authority Levy increase) and a 23/24 Budget requirement of £180.576m, to provide a higher contribution towards Delegated Schools Budget Cost Pressures.
 - d) An alternative option over and above Recommendations 3a) to 3c) to provide a specific increase for a specific purpose, provided that any option is considered during the Budget Scrutiny meetings and that the Section 151 officer is given sufficient time in advance to fully model the impact and to provide an opinion on its robustness.

4. When the 23/24 Final settlement is issued that:
 - a) The value of any further specific grants transferred into RSG will be passported through to the relevant Service's budget, including the £143k Fire Authority Pensions Grant to the Fire Levy budget.
 - b) Any other specific changes should be directly targeted to the affected Service(s), as and where appropriate.
 - c) Any other change to the AEF will be dealt with by an adjustment to the Leadership Group budget.
5. To note that a report on the updated Medium Term Financial Strategy will be considered as a separate future item and that it will reflect an indicative 24/25 Settlement increase of no more than 3.1%.
6. To approve the Multi-Year Capital Programme as set out in Appendix 8 and recommend this to Full Council for approval.
7. To approve the Capital Strategy as set out in Appendix 9 and recommend this to Full Council for approval.
8. To refer this Cabinet report for the views of the Budget Overview and Scrutiny Committees who are due to meet on 02/02/23, 09/02/23 and 10/02/23. These committees will also receive information on Fees & Charges proposals.
9. To note that the final decisions on the 23/24 Budget Requirement and the level of Council Tax increase for 23/24 will be made by Full Council on 02/03/23.

Reasons for decision:

To enable the 2023/24 Budget preparation.

Overview and Scrutiny:

The Budget Proposals will be considered by the Coordinating Overview and Scrutiny Committee on 02/02/23 and by the individual Overview and Scrutiny Committees on 09/02/23 and 10/02/23.

Corporate Priorities:

The Budget supports all aspects of the 2022-2027 Corporate Strategy.

| | |
|--------------------------------|--|
| Financial implications: | Part of the budget setting process. |
| Statutory Powers: | Local Government Finance Act 1972. |
| Background Papers: | <ul style="list-style-type: none"> • Local government revenue and capital settlement: provisional 2023 to 2024 GOV.WALES / Setliad referniw a chyfalaf llywodraeth leol: dros dro 2023 i 2024 LLYW.CYMRU • Council Tax base setting report to Cabinet – 06/12/22 |
| Appendices: | <ul style="list-style-type: none"> Appendix 1 - Minister's Provisional Settlement Letter Appendix 2 - Settlement info for all Councils Appendix 3 - Budget Cost Pressures Detail Appendix 4 - Budget Cost Pressures by CLO Appendix 5 - Budget Requirement Summary Appendix 6 - Budget Movements 22/23 to 23/24 Appendix 7 - Budget Risks Appendix 8 - Multi-Year Capital Programme Appendix 9 - Capital Strategy |
| Corporate Lead Officer | Duncan Hall Corporate Lead Officer – Finance & Procurement |
| Reporting Officers: | Duncan Hall and Justin Davies |
| Date: | 13/01/23 |

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/RE/3705/22

To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance, County and County Borough Councils in Wales
Chief Executive and Director of Finance, Welsh Local Government Association

14 December 2022

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2023-24 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information.

As you know the funding announced in the Chancellor's autumn statement was not sufficient to protect public service budgets against the immense challenges caused by record inflation. While there was some additional funding for Wales in the Autumn Statement – £1.2bn over two years – almost half of this came from decisions made about non-domestic rates policy in England. This will not fill the big gaps in Wales' settlement over the three-year spending review period (2022-23 to 2024-25).

As in recent years, this Government's priorities continue to be health and local government services. My announcement outlines my intention to set local government core revenue funding for 2023-24 at £5.5 billion. This means, after adjusting for transfers, overall core funding for local government in 2023-24 will increase by 7.9% on a like-for-like basis compared to the current year. No authority will receive less than a 6.5% increase.

The indicative Wales-level core revenue funding allocation for 2024-25 has also increased as the additional funding for the revenue support grant in 2023-24 is baselined, the impact of the multiplier freeze continues for the second year as does the transitional rates relief (although this is at a reduced rate in 2024-25). The AEF for 2024-25 is £5.69 billion equating to an uplift of £169 million. This figure is indicative and dependent on our current estimate of NDR income.

In making decisions about the level of funding for local government I have responded to the need to support key front-line services. In particular I have included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to local government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023-24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.

I know local government has been facing significant pressures and has sought to recognise the impact of inflation on the living standards of those who work in local government as well as the broader community. I hope that this increased Settlement enables you to continue to deliver the services your communities need as well as supporting national and local ambitions for the future.

Alongside the Settlement we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

In line with our focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2023-24 and are again providing £244 million for CTRS in the Settlement in recognition of this.

The current economic context, including high inflation, is placing significant pressure on businesses and other ratepayers in Wales. Those pressures are also being felt by the public services we all rely on, and which are themselves reliant on the revenue raised through local taxes. To support all ratepayers during this period I am providing a package of non-domestic rates support worth more than £460m over the next two financial years. I am maintaining the approach taken in previous years and freezing the non-domestic rates multiplier for 2023-24. This ensures there will again be no inflationary increase in the amount of rates businesses and other ratepayers are paying.

I am also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the UK-wide revaluation exercise, which takes effect on 1 April 2023.

Finally, the NDR support package also provides over £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24, capped at £110,000 per business across Wales. Our approach means that businesses in Wales will receive comparable support to that provided in other parts of the UK.

Given the increase in this Settlement, I am not proposing to include a floor this year and have allocated all the available funding in this Settlement.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Tuesday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future, with our overall capital budget 8.1% lower in real terms than the current year.

Following the review of our capital budgets, general capital funding for local government for 2023-24 will remain as indicated in the final 2022-23 budget at £180 million, an increase of £30m over the current year. This will continue for 2024-25.

Even as we meet the challenges posed by inflation, and respond to humanitarian needs arising from conflict, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation. I have not considered hypothecating revenue funding to support authorities' response to climate change recognising that all our decisions must consider how to reduce our ongoing emissions and to allow authorities maximum flexibility to do so and to manage their budgets.

