

CYNGOR SIR CEREDIGION COUNTY COUNCIL

Report to: Full Council

Date of meeting: 02/02/23

Title: Joint Report of the Leader, Cabinet Member - Finance & Procurement, the Chief Executive and the CLO - Finance & Procurement upon the 2023/24 Budget, including the Capital Strategy, the updated Multi-year Capital Programme and Prudential Indicators for Capital and Treasury Management.

Purpose of the report: To approve the Revenue Budget Requirement for 2023/24; to determine the level of Council Tax for County Council purposes for 2023/24; to approve the Capital Strategy, the Multi-year Capital Programme and Prudential Indicators.

For: Decision

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

1. INTRODUCTION

The higher than expected WG Provisional Settlement increase for 23/24 of 8.1% (on a cash basis) has been 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.

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 has therefore needed 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 significant levy increase from the Mid & West Wales Fire Authority, which is at a level not seen before. A 13% increase in their core Budget is leading in turn to a significant cost pressure, in relative terms, on the Council's own budget (being the equivalent of a 1.3% Band D Council Tax increase for 23/24).

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).

It has not been possible to fully fund all cost pressures being experienced by Schools, however an average increase of 5.8% is provided for within the 23/24 Budget. With the renegotiation of the September 2022 Teachers payaward and the subsequent Union rejection of a revised offer from WG, there remains uncertainty of how and when this matter will be resolved. Assurances are being sought that any additional Teachers pay-award costs in both 22/23 and ongoing will be funded in full by WG.

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 £1,447.90.

The Leader and the Cabinet are, as all Councillors are, acutely aware of the impact that the Cost of Living crisis is having on household personal finances. It is proposed that Council Tax increases for 23/24 are kept well below the current rate of inflation with a 6.0% increase proposed for core Council services which, when added to a 1.3% increase to fund the Mid & West Wales Fire Authority levy, results in a 7.3% increase for County Council purposes - being an extra £105.70 for a Band D property.

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. BACKGROUND

On 24/01/23, Cabinet considered and approved a report on the draft Revenue Budget Requirement for 2023/24, an updated Multi-year Capital Programme and made a draft recommendation on the proposed level of Council Tax for 2023/24. The report set out full details of the overall Budget position and was based on the WG Provisional Local Government Finance settlement. The report and decisions can be found at:

[Ceredigion County Council Agenda for Cabinet on Tuesday, 24th January, 2023, 10.00 am](#)

On 02/02/23, Overview and Scrutiny Co-ordinating Committee received presentations from the Leader, Cabinet Member for Finance & Procurement and the CLO: Finance

& Procurement and then considered the draft Budget report and the Cabinet's recommendations.

On 09/02/23 and 10/02/23, the four thematic Overview and Scrutiny Committees received presentations from the Leader, Cabinet Member for Finance & Procurement, the CLO: Finance & Procurement and individual Cabinet Members for the respective services and then considered the draft Budget report and the Cabinet's recommendations, as well as Fees & Charges proposals.

3. REVENUE BUDGET

On 14/02/23, Cabinet received formal feedback from the Overview and Scrutiny Committee meetings and as a result Cabinet resolved:

- 1. To recommend to Full Council that following consideration of the recommendation from the Thriving Communities Overview & Scrutiny Committee regarding the continuation of free Car Parking in Llandysul & Tregaron, that the potential £40k cost associated with this should be funded from the £400k Provision set aside for Pay and Energy Inflation risks and that this approach is only possible under a Council Tax option that is no lower than 7.3%.*
- 2. To recommend to Full Council that the 23/24 Budget Requirement is £180.101m and that the level of Council Tax proposed for 23/24 for County Council purposes is a 7.3% increase (including 1.3% in relation to the Fire Authority Levy increase).*
- 3. To note the Feedback from each Budget Overview and Scrutiny Committee; and to note that each of the thematic Committees recommended a 7.3% increase to the Council Tax for 2023/24 (including 1.3% in relation to the Fire Authority Levy increase) and a 23/24 Budget requirement of £180.101m.*

Details of the WG Final Local Government Finance Settlement are expected to be available on 28/02/23 (after this report will have been published), when the WG Final Budget is also expected to be published.

The only change expected is the inclusion of £143k in relation to a Fire Authority Pensions grant. This is moving from being a specific grant (previously paid directly to Mid & West Wales Fire Authority) into the Local Government Finance Settlement. This has already been factored into the existing Budget Requirement calculations.

A summary of the proposed 23/24 Budget Requirement calculation, totaling £180.101m is shown in Appendix 1.

An opportunity was given to all Members to propose alternative Budget options over and above the core recommendations made by Cabinet on 24/01/23, provided that any option was considered during the Budget Scrutiny meetings and that the Section

151 officer was given sufficient time in advance to fully model the impact and to provide an opinion on its robustness. With the exception of the free Car Parking consideration in Llandysul & Tregaron, no other formal proposals have been forthcoming.

The full suite of Budget papers has therefore now been prepared in accordance with Cabinet's recommendations. The resulting Controllable Budgets have also then been updated to reflect accounting requirements for Internal allocations / recharges (e.g. Support Services) and Capital charges to arrive at Net Budgets including these items. The detail of the proposed Controllable and Net Budgets are therefore enclosed as Appendix 2.

4. MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy is in the process of being updated to reflect the work underway under various 'Doing things Differently: A Corporate Approach' 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 Pay-award estimates (which remain difficult to estimate). A 3.1% increase would only provide an additional £4m of funding.

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 focused 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.

5. CAPITAL STRATEGY AND MULTI-YEAR CAPITAL PROGRAMME

General Capital funding has increased significantly across Wales from £150m to £180m. However, this increase was announced 12 months ago, so was 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.

The Capital Strategy is attached (Appendix 3) as presented to Cabinet on 24/01/23 and considered by the Overview & Scrutiny Committees.

The Multi-year Capital Programme is attached (Appendix 4) as presented to Cabinet on 24/01/23 and considered by the Overview & Scrutiny Committees.

The updated Capital Programme proposed for 2022/23 is £35.3m and for 2023/24 is £60.1m. The proposed Capital programme totals £129.8m over the period 2022/23 to 2025/26.

6. PRUDENTIAL INDICATORS FOR CAPITAL AND TREASURY MANAGEMENT

The Capital Programme forms the basis of the proposed Prudential Indicators which are attached (Appendix 5). It is also necessary each year to delegate authority to the CLO - Finance and Procurement to effect movement within the total of the Authorised limit of external borrowing, and the Operational boundary.

7. OPINION OF THE SECTION 151 OFFICER (CLO - FINANCE & PROCUREMENT)

Under Section 25 of the Local Government Act 2003, the Section 151 officer is required to formally report to the Council as part of the Budget setting process on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

Taking all the matters contained in this report and the associated Budget process into account, I am able to confirm that the proposed Budget estimates have been prepared in a sufficiently robust manner for the next financial year.

The 23/24 Budget is subject to the ongoing delivery of Budget Savings through various workstreams 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. Payawards are yet to be determined for 2023/24, so a central provision has been made to allow for a certain level of risk in both this area and also with Energy costs.

A statement of the Council's Earmarked Reserves and General Balances is attached at the end of Appendix 2 and I am able to confirm that the estimated level of General Balances of £6.7m is adequate for the next financial year, falling within the planned range of 3% to 5%. Earmarked Reserves have now reached their peak of £54m as at 31/03/22 and are now projected to decline during both 2022/23 and 2023/24, but this is being done in a controlled and managed way with Earmarked Reserves only being used for very specific purposes.

The Budget outlook beyond 23/24 is likely to be extremely challenging if a WG Local Government Finance Settlement increase of only 3.1% materialises for 24/25. Therefore an updated and focussed 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 outputs from the 'Doing things Differently: A Corporate Approach' workstreams, as well as other Budget savings, efficiency and alternative opportunities to be progressed and delivered for 24/25 and beyond.

Recommendations:

1. To note that, in the opinion of the Corporate Lead Officer: Finance & Procurement (Section 151 Officer):
 - the 2023/24 Budget estimates have been prepared in a robust manner, and
 - the proposed level of Earmarked Reserves and General Balances is adequate in respect of the forthcoming financial year.
2. To approve the Revenue Budget Requirement for 2023/24 of £180.101m, as set out in Appendix 1.
3. To approve the detailed Updated 2022/23 Budgets and 2023/24 Budgets, as set out in Appendix 2.
4. To levy a Band D Council Tax of £1,553.60 for 2023/24 for Ceredigion County Council purposes, representing an increase of £105.70 or 7.3%.
5. To note that the 7.3% Band D Council Tax increase represents an increase of 6.0% for core Council Services and a further 1.3% in order to fund an increase in the Mid & West Wales Fire Authority levy for 2023/24.
6. To approve the Capital Strategy, as set out in Appendix 3.
7. To approve the Multi-year Capital Programme, as set out in Appendix 4.
8. To approve the Prudential Indicators, as set out in the Appendix 5.
9. To delegate authority to the CLO – Finance & Procurement to effect movement within the total of the Authorised limit of external borrowing, and the Operational boundary.

Reasons for decision:

To enable the 23/24 Budget to be set and to finalise the County Council's element of the Council Tax.

Overview and Scrutiny:

Considered on 02/02/23, 09/02/23 and 10/02/23

Policy Framework:

Medium Term Financial Strategy

Corporate Priorities:

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

Statutory Powers:

Local Government and Finance Act 1972

Background Papers:

14/12/22 - WG Provisional Local Government Settlement
24/01/23 - Budget report to Cabinet
02/02/23 - Co-ordinating Scrutiny meeting
09/02/23 - Overview & Scrutiny meetings
10/02/23 - Overview & Scrutiny meetings
14/02/23 - Scrutiny Feedback reports to Cabinet
14/02/23 - Budget report to Cabinet

Appendices: Appendix 1: Budget Requirement Summary
Appendix 2: Controllable and Net Budgets
(including Statement of Earmarked reserves
& General Balances)
Appendix 3: Capital Strategy
Appendix 4: Multi-year Capital Programme
Appendix 5: Prudential Indicators

Corporate Lead Officer: Duncan Hall

Reporting Officer(s): Duncan Hall & Justin Davies

Date: 21/02/23