

Report

Cabinet



Part 1

Date: 18 February 2022

Subject 2022/23 Budget and Medium Term Financial Plan (MTFP)

Purpose To present to Cabinet the consultation results from the draft budget set out in their January 2022 meeting. Cabinet are requested to agree their final budget proposals and recommend the associated Council Tax level required for agreement at Full Council in their meeting on 1 March 2022.

Author Head of Finance

Ward General

Summary The draft budget proposals for 2022/23 agreed in the January Cabinet meeting have been subject to detailed consultation, and the results have been set out within this report and its appendices.

Whilst the draft funding settlement was reported to Cabinet back in January; at the time of writing and making public this report, the Council is not yet in receipt of the final funding settlement from Welsh Government; which is due on 1 March. Apart from any late transfers of specific grants into/ out of the final settlement, which would be neutral in their impact, no other changes are anticipated. Therefore, Cabinet are finalising their 2022/23 budget based on a funding position made up of the draft Aggregated External Finance (more commonly referred to as the "Revenue Support Grant – RSG"), the confirmed increase in the Council's tax-base and Council Tax income at the rate that will be recommended at this meeting.

The draft settlement confirmed that Newport received a 10.2% uplift which was the fourth greatest increase of the overall 9.4% net funding increase for Local Government across Wales, and much higher than that included within planning assumptions. A 'balance in hand' was reported to January Cabinet and this report summarises the investments that are being proposed to support the key priorities along with detailed feedback on the consultation. Cabinet will consider the results of the consultation, along with other key contextual matters, before setting out the position on the 2022/23 budget. The final proposals will be announced at the meeting.

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Proposal Cabinet is asked:

Budget proposals and medium term plan (section 3-5)

1. To note the formal consultation on the budget as outlined in section 4 and the feedback received, shown in appendices 1 to 4.
2. To note the Fairness and Equalities Impact Assessment (FEIA) on the budget proposals, shown in appendix 9.
3. To review and confirm budget proposals (appendix 5 - 6), as currently summarised within the medium term financial plan (appendix 7) and allocate the financial flexibility shown in table 4.
4. In doing so, to provide a minimum of £500k from the current financial flexibility for on-going Covid / no Hardship Fund risk and agree to temporarily re-classify the budgets outlined in para. 6.8 and the reserves for the same, noting that the risk will need on-going monitoring as the year progresses.
5. To agree the 2022/23 fees and charges of the council shown in appendix 11.
6. To note the budget investment in schools of up to £8,003k is based on an assumed teachers/ NJC pay increase of 4% from September 2022 in addition to the cost of new/ expanding school provision as noted in paragraph 3.8 – 3.13.

7. Cabinet are asked to approve that the pay provision is retained in 'contingency' within the overall ISB and distributed to individual school budgets from there once the agreed pay award is known, with the intention of fully funding the agreed pay award up to the budget provision available.

Overall revenue budget and resulting council tax 22/23 (section 6 and 7)

8. To note the Head of Finance's recommendations that minimum General Fund balances be maintained at a level of at least £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, and the adequacy of the general reserves in the context of other earmarked reserves and a revenue budget contingency of £1.4million.
9. To note the current level of council tax for Newport City Council and the monetary value of various percentage increases and how this compares to levels of council tax at other councils as shown in table 5.
10. To recommend an overall net budget and resulting council tax to full Council, noting that a formal resolution including the Police and Crime Commissioner for Gwent and Community Councils' precepts will be presented to Council on 1 March.
11. To approve expenditure and use of reserves in line with the summary shown in appendix 10b, noting they are based on detailed proposals reviewed by Cabinet in their January 2022 meeting.