The draft *Local Government Finance Report* and additional tables containing details of the Settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising RSG and redistributed NDR. We are also providing information on revenue and capital grants which are planned for 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in mid-December has enabled us to draw on the latest tax-base figures for 2023-24, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement. There is one change planned for final budget which I should draw to your attention and that is the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement. Your officers will wish to ensure that they consider this with each appropriate FRA during the usual discussions on funding.

This Settlement provides you with a stable platform for planning your budgets for the forthcoming financial year and beyond.

I and my colleagues have engaged closely with local government in the lead up to this Settlement. While this is a relatively good Settlement, building on improved allocations in recent years, I recognise that the rates of inflation we have experienced over the last few months and the forecasts from the OBR of continuing significant levels of inflation means that you will still need to make difficult decisions in setting your budgets and it is important you engage meaningfully with your local communities as you consider your priorities for the forthcoming year.

The setting of budgets, and in turn council tax, is of course the responsibility of each authority. You will need to take account of the full range of funding sources available to you, as well as the pressures you face, in setting your budgets for the coming year.

I will continue to engage closely with local government through the WLGA.

My announcement today launches a 7-week period of formal consultation on the Settlement for 2023-24. I would be grateful if you could ensure your response arrives no later than **Thursday, 2 February 2023**. All responses to this consultation should be sent to:

Tim Evans: LGFPSettlement@gov.wales

Comments are invited about the effects (whether positive or adverse) the proposed Settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed Settlement could be formulated or revised to have positive effects, or decrease adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

Authorities also need to take account of their duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2022-23.

Yours sincerely

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a clear first name and a last name.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

APPENDIX 2

All Wales Provisional Settlement information

| Unitary Authority | 2023-24 Provisional Aggregate External Finance £'000 | Change from 2022/23 (On a like for like basis) | Rank |
|----------------------------------|---|---|-------------|
| Monmouthshire | 122,490 | 9.3% | 1 |
| Cardiff | 592,891 | 9.0% | 2 |
| The Vale of Glamorgan | 202,535 | 8.9% | 3 |
| Newport | 289,211 | 8.9% | 4 |
| Powys | 228,388 | 8.7% | 5 |
| Carmarthenshire | 338,017 | 8.5% | 6 |
| Wrexham | 224,621 | 8.4% | 7 |
| Flintshire | 251,747 | 8.4% | 8 |
| Ceredigion | 129,050 | 8.2% | 9 |
| Denbighshire | 187,871 | 8.2% | 10 |
| Pembrokeshire | 212,415 | 7.9% | 11 |
| Isle of Anglesey | 123,555 | 7.9% | 12 |
| Bridgend | 249,895 | 7.7% | 13 |
| Swansea | 417,775 | 7.6% | 14 |
| Torfaen | 172,223 | 7.5% | 15 |
| Conwy | 198,413 | 7.3% | 16 |
| Neath Port Talbot | 276,397 | 7.1% | 17 |
| Merthyr Tydfil | 118,497 | 7.0% | 18 |
| Gwynedd | 227,843 | 7.0% | 19 |
| Caerphilly | 339,610 | 6.9% | 20 |
| Rhondda Cynon Taf | 470,847 | 6.6% | 21 |
| Blaenau Gwent | 139,597 | 6.5% | 22 |
| Total unitary authorities | 5,513,888 | 7.9% | |
| Min | | 6.5% | |
| Max | | 9.3% | |
| Median | | 7.9% | |
| Average | | 7.9% | |

2023/24 Budget: Cost Pressures

| Cost Pressure Details | Service | TOTAL £'000 | Additional comments |
|---|---------|----------------|--|
| 1. Cost Pressures common to All / Most Services | | | |
| 22/23 Pay Awards versus 22/23 Budget Provision - Base realignment | | 3,058 | To ensure the base budget has full provision for the approved 22/23 Payawards |
| APT&C Estimated 23/24 Pay Award Provision | | 4,470 | Latest working assumption is a flat payaward at £1,600 per SCP to ensure the lowest SCP is £1 higher than the expected National Minimum Wage of £10.42. This equates to an average impact of 6.3%, but this would vary for each SCP from 7.9% to 1.5%. |
| Teachers Pay Award (inc Soulbury) - Sept 22 (Full year effect) | | 445 | Full year effect of Sept 2022 5% Payaward (i.e. remaining 5/12s) |
| Teachers Pay Award (inc Soulbury) - Sept 23 (Part year effect) | | 1,334 | Sept 2023 Teachers Payaward assumed at 3.5% as per Pay Review Body report |
| Reversal of 1.25% Employers National Insurance increase | | (718) | UK Government Policy reversal |
| Energy Inflation | | 1,442 | Full year impact of 01/10/22 to 30/09/23 Energy contract prices at current consumption levels. On Electricity - increases per kwh / standing charges equate to an average of c77%. On Gas - increases per kwh / standing charges equate to an average of c195%. With all energy aspects combined the total increase is c£1.4m, taking the Energy bill from c£2.4m to c£3.9m – an overall increase of c60%. |
| NNDR April 2023 Revaluation | | (43) | Net impact of new 2023 Valuation listing after allowing for WG Transitional Relief |
| SUBTOTAL | | 9,988 | |
| 2. Corporate Items | | | |
| M&WWFA Fire Authority Levy | | 519 | Proposed Fire levy increase based on M&WWFA 13% Option. Once apportioned to Constituent LAs on population this works out at 12.4% for Ceredigion. This is subject to final decision on 06/02/23, but in principal this has been accepted by Fire Authority Members. This equates to 1.3% in pure Council Tax increase terms |
| Members Allowances | | 47 | IRP proposed increase 4.76%, subject to outcome of consultation |
| External Audit Fees | | 30 | Proposed increase of c14% on a large part of the external audit fee costs linked to a combination of cost of living and revised auditing standards requiring more qualified staff |
| Council Tax 2nd Homes Premium | | 65 | This is based on a Council Tax increase of 7.3% (Amount is variable for different Council Tax levels) |
| Provision for Energy & Pay Inflation Risks | | 400 | |
| Capital Programme Financing for WG Supported Borrowing | | 200 | |
| Council Tax Reduction Scheme | | 460 | This is based on a Council Tax increase of 7.3% (Amount is variable for different Council Tax levels) |
| SUBTOTAL | | 1,721 | |

2023/24 Budget: Cost Pressures

| Cost Pressure Details | Service | TOTAL £'000 | Additional comments |
|---|----------------------------|----------------|---|
| 3. Cost Pressures relating to all Pwrth Through Age Services | | | |
| Year 2 Pump Priming Investment of new TAW Staffing model | All Pwrths | 224 | Figure as per TAW Structure costings. Net investment of £1.1m across the 3 Pwrths split over 2 years (£857k funded in 22/23+ £224k now in 23/24). Although the structure is not yet fully populated due to recruitment challenges, a combination of continued use of agency staff and/or eventual successful permanent staff recruitment will mean the Year 2 budget will be required. |
| Provision for cost inflation for Externally Commissioned Services covering £9.90 to £10.90 Real Living Wage increase and non Staffing General inflation | Porth Gofal / Porth Cynnal | 2,542 | Inflation factors proposed of 8.16% Dom Care/Supported Living, 8.37% for Residential Care and 9.08% for Direct Payments. |
| PRU Transport Inflation | Porth Cymorth Cynnar | 61 | Reflects the impact of actual latest contract renewal pricing |
| Tender for new Domiciliary Care contract and proposal for an increase in standard hourly rates to align closer to the UKHCA Rate | Porth Gofal | 302 | There is an underspend against the Dom Care budget in 22/23, therefore should the new contract proceed using estimated UKHCA rates as the key baseline, then £302k is the estimated net financial impact. This is after taking account of the existing underspend and the level of packages currently being serviced by the in-house Enablement team. |
| Impact of core new Contract cost for Domiciliary Care Provision at Maes y Mor, Aberystwyth | Porth Gofal | 132 | Impact of new core contract pricing for assessed care hours following the serving of notice by the previous contract holder. There is a further upside risk relating to 24/7 cover which will need to be the subject of a review. |
| Looked After Children - Independent Fostering Agency costs | Porth Cynnal | 352 | The existing trend within LAC is a steady increase and post Q2 there has been an additional 5 IFA Placements that have come through (£200k). The increased costs represents the current in year pressure identified at Q2 together with the now known increase in the number of IFAS's and an allowance for contract inflation uplifts. |
| Looked After Children - Uplift on WG Allowances | Porth Cynnal | 59 | Estimated increase of 4% in WG set allowances. There are currently various allowances payable in relation to 138 children including Kinship (37), Special Guardianship (32), Adoption (16) to Boarding Allowances (51). The total spend in this area is c£1.5m pa |
| Learning Disabilities - Independent Sector Placements | Porth Cynnal | 962 | There has needed to be an uplift to very historic levels of fees in order to retain the in county provision at Plas Gwyn (c£238k) and in addition there has been 6 new placements at a gross cost of £724k (average placement cost £120k). The overall total gross budget is £6.7m with c62 placements at an average placement cost of £108k (highest placement cost of £212k). |
| Learning Disabilities - Supported Living Settings | Porth Cynnal | 558 | This reflects the total full year cost based on current numbers (and their associated support hours) in Supported Living settings. There has also been a loss of funding from Housing Support Grant of £214k. The Total Gross Budget required is £3.6m, with the largest elements being £3.1m supporting 45 Service Users in county across 18 properties at an average cost of £69kpa per Service User and 4 Service Users in Other Independent settings (average cost £83kpa per person). A new Dynamic Purchasing System approach is part way through implementation and whilst this may bring efficiency opportunities it also carries an upside financial risk. |

2023/24 Budget: Cost Pressures

| Cost Pressure Details | Service | TOTAL £'000 | Additional comments |
|---|--------------------------------|----------------|--|
| Older Persons - Independent Sector Placements | Porth Cynnal | 595 | This reflects the total full year cost based on the current level of placements. The Total required Gross Budget is £12.15m reflecting c288 placements, with an average placement cost of £42kpa |
| Unaccompanied Asylum Seeker Children | Porth Cynnal | 92 | This reflects the cost of x7 Unaccompanied Asylum Seeker Children currently with the Council under the National Transfer Service. This is the shortfall when comparing the Home Office grant of £143 per night (Looked After Children) and £270 per week (Leaving Care) to actual current placement costs. Lobbying is being done through the WLGA as this is an issue affecting most LAs. |
| Mental Health - Out of County Supported Housing and Independent Sector Placements | Porth Cynnal | 260 | Budget required is based on current known and in-progress placements. The Total Gross Budget required is £4m reflecting c 55 placements with an average placement cost of £73kpa |
| Out of County Placements | Leadership Group / Porth Gofal | 2,183 | <p>There are currently 13 out of county Child placements - 2 of which are long term, up to 5 may be suitable for in county provision and 6 either should or within a reasonable timescale become suitable for alternative arrangements (e.g. Fostering, Supported Living, Supported Lodgings). The average current cost for a child placement is £296k. There are also 13 out of county college placements at an average cost of £102k. Total out of county child and college placement costs are projected to be £5.286m if there is no change in approach.</p> <p>After factoring in known & projected changes in approach, including the part year operating costs of 3 new in county faculties, this cost reduces to a cost of £4.875m for 23/24. This is made up of projected placement costs of £4.25m and part year in county running costs of £625k. The full year effect for 24/25 should reduce placement costs further, partially offset by the full year effect of in county facilities running costs, but overall a net reduction is forecast once the inhouse facilities are fully operational. This reduction is reflection in the future years savings plans</p> |
| SUBTOTAL | | 8,322 | |