Action by Head of Finance - finalise council tax calculations for Council's March meeting and subsequent billing

Heads of Service – implement previously agreed saving proposals with immediate effect and apply new fees and charges

Timetable Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Finance
- Head of Law and Regulation
- Head of People and Business Change

Signed

1 Financial summary

- 1.1 The draft settlement received on 21 December 2021 confirmed the funding position for 2022/23 and included a multi-year funding settlement which brings a reasonable level of certainty, helping to improve long term planning. The announcement confirmed that funding would increase by 10.2% for 2022/23 (after transfers into the settlement), which is a welcomed uplift as it has enabled the Council to support a growing population, support major cost and demand pressures that the Council continues to face during a challenging economic period and assist in reducing the budget gap over the medium term. Subsequently, the identification of new savings was not required to balance the budget for 2022/23 at the draft budget stage.
- 1.2 The budget process has continued since Cabinet agreed the detailed budget proposals for consultation in January 2022. The table below sets out the changes that have arisen during this time; with the revised 'balance in hand' being the current available funds to allocate to meet spending priorities and respond to budget consultation, as needed.

Table 1: Key changes to pressures/ investments since January

| | 2022/23 £'000 |
|---|------------------|
| January 2022 MTFP balance | (4,818) |
| Proposed new investments - January Cabinet | 1,549 |
| Balance in hand as at January Cabinet | (3,269) |
| Reprofile of the new Household Waste Recycling centre (HWRC) in line with likely timescales | (125) |
| Revised homelessness pressure following confirmation of WG grant funding | (378) |
| Reprofile investment for new posts - assume new posts filled from June 22 | (120) |
| Revised balance in hand | (3,892) |

A full reconciliation of movements since January Cabinet can be found in appendix 8.

- 1.3 The balance in hand is a product of the better than anticipated draft settlement from WG. Given the reliance that the council has on the Revenue Support Grant, what happens to this grant at the final settlement stage and over the medium term is critical; RSG contributes 76% to Newport's net budget funding, with council tax making up the balance.
- 1.4 The Council's final RSG settlement will be announced on 1 March 2022. Apart from late transfers of specific grants into/ out of the final settlement, which are 'neutral' in their impact, no other changes are anticipated. Cabinet will, therefore, agree final budget proposals and recommend a council tax level to Council based on the draft settlement. This does introduce a potential risk to the final budget as any change will require a verbal update at the Council meeting on 1 March.

2 Finalising the budget

- 2.1 Within the context of the financial summary above, Cabinet have considered their final budget decisions. In doing this, key contextual and relevant considerations include:

- (i) key assumptions and budget proposals included within the draft budget – section 3;
- (ii) results of the public consultation – section 4;
- (iii) the medium-term context within which Cabinet are making this decision – section 5;
- (iv) financial risks and reserves – section 6;

3 Financial planning assumptions

3.1 It is important to remind Cabinet of the key assumptions that have been included within the medium term financial plan (MTFP), the 2022/23 draft budget and the quantum of investments.

3.2 The table below illustrates the key assumptions and their financial consequence before the 2022/23 budget requirement is considered.

Table 2: Financial implication of key assumptions

| MTFP Summary | 2022/2023 £'000 | 2023/2024 £'000 | 2024/2025 £'000 |
|--|--------------------|--------------------|--------------------|
| RSG increase +10.31% in 22/23, +3.5% and +2.4% in line with WG multi-year settlement figures included within RSG | (24,816) | (9,296) | (6,598) |
| Increased share of the total Revenue Support Grant due to data changes showing increased relative spending need | 0 | (750) | (750) |
| Council tax increase +3.7% in 22/23 and 4% pa thereafter | (2,729) | (2,508) | (2,609) |
| Pay award and increments - NJC staff (inc. schools non teaching staff and other pay) +4% in 22/23 and 2.5% thereafter | 4,134 | 2,679 | 2,724 |
| Pay award - teachers +4% in 22/23 and 2.5% thereafter | 2,927 | 2,588 | 2,177 |
| Contract inflation - 0% to 8.2% over the life of the MTFP | 3,542 | 3,608 | 3,743 |
| Other investments (inc. social care demand and other demand) | 3,485 | 1,065 | 528 |
| New and growing schools | 2,978 | 2,803 | 2,457 |
| Savings - previously agreed | (812) | 0 | 0 |

Pay assumption

3.3 Assumptions around pay awards include an uplift in 2022/23 of 4% for teachers and all other staff.

Thereafter, the MTFP assumptions for pay are 2.5% per annum for all staff groups.