2023/24 Budget: Cost Pressures

| Cost Pressure Details | Service | TOTAL £'000 | Additional comments |
|--|---|----------------|--|
| 4. Cost Pressures Applicable to Other Services | | | |
| Software Contracts - Annual Support & Maintenance / Licences | Customer Contact | 80 | Increase in Software Licence cost due to contractual inflation provisions - generally RPI or CPI linked, with the total software budget being c£800k (Largest single component being Microsoft Office 365 which is index linked and is £60k of the increase). |
| Penweddig PFI Contract Inflation | Finance & Procurement | 152 | The Penweddig PFI Contract which runs until December 2030 has an RPIX inflation provision built into it. Recent Inflation factors have been: 21/22 +1.67%, 22/23 +9.09%, 23/24 assumed at +10% on the £1.5m Unitary Charge. Whilst there is a considerable cost to this, it is contractual and the PFI operator will in practice be facing significant inflation on materials, supplies and wages. |
| Home to School Transport | Highways & Environmental | 561 | Impact of full year effect of known route tender prices already agreed. Further risk as other routes come up for renewal. |
| Public Bus Transport routes | Highways & Environmental | 215 | Relates mainly to impact of full year effect of known route tender prices already agreed. Certain routes only extended on a 6 month + 6 month basis. Of the routes only 1 (the 526 at £104k for 12 months) has no statutory learner aspect to it. |
| Waste Disposal Contracts | Highways & Environmental | 155 | The projected increase only relates to inflationary provisions within Household Waste Sites contracts, which are linked to RPIX. Elsewhere contractual increases for other Waste contracts are being offset by a positive outcome from the new Recycling Disposal contract which should be income generating. |
| Transport Maintenance Unit | Highways & Environmental | 168 | Elevated prices / inflation being seen in relation to Fleet Fuel (£126k with 10% reduction in fuel prices assumed on c600,000 litres) plus Supplier inflation being seen on key Materials (Tyres and Spares etc - £42k) |
| Teachers Legacy Premature Retirement Costs - Inflation impact | People & Organisation | 46 | 8.7% inflation effect from April 2023 |
| Continuation of Civil Contingencies / Post Brexit resource | Policy, Performance & Public Protection | 24 | Previously grant funded - reflects 6 month impact (Previously 1st 50% funded in 22/23 budget setting process) |
| Free School Meals (Secondary) - Increased volumes | Delegated Schools Budget | 138 | Increase of 84 (793-709) @ £1,644 = £138k |
| School SLA Charges - inflation | Delegated Schools Budget | 144 | Charges from Internal Services will increase to reflect Pay / Other inflation |
| Catering - Food Costs inflation in Secondary / All through Schools | Delegated Schools Budget | 62 | Based on food inflation rate of 12.4% |
| ALN Transport Contracts Inflation | Schools & Culture | 241 | Reflects the impact of actual latest contract renewal pricing |
| Language Unit Transport Inflation | Schools & Culture | 20 | Reflects the impact of actual latest contract renewal pricing |
| Inter Authority Recoupment for SEN provision | Schools & Culture | 175 | Full year effect of 7.8 TA's finished Aug 22 (including 2 in units) - £120k + 9.7 TA's finishing Aug 23 (pupils in Yr 11/Yr13) - £105k Less spend of £50k. Inter Authority recoupment charges are made up of Unit costs, charges to 31/08 and 5% management fee. |
| Catering - Food Costs inflation in Primary Schools & Care Homes | Schools & Culture | 65 | Based on food inflation rate of 12.4% |
| SUBTOTAL | | 2,246 | |

2023/24 Budget: Cost Pressures

| Cost Pressure Details | Service | TOTAL £'000 | Additional comments |
|-----------------------|---------|----------------|---------------------|
| TOTAL COST PRESSURES | | 22,277 | |

2023/24 Budget: Estimated Cost Pressures by Service

| | 2022/23 Employee Payawards versus 22/23 Budget Provision - Base Budget realignment £'000 | 2023/24 Employee Payawards Provision £'000 | 1.25% Employers National Insurance Reversal £'000 | Employee Costs (Other) £'000 | Energy Inflation £'000 | Transport Related Inflation £'000 | NDR April 2023 Revaluation £'000 | Provision for Externally Commission- ed Services Inflation (including Real Living Wage & Empers NI) £'000 | Pump Priming Through Age & Wellbeing new Operating Model Structure (Yr 2 of 2) £'000 | Other (Social Care related) £'000 | Other Contracts related Inflation £'000 | Loss of Income/ Grant funding £'000 | Corporate Items £'000 | TOTAL £'000 |
|---|--|--|--|---------------------------------------|------------------------------|--|---|---|---|---|---|---|-----------------------------|----------------|
| Customer Contact | 206 | 214 | (30) | | | | | | | | 80 | | | 470 |
| Democratic Services | 143 | 224 | (27) | | | | | | | | | | 47 | 387 |
| Economy & Regeneration | 159 | 284 | (36) | | 274 | | (27) | | | | | | | 654 |
| Finance & Procurement | 159 | 193 | (25) | | | | | | | | 152 | | 660 | 1,139 |
| Highways & Environmental Services | 425 | 561 | (51) | | 154 | 944 | 16 | | | | 155 | | | 2,204 |
| Legal & Governance Services | 29 | 41 | (7) | | | | | | | | | | 30 | 93 |
| People & Organisation | 64 | 86 | (15) | 46 | | | | | | | | | | 181 |
| Policy, Performance & Public Protection | 30 | 134 | (30) | | | | | | | | | 24 | | 158 |
| Porth Cymorth Cynnar | 272 | 419 | (37) | | 99 | 61 | 5 | | 59 | | | | | 878 |
| Porth Cynnal | 157 | 253 | (36) | | | | | 2,106 | 9 | 2,605 | 59 | 214 | | 5,367 |
| Porth Gofal | 496 | 804 | (60) | | 186 | | 1 | 436 | 156 | 434 | | | | 2,453 |
| Schools & Culture | 1,752 | 3,022 | (361) | | 729 | 261 | (38) | | | | 271 | 313 | | 5,949 |
| Leadership Group | (834) | 14 | (3) | | | | | | | 2,183 | | | 400 | 1,760 |
| Levies, Council Tax Premium & Reserves | | | | | | | | | | | | | 584 | 584 |
| TOTAL | 3,058 | 6,249 | (718) | 46 | 1,442 | 1,266 | (43) | 2,542 | 224 | 5,222 | 717 | 551 | 1,721 | 22,277 |

| <u>Budget Requirement Summary</u> | | | <u>7.3% C/Tax Scenario £'000</u> |
|--|-------------------|------------------|---|
| Based on a 7.3% Council Tax Increase | | | |
| <u>2023/24 Available Resources</u> | | | |
| Aggregate External Finance (RSG + NNDR) | 2021/22: £119,421 | | 129,050 |
| <u>Council Tax Income</u> | | | |
| Council Tax Base (as per 07/12/21 Cabinet report) | | 32,346.55 | |
| Council Tax 2021/22 | | £1,447.90 | |
| Council Tax 2022/23 increasing by | 7.30% | £1,553.60 | 50,253 |
| Council Tax 2nd Homes Premium Base (as per 06/12/22 Cabinet report) | | 421.44 | |
| Council Tax 2021/22 | | £1,447.90 | |
| Council Tax 2022/23 increasing by | 7.30% | £1,553.60 | 655 |
| Total Available Resources for Budget Requirement (at Provisional Settlement) | | | 179,958 |
| Add WG proposal to transfer Fire Authority Pensions Grant into Final Settlement | | | 143 |
| Total Available Resources for Budget Requirement (expected at Final Settlement) | | | 180,101 |
| Adjusted Base Budget b/f from previous year | | | 165,843 |
| <u>Corporate Adjustments and New Responsibilities:</u> | | | |
| <u>Specific Allocations</u> | | | |
| - M&WWFA Fire Authority Levy | | | 519 |
| - Council Tax 2nd Homes Premium | | | 65 |
| - Capital Programme Financing | | | 200 |
| - Council Tax Reduction Support Scheme | | | 460 |
| - Members Allowances | | | 47 |
| - External Audit Fees | | | 30 |
| - Provision for Pay and Energy Inflation risks | | | 400 |
| - Reversal of Q1 Council Tax Surplus Assumptions now factored into Taxbase | | | 700 |
| | | | 2,421 |
| <u>Transfers in (Proposed for Final Settlement):</u> | | | |
| - Fire Authority Pensions Grant to Fire Levy Budget | | | 143 |
| | | | 143 |
| Subtotal | | | 2,564 |
| <u>Increased Cost pressures on Services</u> | | | |
| - 2022/23 Payawards Shortfall versus current Base Budget Provision | | | 3,058 |
| - 2023/24 Assumed Payawards Cost | | | 6,249 |
| - Other Employee Costs | | | 270 |
| - 1.25% Employers National Insurance reversal | | | (718) |
| - Energy Inflation related | | | 1,442 |
| - Transport Related Inflation related | | | 1,266 |
| - NNDR April 2023 Revaluation impact | | | (43) |
| - Other Contracts related Inflation | | | 3,107 |
| - Tfer / 3rd Party Payments / Other Supplies & Services | | | 5,374 |
| - Loss of income / Grant funding | | | 551 |
| | | | 20,556 |
| <u>Cost Reductions / Saving Proposals</u> | | | |
| - Doing things Differently: A Corporate Approach | | | (3,075) |
| - Limit the increase to be applied to Delegated Schools to 5.8% | | | (2,065) |
| - Delete Contribution to Boosting the Economy reserve | | | (2,440) |
| - Delete Corporate COVID base budget | | | (500) |
| - Reduction in Dyfed Pension Fund Employers Contribution rate (from 15.8% to 14.6%) | | | (782) |
| | | | (8,862) |
| Controllable and Net Budget Requirement | | | 180,101 |

Budget Movements - 2022/23 Budget to Draft 2023/24 Budget

| | 2022/23 Approved Original Controllable Budget £'000 | In-Year Budget Transfers / Movements / Virements to date £'000 | Restating WG £1.0m Monies used to lower 22/23 C/Tax to 2.5% (Q1) £'000 | 2022/23 Updated Controllable Budget (as at Q3) £'000 | Restating WG £1.0m Monies used to lower 22/23 C/Tax to 2.5% (Taxbase) £'000 | 2022/23 Updated Base Budget Requirement for 2023/24 £'000 | Add Grant to be Transferred into Final Settlement to be passported £'000 | Add Cost Pressures £'000 | Doing things Differently: A Corporate Approach £'000 | Reduction in Dyfed Pension Fund Employers Rate £'000 | Limit the increase in Delegated Schools budgets to c5.8% £'000 | Corporate Budget Reductions: Boosting the Economy Reserve / Corporate COVID £'000 | 2023/24 Draft Controllable Budget Totals £'000 | Change compared to 2022/23 Latest Budget % |
|---|--|---|--|---|---|--|--|-----------------------------------|--|---|--|---|---|--|
| Customer Contact | 6,155 | (5) | | 6,150 | | 6,150 | | 470 | (140) | (49) | | | 6,431 | 4.6% |
| Democratic Services | 4,391 | 237 | | 4,628 | | 4,628 | | 387 | | (38) | | | 4,977 | 7.5% |
| Economy & Regeneration | 3,688 | (51) | | 3,637 | | 3,637 | | 654 | (250) | (57) | | | 3,984 | 9.5% |
| Finance & Procurement | 19,062 | 38 | (300) | 18,800 | | 18,800 | | 1,139 | (1,000) | (39) | | | 18,900 | 0.5% |
| Highways & Environmental Services | 18,241 | (163) | | 18,078 | | 18,078 | | 2,204 | (760) | (91) | | | 19,431 | 7.5% |
| Legal & Governance | 1,569 | (3) | | 1,566 | | 1,566 | | 93 | | (10) | | | 1,649 | 5.3% |
| People & Organisation | 2,165 | (4) | | 2,161 | | 2,161 | | 181 | | (21) | | | 2,321 | 7.4% |
| Policy, Performance & Public Protection | 2,355 | (15) | | 2,340 | | 2,340 | | 158 | | (30) | | | 2,468 | 5.5% |
| Porth Cymorth Cynnar | 4,401 | (46) | | 4,355 | | 4,355 | | 878 | | (73) | | | 5,160 | 18.5% |
| Porth Cynnal | 28,648 | (46) | | 28,602 | | 28,602 | | 5,367 | (50) | (49) | | | 33,870 | 18.4% |
| Porth Gofal | 13,617 | (14) | | 13,603 | | 13,603 | | 2,778 | | (125) | | | 16,256 | 19.5% |
| Schools & Culture | 50,965 | (78) | | 50,887 | | 50,887 | | 5,949 | | (195) | (2,065) | | 54,576 | 7.2% |
| Leadership Group | 6,831 | 150 | | 6,981 | | 6,981 | | 1,435 | (875) | (5) | | (2,940) | 4,596 | -34.2% |
| Levies, Council Tax Premium & Reserves | 3,755 | - | 300 | 4,055 | 700 | 4,755 | 143 | 584 | | | | | 5,482 | 35.2% |
| Total Controllable Budget | 165,843 | - | - | 165,843 | 700 | 166,543 | 143 | 22,277 | (3,075) | (782) | (2,065) | (2,940) | 180,101 | 8.6% |

Budget Risks

The following are the identified main risks for the budget together with the appropriate comments, and controls applied to minimise the risk:

1. Changes to the level of Aggregate External Finance (AEF)

The sum of the Revenue Support Grant and redistributed Non-Domestic Rates now provides about 72% of the funding for the General Fund's net revenue expenditure. Changes to the grant distribution can have a major impact on the Council's finances. The Council can make representations to Welsh Government both directly and through the Welsh Local Government Association to attempt to influence the changes which are made.