Contracts assumption

3.4 Contract inflation is applied to budgets only where the Council has a contractual commitment for increased costs or where costs unavoidably increase outside of the Council's direct control, e.g., energy prices. These ensure budgets are set at a realistic level.

3.5 The planned 6.6% increase to the National Living Wage from April 2022 has also increased staff costs in many of the Council's contracts. The draft budget proposals confirmed that social care providers will be funded to pay staff the Real Living Wage

from April 2022 and therefore this will cause additional cost pressures continuing into next year and in following years.

Investments

3.6 Appendix 5 sets out the budget investments over and above inflation. These are investments required to create capacity across the authority, to support outstanding priorities set out within the corporate plan, other investments to deal with some of the impacts coming out of the Coronavirus pandemic and to ensure budgets are realistic to deal with the demands being faced within key areas. In particular, schools' investment is a key area of significant investment in 2022/23.

3.7 With regard to investments, the Cabinet have considered and prioritised the following areas:

Schools and early intervention and Prevention services

- School budgets – being mindful of the pressure on school budgets, teaching staff, the specific needs of pupils and the role that schools play in early intervention and prevention.
- Education services – investment in roles that focus on supporting challenging pupil behaviours, additional support requirements and advice to schools.
- Social Care - investment in the 'Safeguarding Hub' as a key contributor to early intervention, prevention services and capacity.
- Other targeted investments could impact on support given to vulnerable families and individuals, in particular as we continue to manage the impact of the pandemic.

City Centre

- Investments which will impact on the city centre and the businesses within it. In particular, the promotion of the city, marketing, inward investment, co-ordination of activities and events, tourism, and the general environment in and around the city centre, such as cleansing.

3.8 Cabinet considered the schools' funding position during their January meeting which included a cash increase of up to £8,003k for the overall school budget, representing 7.3% growth in the school's budget. This is based on an assumed level of inflationary pay award increase as noted above plus the additional costs of new/ expanding schools at a level which maintains the current 'funding per pupil'. In this respect, it represents an investment in schools' budget over and above the cost increases predicted in schools. Cabinet are recommended to include all the budget increase provision to the 'Individual School Budget' except for the allowance for the 2022 pay award increase, which is to be held within schools' contingency and will be considered by Cabinet when a final figure is known/ agreed, up to the value of the budget provision made. In doing so, the intention of fully funding cost increases in the school budget sector remains and reflects what is being proposed to Cabinet within this report.

3.9 Assessed budget pressures in school budgets over the life of the MTFP amount to £20m, based on current assumptions on teachers' pay and new/ expanding schools' costs. These will, like other MTFP assumptions, need to be reviewed regularly and any actual proposed funding increases confirmed through the budget process.

3.10 The key elements of schools funding are set out within the table below.

Table 3: Proposed schools funding 2022/23 to 2024/25

| | 2022/2023 £'000 | 2023/2024 £'000 | 2024/2025 £'000 |
|---|--------------------|--------------------|--------------------|
| Teaching staff - pay award - 2.75% Sept 2021, 4% in 2022 and 2.5% thereafter | 3,248 | 2,588 | 2,177 |
| Non Teaching school staff - pay award - 2% in 22/23 (+additional 2% in contingency) and 2.5% thereafter | 662 | 875 | 899 |
| Contract & Income Inflation | 189 | 197 | 204 |
| New and growing Schools | 1,045 | 1,082 | 1,397 |
| Secondary School Transitions | 706 | 479 | 25 |
| Other School investment | 2,153 | 1,242 | 1,035 |
| | 8,003 | 6,463 | 5,737 |