With current economic outlook and indicative All Wales level allocations for the following year 2024/25 of 3.1%, there is a significant risk that this will be a real terms cut. The Council needs to bear this in mind when considering its spending priorities, with a view to needing to mitigate the future budgetary impact through the updated Medium Term Financial Strategy.

In addition there is always an element of financial risk around the delivery of savings plans that will be regularly monitored. The higher the level of Savings targets, the higher the risk apart from where they have been achieved in advance.

2. General Unforeseen changes in expenditure and/or income in the year

One reason that the Council maintains reserves is to give some protection against unforeseen changes. A regular monthly system of budget monitoring is operated with formal quarterly reports to Members together with exception reporting between those periods. Maintaining a small Corporate Contingency also assists with a certain level of in year risk mitigation, particular with General staff Payawards being difficult to forecast and inflation levels still being elevated.

The Council insures against known major risks such as fire damage, employers and public liability.

3. Changes in specific grant income

The Council receives large sums each year in specific grants. There is a potential risk if changes in Government rules, or an inadvertent failure to comply with grant conditions, might result in a significant loss of grant income. The Council's external auditors regularly review the way the Council administers grants, and procedural improvements are put in place where necessary to ensure that there is no loss of grant income.

There is also a potential risk if specific WG revenue grants cease, but there's often an expectation that the services funded via such grants need to be maintained at the same level. Wherever possible, exit strategies should be in place to deal with the consequences when grant funding comes to an end.

4. Fraud (including Cyber Security)

Major fraud might cause significant financial loss to the Council as well as weakening public confidence. The Council maintains a system of financial regulations and standing orders to control this risk alongside business continuity and civil contingency planning arrangements. There is an active Officer Working Group focussed on Cyber Security related matters and associated business resilience. The Council's Internal Audit section, as part of its remit, will investigate potential Fraud risks, advise on best practice, and ensure that adequate internal control systems are in place and that they are being adhered to.

5. Insolvency of Counterparties

The Council might suffer losses in the event of the insolvency of major partners or commercial suppliers. This is a particular risk in relation to investment transactions. The Council has adopted Treasury Management policies to spread and minimize risks in this area. Commercial partners and contractors working for the Council are subject to financial and other assessments, and the size of contracts awarded may be limited after taking into account the outcome of the assessments.

6. Pension Fund

The Council contributes to the Dyfed Local Government Pension Fund. The fund is administered by Carmarthenshire County Council. The pension scheme for employees, including Council Members, (but excluding teachers) is a defined benefit scheme which means the risk in relation to investment returns and demographic changes falls entirely on the employer. At present, based on the March 2022 Triennial valuation, the Dyfed Pension Fund is in an overall Surplus position (i.e. current and future liabilities have been actuarially assessed as being over funded by more than 100%). The Council is able to plan for Surplus or Deficit scenarios to be spread over a period of several years to minimise any immediate budgetary impact.

7. Interest Rates

The Council has significant long term borrowing alongside investments. Changes in interest rates can have a significant effect on interest income, and on the cost of new loans required to support new capital expenditure.

The Council monitors interest rates and their effect as part of the budget monitoring process. In the current economic climate with rising interest rates from the previous historic lows, there are greater opportunities for higher levels of investment income, but conversely borrowing costs are also higher. An internal narrowing strategy has been employed for many years by keeping external borrowing down by utilising cash held on account (which in effect represents the cash backed items on the balance sheet such as earmarked reserves).

8. Inflation

a) Pay

Employee costs are the largest element of the budget. A large increase in pay rates will adversely affect the Council's budget. For the majority of staff pay is negotiated nationally either at a UK level (APT&C) or at WG level (Teachers) and the Council has no control or direct part in the negotiations that take place. With inflation remaining elevated, the 22/23 Payaward for general Council staff was a significant cost item and a risk persists that elevated Payawards will also be seen in 23/24 before inflation and the Cost of Living crisis starts to eventually reduce. Through the implementation of the single status agreement and the operation of a systematic evaluation of grading the Council aims to maintain a fair but affordable pay structure.

b) Non Pay

We are now entering an era of higher than average inflation and levels not seen since before 2008. The Bank of England has a remit to keep inflation on track at c2%, however CPI inflation has risen to over 11% before starting to fall back very slowly. This is due in part to existing contracts with Suppliers that contain inflation linked provisions and also the pricing of new contracts (both revenue and capital). This is therefore a Budget risk that is now already being seen in practical terms and which hasn't been seen to the same extent for several decades.

10. Post COVID19 impacts

The last 2 year have been unprecedented for the Council both financially and operationally due to the COVID19 pandemic. Whilst the large scale risk that existed has largely dissipated, post COVID impacts are still being seen in several places. This is ranging from Recruitment and Retention challenges in several services to operational practicalities where, for example, COVID outbreaks are still being seen in Care Homes, higher than normal levels of Supply Cover is required in Schools and Usage of Leisure Centres is yet to return to pre COVID levels.

11. Phosphates

Following Natural Resource Wales publishing evidence of phosphate levels for the River Teifi riverine Special Area of Conservation (SAC) and the issuance of interim Planning position statement / guidance in May 2021. The effect of this covers 45% of land in Ceredigion and this is going to create significant issues in bringing forward Developments in the areas affected until the matter is resolved. In narrow terms this has the potential to affect areas such as Planning Fee and Building Control Income, but in a wider sense has the potential for far reaching Housing and Economic development implications.

Proposed Multi-Year Capital Programme 2022/23 - 2025/26

| | 2022/23 Updated TOTAL £'000 | 2023/24 Proposed TOTAL £'000 | 2024/25 Indicative TOTAL £'000 | 2025/26 Indicative TOTAL £'000 | Funding Source |
|--|--------------------------------------|---------------------------------------|---|---|-------------------|
| <u>Schools & Culture</u> | | | | | |
| 21st Century Schools programme (Band B) | 5,322 | 11,218 | - | - | CCC/Grant |
| Additional Schools kitchen equipment (Free school meals) | 1,368 | - | - | - | Grant |
| Welsh Medium Immersion Centre and New classroom block | 30 | 3,920 | 1,425 | 199 | Grant |
| Community Focus Schools | 456 | - | - | - | Grant |
| Support for Learners with Additional Learning needs | 456 | - | - | - | Grant |
| Reducing Infant Class Sizes | 909 | - | - | - | Grant |
| Childcare Provision | 365 | 788 | - | - | Grant |
| Schools - Additional Capital works | 2,102 | - | - | - | Grant |
| Schools - Underfloor Heating Systems | 196 | 445 | 150 | - | CCC |
| Schools - Urgent Works | 150 | 150 | 150 | 150 | CCC |
| Total - Schools & Culture | 11,354 | 16,521 | 1,725 | 349 | |
| <u>Porth Cymorth Cynnar</u> | | | | | |
| Community Wellbeing Hub - Lampeter | 1,440 | - | - | - | CCC/Grant |
| Artificial Sports Pitches | 533 | 282 | - | - | CCC/Grant |
| Grants to Aberaeron and Calon Tysul Swimming Pools | 280 | - | - | - | Grant |
| Sports Wales Wellbeing Centres Facilities upgrades | 134 | 556 | - | - | CCC/Grant |
| Wellbeing Centres - Urgent Works | 105 | 300 | - | - | CCC |
| Total - Porth Cymorth Cynnar | 2,492 | 1,138 | - | - | |
| <u>Economy and Regeneration</u> | | | | | |
| Sewage Treatment Works | 100 | 625 | - | - | CCC |
| Urgent Works - Other | 100 | 100 | 100 | 100 | CCC |
| Buildings - Invest to Save | 175 | 175 | 175 | 175 | CCC |
| Energy Scheme Investments | - | 750 | 250 | - | CCC |
| Public Conveniences - Charging Mechanisms | 50 | - | - | - | CCC |
| Asset Development Programme | 183 | - | - | - | Grant |
| Market Hall Cardigan | 380 | - | - | - | CCC |
| Footbridge Replacement Programme | 50 | 50 | 50 | 50 | CCC |
| Lampeter Town Centre Green infrastructure Enhancements | 82 | - | - | - | Grant |
| Access Improvement Grant | 79 | 103 | 103 | - | Grant |
| Green Recovery Grant | 20 | 15 | - | - | Grant |
| NNF Afon Teifi SAC Catchment | 150 | 300 | - | - | Grant |
| Local Places for Nature | 267 | - | - | - | Grant |
| Levelling Up Projects | 1,905 | 5,564 | 3,382 | - | Grant |
| Transforming Towns Cardigan MASH Project | 540 | - | - | - | Grant |
| Hafan y Waun Housing Development | - | 500 | 500 | - | CCC |
| Total - Economy and Regeneration | 4,081 | 8,182 | 4,560 | 325 | |
| <u>UK Shared Prosperity Fund</u> | | | | | |
| UK Shared Prosperity Fund (Powys and Ceredigion) | 556 | 1,749 | 4,910 | - | Grant |
| Total - UK Shared Prosperity Fund | 556 | 1,749 | 4,910 | - | |
| <u>Customer Contact</u> | | | | | |
| ICT Kit and Infrastructure investment | 327 | 390 | 240 | 240 | CCC |
| Total - Customer Contact | 327 | 390 | 240 | 240 | |
| <u>Finance & Procurement</u> | | | | | |
| Community Grant Scheme | 200 | 200 | 200 | 200 | CCC |
| Total - Finance & Procurement | 200 | 200 | 200 | 200 | |
| <u>Democratic Services</u> | | | | | |
| Council Chamber Equipment Upgrade Phase 2 | 32 | - | - | - | CCC/Grant |
| Total - Democratic Services | 32 | - | - | - | |

| | 2022/23 Updated TOTAL £'000 | 2023/24 Proposed TOTAL £'000 | 2024/25 Indicative TOTAL £'000 | 2025/26 Indicative TOTAL £'000 | Funding Source |
|--|--------------------------------------|---------------------------------------|---|---|-------------------|
| Highways and Environmental Services | | | | | |
| Highways Infrastructure Renewal / Improvements | 2,281 | 2,200 | 2,200 | 2,200 | CCC |
| Public Highways Refurbishment | 165 | - | - | - | Grant |
| Environmental Services | 90 | 60 | 60 | 60 | CCC |
| Street Lighting Programme | 57 | - | - | - | CCC |
| Ultra Low emissions Vehicle Transformation | 364 | - | - | - | Grant |
| EV Charging Infrastructure | 300 | - | - | - | Grant |
| On Street Residential Chargepoint Scheme | 273 | - | - | - | Grant |
| LTF Bus Corridor Core Funding | 250 | - | - | - | Grant |
| ATF Core Funding | 510 | - | - | - | Grant |
| 20 mph Core Allocation | 391 | - | - | - | Grant |
| SRIC Llanrhystud | 40 | - | - | - | Grant |
| Ceredigion Bus infrastructure | 1,952 | - | - | - | Grant |
| Flood Alleviation Schemes Llandre/Borth Leat | 69 | - | - | - | Grant |
| FCERM Capel Bangor & Talybont | 151 | - | - | - | Grant |
| Aberaeron Coastal Protection Detail Design | 139 | - | - | - | Grant |
| Aberystwyth Coastal Protection | 275 | - | - | - | Grant |
| Borth & Ynyslas Coastal Protection | 23 | - | - | - | Grant |
| Coastal Protection Schemes - Aberaeron and Aberystwyth | 2,000 | 18,000 | 3,000 | - | CCC/Grant |
| Absorbent Hygiene Product (AHP) Waste | 24 | - | - | - | Grant |
| Fleet Replacement | 845 | 750 | 238 | 350 | CCC |
| Waste Transfer Station | - | 1,025 | - | - | CCC |
| Total - Highways and Environmental Services | 10,199 | 22,035 | 5,498 | 2,610 | |
| Porth Gofal | | | | | |
| Disabled Facilities Grants | 1,400 | 1,400 | 1,400 | 1,400 | CCC |
| Promote Independence of people in their own homes Grants | 229 | - | - | - | Grant |
| Home Improvement & Houses into Homes Loan Schemes | 100 | - | - | - | Grant/Loan |
| Cylch Caron | - | 252 | - | - | CCC/Grant |
| Enable Independent Living Grants | 146 | 146 | - | - | Grant |
| Warm Homes Energy Measures Grants | 486 | - | - | - | Grant |
| Camu Mlaen - Canolfan Stefan | 78 | - | - | - | CCC |
| Urgent Works - Residential Homes | 223 | 100 | 100 | 100 | CCC |
| Day Centres - Public Protection and Environmental Works | 224 | - | - | - | CCC |
| In County Safe Accommodation for Children | 300 | 200 | - | - | CCC/Grant |
| Residential Homes Improvements and Upgrades | 499 | 900 | - | - | CCC |
| Land and Buildings Development Fund | 400 | 1,600 | - | - | Grant |
| Hafan Deg Dementia Project | 370 | - | - | - | CCC/Grant |
| Property Purchases & Renovations | 129 | 161 | - | - | Grant |
| Housing with Care Fund | 161 | - | - | - | Grant |
| Total - Porth Gofal | 4,745 | 4,759 | 1,500 | 1,500 | |
| Funding to be allocated | - | 556 | 525 | 925 | CCC |
| TOTAL WORKING PROGRAMME | 33,986 | 55,530 | 19,158 | 6,149 | |
| Contingencies | 276 | 350 | 350 | 350 | CCC |
| New Approved Grants / Match funding for Grant schemes | 1,016 | 4,200 | 4,200 | 4,200 | £200k CCC/Grant |
| TOTAL OVERALL PROGRAMME | 35,278 | 60,080 | 23,708 | 10,699 | |