- 3.11 The agreed funding increase for schools related to the pay award from September 2022 will be earmarked for schools ISB but will not be allocated and distributed to individual schools until the actual pay award is known.
- 3.12 The context for this proposed funding is the challenging financial management position within schools. The position within schools has seen significant improvement over the last 2-3 years with only one school expected to request a licenced deficit at the end of this year. However, in saying this, the situation in all schools especially those coming out of deficit is still challenging and Cabinet therefore chose to invest in school budgets as part of the budget setting process. It should also be noted that the overall school's position has improved due to other WG grants, and this will have to be carefully reviewed to ensure we maintain the gains made in this area over the last few years.
- 3.13 Final allocations of specific grant are yet to be determined across the Education Achievement Service (EAS) region. Officers will assess these allocations once confirmation has been received.
- 3.14 Further final detailed investments will be agreed at the meeting and will consider feedback from consultation. In addition, as well as the recurring investment in the revenue budget which the final budget will confirm, the Cabinet will also identify one off investment in these and other key areas, funded from the current years underspend and current reserves.

Savings

- 3.15 The identification of new savings was not included in the draft budget. The budget for 2022/23 does include previously agreed savings of £812k, the detail of which can be found within Appendix 6.
- 3.16 The savings already agreed in the February 2021 MTFP are either in progress of implementation or due to be implemented in 2022/23.

Funding – RSG and Council Tax

- 3.17 As table 2 above confirms, the budget gap and the resulting savings requirement for the council are significantly affected by funding assumptions – the WG grant and council tax increases.
- 3.18 In addition to RSG and council tax funding; specific grants are a key element of the Council's funding which often assists in supporting core service delivery. A

significant level of specific grant funding is received from WG each year and at this time; we still await the finer details of funding levels for 2022/23. It is likely that a small number of grants will see decreases in funding during 2022/23 and it is proposed, in line with the Council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to resolve them. This may involve reducing/ stopping services that WG specific grants no longer fund. These grants will be included within service areas budgets once the value and conditions are known.

4 Public consultation

4.1 The budget proposals agreed by Cabinet in January have been consulted on through a range of stakeholder groups and formats, which are as follows:

- With Trade Unions via the Employee Partnership Forum on 10 February 2022, (minutes included within appendix 1);
- With all Scrutiny Committees in their January 2022 meetings where Members discussed the detailed investments plus the MTFP. Their reports and conclusions are included in appendix 2;
- With the Schools' Forum on 20 January 2022. Responses are included in appendix 3;
- With the public from 14 January 2022 to 11 February 2022. An analysis of responses is included at appendix 4;
- Newport Fairness Commission has reviewed the proposals in terms of their parameters of fairness – their response is included in appendix 4a.

4.2 During the 2022/23 budget consultation over 983 members of the public were engaged. This is a significant increase over the previous year, which was greatly affected by the restrictions surrounding the Covid-19 pandemic. In this year's consultation we were able to make wider use of Bus Wi-Fi Consultation technology as passenger numbers had increased again. The availability of bus Wi-Fi consultation also enabled us to undertake pre-budget engagement on the prioritisation of council services. As no new savings have been proposed for 2022/23, we have probably seen a lower response rate than for the pre-Covid period, however achieving almost 1,000 responses during a challenging period for public engagement is encouraging and reflects the work in recent years to broaden engagement channels, as set out below.

4.3 During the budget consultation we have carried out several engagement exercises with the public, which included:

- A pre-budget public survey to identify the services that matter most to people, as a means of informing medium term budget planning and the investments set out in the draft budget. This survey forms part of an approach to make engagement on the budget and service planning on an on-going process throughout the year;
- Carrying out an online survey via the public Wi-Fi on Newport buses that received 886 responses;
- An in-depth online survey, which received 97 responses;
- Promotion via the media to all households using Newport Matters, Council Facebook & Twitter, and Council Website;
- Requesting partner networks to circulate details of the consultation e.g. One Newport contacts, Newport Youth Council, 50+ Forum and the Partnership Engagement Group;

- Engagement with Newport Fairness Commission – their response is included in appendix 4a;
- Engagement with Newport Youth Council so that young people’s voices are included in the consultation.