CYNGOR SIR CEREDIGION COUNTY COUNCIL**CAPITAL STRATEGY**

1. The Council will formulate a multi-year Capital Programme with the aim of working towards a long-term Capital financial planning horizon.
2. All planned Capital expenditure, Capital bids and proposed Capital investment in new or existing assets, whether through grant funding or otherwise, must support the Council's 2022-2027 Corporate Strategy and underlying Corporate Priorities and associated Service objectives. Asset Management Planning should help inform the setting of the Capital Programme and essential expenditure on existing Council assets.
3. The Council currently operates a Corporate Project Management Group (which provides projects with appropriate support, advice and direction), a Capital Monitoring Group (which provides the operational management of the in-year Capital expenditure and funding position) and a Development Group (which provides a wider strategic input on Capital development proposals and opportunities). All 3 groups have key roles to play but with each one having their own specific Terms of reference.
4. The Council's Treasury Management Strategy will set out the approach to Treasury related activities for Investments and Borrowing and will take account of and be fully aligned with the Capital Programme proposals and will factor in proposed borrowing levels (both external and internal) consistent with these plans and a prudent approach. The Treasury Management Strategy will also include the Council's Minimum Revenue Policy for the provision for repayment of debt over its life.
5. The Capital Programme and Treasury Management Strategy are managed by officers who are professionally qualified accountants who are required to undertake Compulsory Professional Development (CPD).
6. The guiding principles for the Council's current and future Capital planning will include:
 - Pursuing efficiency to make the best use of existing assets which includes land & buildings and information technology. E.g. Rationalisation of redundant and/or under-utilised buildings should reduce revenue costs and also generate potential capital receipts.
 - All major capital projects (grant funded or otherwise) require a funding strategy as part of the business case being developed.
 - The Capital Programme will normally be set so that no Prudential Borrowing is undertaken to fund the core Capital Programme except where funding specific Capital projects. There will need to be a business case to support the use of Prudential Borrowing e.g. Consideration would be given to use Prudential borrowing when revenue savings can be identified which would be used to fund the capital financing costs of the initial capital investment.

- Invest to save schemes that produce revenue savings following an initial capital investment will continue to be regarded as high priority as they can provide a positive contribution to the medium term revenue budget position (e.g. Energy efficiency measures). This could also include schemes that are a capital investment to avoid future cost increases.
- Identify, lever in and maximise external grant funding opportunities where possible, although in isolation this may not always be the overriding driver to undertake a capital project.
- Exit strategies should be considered as part of any grant funding bids and successful grant awards.
- Corporate Capital earmarked reserves will be maintained to provide one-off funding to support the Capital Programme. Where revenue savings can be achieved in advance of the annual budget requirement, these may usefully be applied to earmarked reserves to support future Capital priorities. In particular the Council's matched funding contribution for the Band B 21st Century Schools Programme will be mainly supported through funding set aside in the Investing in People's future earmarked reserve.
- Capital receipts are regarded as a positive contribution to the overall Capital Programme and will be allocated in accordance with the balance available at the start of the year. A list of proposed Asset disposals will be maintained and regularly monitored. Appropriate consideration of major disposals will take place as and when they arise.
- If a Capitalisation Direction is made available by WG it will be considered and utilised as, when and if this is deemed appropriate by the Corporate Lead Officer: Finance & Procurement as Section 151 officer.
- The Council will continue to hold Investment Properties as part of its Corporate Estate. This is a form of commercial activity as the Council aims to lease these properties out at market rates and therefore make a commercial return. At present the Council's commercial activity represents a low risk as it is not significant relative to the context of the Council's overall budget and financial position. Should any new opportunities become available, then a business case would need to be produced which should include financial and legal due diligence, including ensuring compliance with the revised Prudential Code (December 2021) requirements which prohibit borrowing where obtaining financial returns is the primary aim, and the use of specialist internal/external advice where appropriate, together with the following appropriate governance arrangements.
- Appropriate due diligence relative to the nature, scale and area of activity will be undertaken when considering Capital grants to 3rd parties within the Capital Programme.

7. The key priority areas that the Council will focus on in its forthcoming Capital Programme include:

- Working with the private and public sector across the region, through the Growing Mid Wales Partnership, the Growing Mid Wales Growth Deal, UK Shared Prosperity Fund and Levelling Up Funding to boost the local and regional economy.
 - Implement Ceredigion Economic Strategy
- a) Creating caring and healthy communities including
- Providing funding for mandatory and discretionary Disabled Facilities grants.
 - Review and develop specialist residential accommodation schemes either by the Council or in conjunction with RSL and other partners.
 - Cylch Caron – the Ceredigion Local Service Board project for the delivering of health and social care in the Tregaron area
 - Establishing wellbeing centres
- b) Providing the best start in life and enabling learning at all ages including
- Continuing to modernise Schools through the 21st Century Schools programme and other funding routes.
- c) Creating sustainable, green and well-connected communities including
- Developing Coast Protection schemes
 - Carbon Management – Seek to further reduce carbon emissions and to reduce energy costs / mitigate as far as possible future increases, by enabling energy efficiency measures in both Council assets and also the private and RSL Housing stock.
 - Vehicle Replacement –to review the wider vehicle fleet across all services and transition towards an Ultra Low Emission Vehicle fleet.
 - Essential improvements to Buildings, Bridges and Roads.