4.4 In addition to completed surveys, the following representations have been received from organisations and have been considered by Cabinet Members and Officers as part of the budget consultation:

- Response from the National Association of Head Teachers

The above representations can be found in appendix 4b.

5 Medium Term Financial Plan (MTFP)

5.1 The Council’s financial planning is underpinned by the Council’s Corporate Plan 2017-22 that sets out a clear set of aspirations and plans for the future under our mission of ‘Improving Peoples lives’. This provides a focus for decisions around spending and directs activity across the council. The new Corporate Plan for the Council’s new administration after the May 2022 local elections may also include specific areas of investment which have a financial impact. These, therefore, require careful management over this period.

5.2 The medium term financial plan included in appendix 7 includes funding for the key outstanding priorities and promises set out in the current corporate plan, as needed.

5.3 The MTFP is the articulation of the financial challenges and includes the investments proposed over the next three years. It also includes those savings, which have previously been approved over the life of this plan in February 2021 Cabinet. Whilst the Council is required to set a balanced budget each year, this is against the backdrop of sustaining over £30m of savings over the last five years. The HoF will continue to work with the Corporate Management Team and Cabinet to develop the budget strategy over the medium term to ensure the following issues and uncertainties are accounted for as appropriate:

- the progress of the pandemic, the ongoing impact on lives and on public services (magnified by the Omicron variant);
- economic challenges, in the context of major cost and demand pressures and the extent to which the pandemic and the UK’s exit from the European Union has done lasting damage to the economy. The cost of living and the increase in National Living Wage has a significant impact on current levels of inflation;
- increasing demand within service areas over and above provision already made within the MTFP;
- increasing costs of funding the Council’s levels of planned debt, linked to its substantial capital programme and the reduction in its ‘internal borrowing’ capacity;
- ongoing financial issues on school budgets;
- Brexit.

5.4 Cabinet is asked to take a strategic medium-term view and following this consultation period, recommended to agree the implementation of the MTFP including all budget proposals (appendix 5 - 6), as summarised within appendix 7.

6 Risk, reserves, financial resilience, and performance

- 6.1 A key driver in our budget strategy and MTFP framework is the need to manage the Council's general and financial risks, its financial resilience and performance. This next section looks at these issues and identifies how they are dealt with, whilst considering how they influence the Council's 2022/23 budget and medium-term projections.

Risk

- 6.2 The Council maintains a corporate risk register, which is regularly reviewed by the corporate management team and Cabinet, as well as the Governance & Audit Committee from a procedural / risk management framework viewpoint. The Council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required.
- 6.3 The quarter 2 corporate risk register reported to December Cabinet identified 18 risks that are considered to have a significant impact on the Council's objectives and legal obligations. 11 of these risks are severe and linked to the issues set out within the economic context of the January budget report. In some cases, it is increasingly difficult for the Council to effectively prepare and quantify the financial impact of some of these risks until outcomes are known. There are several risks identified in the risk register that to fully mitigate would be unaffordable. In these cases, the risk is identified, and the Council needs to consider and assess how best to mitigate and continue lobbying WG to provide more funding in these areas, as these risks are not unique to Newport. These areas do, however, continue to be monitored closely to ensure that where information is available these risks are considered and where appropriate factored into the Council's financial planning.
- 6.4 Two current risks with significant uncertainty are the Covid-19 pandemic and the stability of social services providers:

Covid-19 Pandemic Outbreak / Stability of Social Services providers

- 6.5 During 2021/22, external support from WG in the form of the Hardship Fund has seen loss of income and additional costs relating directly to the pandemic being reimbursed. To date in the current financial year, we have claimed £13m in additional expenditure and lost income and forecast the total for the year to be in the region of £17m. The Council has been notified that the Hardship Fund will not continue into 2022/23 to support the ongoing pressures and subsequent recovery of income.
- 6.6 Whilst a large proportion of the above relates to specific WG policy initiatives such as free school meals and certain support payments to social care providers; and will cease as those initiatives are stopped, there will remain some potentially significant ongoing risks to the Council's budget.
- 6.7 In managing the above risks, there is an inherent uncertainty involved given that the "direction of travel" of the pandemic and the impact of it on-going can't be known with any certainty. A reasonably robust set of mitigation is therefore prudent, required and is a significant part of the HoF independent assessment of the robustness and adequacy of the budget, reserves, and Council Tax. To this end, there are three aspects to managing this risk:

- providing appropriate additional funding in those key service areas most impacted by the pandemic.
- providing both temporary and more permanent revenue budget provision / contingency over and above the current base budget level for 2022/23. These would need on-going review and could likely be reduced in due course when there is more certainty on the risk and its actual impact. There will likely be a need for permanent adjustments to budgets going forward thereafter as usage of Council services change permanently with societal behaviours and norms changing, for example, the impact of home /hybrid working on car parking income.
- reserve provision for any impact over and above the above in 2022/23.

6.8 In line with the above and in preserving as much as the current 'in hand' budget provision in 2022/23 for new budget priorities, the HoF recommends the following:

Revenue budget provision

- existing contingency budget for normal financial risks and Covid/ Hardship Fund risks - £1,300k
- existing headroom in capital financing budget in 2022/23 temporarily re-classified for Covid/ Hardship Fund risks - £2,000k
- existing headroom in city centre investment budget in 2022/23 temporarily re-classified for Covid/ Hardship Fund risks - £980k
- Cabinet are recommended to provide a minimum of £500k from the 'in hand' budget provision for 2022/23 for potentially more permanent budget adjustments into the future as well as providing risk mitigation with the above in 2022/23.

Reserves

Whilst the majority of reserves are earmarked, there is an emerging large underspend in the current year which will be available for allocating to reserves at the year-end, and as already said, all reserves provide the ultimate mitigation in the last resort; there are currently a small number of existing unallocated amounts, and it is recommended these are temporarily earmarked for Covid/ Hardship Fund risks in 2022/23. These in total are c£2m and as above, can be re-prioritised if not needed when there is more certainty on the risks and actual impact. These are:

- £1,185k uncommitted funds within the 'MTFP reserve'
- £497k uncommitted funds within the 'investment reserve'
- £138k cumulative total of smaller residual reserve balances
- £64k uncommitted funds within the 'general investment risk reserve'

The emerging underspend in the current year will then be available for earmarking to other specific new priorities and any other issues, in due course.

Reserves

6.9 An analysis of projected earmarked reserves can be found in appendix 10a and will be considered in the next section of the report as a key element in assessing the financial resilience and health of the Council.

Financial Resilience

- 6.10 A robust view is taken in managing budget risks and protecting the financial health of the Council. In that respect, the Council's financial resilience is a key consideration and Appendix 10 shows the current 'snapshot' of the key data and information showing an overview of the health of the Council currently. Key headlines include:
- 6.11 *Earmarked Reserves*: The Council maintains a good level of earmarked reserves. By their very nature, the vast majority are earmarked for specific purposes (including a high proportion held in relation to the ongoing costs of PFI schemes) and many committed/ in drawdown. In that respect, and as regularly pointed out, they provide a good level of financial mitigation as a last resort but use of them means that the original purpose would be affected and/ or would result in a budget pressure to build those reserves up again.
- 6.12 *Revenue Contingency budget – General Reserves*: The contingency base budget and other specific risk reserves held by the Council are taken into consideration when assessing the level of the general reserve and help to mitigate the risk to the Council. The general reserve is increasingly becoming too low, as the Council's net budget increases each year but can be maintained at that level at this point due to the overall level of reserves which, in the last resort, provide more than adequate financial mitigation, albeit with resulting impacts as noted above.
- 6.13 *School budgets- Reserves*: The decline in school reserves over the last few years has been a concern and although current projections look much healthier than in previous years, this is potentially a temporary improvement due to significant one-off grants being awarded at the end of last financial year. The same pattern seems to be occurring this financial year with significant additional funding being confirmed from WG. As a result, the forecast overspend will see reserve balances only reduce by £405k to £9,153k at the end of this financial year. Work with specific schools to review their deficit recovery plans continue to improve matters but unless schools continue to manage within their available budget in future this has the potential to impact on the financial resilience of the overall Council in due course.
- 6.14 *Current budget savings-managing the revenue budget – demands on the revenue budget*: The Council has identified and continues to monitor budget reductions of £3.4m in 2021/22 and whilst understandable delays in delivery is evident, Heads of Service have confirmed they can and will be implemented. This is alongside delivering outturns within and under budget over recent years, despite the delivery of £30m savings over the last 5 years. This needs to be viewed within the context of continued significant demands which are faced by service areas, namely children's social care and schools, which have been highlighted throughout the year as part of the budget monitoring process. Whilst the historical pattern of increased demand in our 'people services' have been significantly affected over the last 2 years, the underlying trend is still evident and could increase post-pandemic. Increasingly, we are seeing issues emerge in our 'place services', resulting from historical under-investment in our infrastructure, resource levels and the growing importance of community-based services during these recent times.
- 6.15 The Council is developing a strategic transformation/ change programme and has its 'invest to save' reserve to fund the one-off cost of change. The programme is integral to developing ongoing financial sustainability whilst also ensuring key services can be delivered.
- 6.16 *On-going and new risks*: These are discussed and noted in the risk section above. There are specific risks coming out of the Covid pandemic which will continue beyond this financial year and WG have been clear in saying that councils will need to manage the financial impacts of those from that point. These require an

assessment and mitigation. In addition, there are other non-Covid risks, some which are mitigated in current earmarked reserves, and which also require the normal review and assessment. Inadequate provisions will impact on the Council's plans and finances. The available options to manage are listed above in the risk section and these should be prioritised in the first place when considering budget issues going into 2022/23.

- 6.17 Overall, whilst there are some underlying issues and challenges, the Council's financial resilience remains strong, and it has financial capacity to develop and change services in response to continuing pressure on funding and increased demand for services.

Fairness and Equality Impact Assessments (FEIAs)

- 6.18 As there are no new savings proposals in the 2022/23 draft budget and over the medium term there are no individual fairness and equality impact assessments. However, an over-arching assessment of the impact of the budget has been undertaken, to be informed by the budget consultation and included with Appendix 9. Given that the administration has been able to avoid making cost savings the overall impact of the budget is expected to be positive in terms of equalities and the socio-economic duty.

7 2022/23 proposed council tax

- 7.1 The draft budget includes a council tax increase of 3.7%, which is less than the 4% base assumption in future years.
- 7.2 Given that the draft settlement included an improved RSG grant this has given a credit balance of £3,892k. Cabinet will decide on how this credit budget is to be utilised to give a balanced position.

Table 4: 2022/23 available and required budget

| | |
|---|----------------|
| The table below shows the available and required budget funding with a 3.7% increase in council tax. Cabinet will be aware that beyond 2022/23 there has been a further 4% increase implicit in our MTFP planning parameters. In setting council tax, the Council needs to be aware of the need to set a balanced budget. | |
| Council Tax at Band D at 3.7% | £1,288.16 |
| | |
| Budget requirement | £000 |
| Base budget 2021/22 | 315,930 |
| Inflation & increments | 10,436 |
| Transfer from reserves | (563) |
| DRAFT BASE BUDGET 2022/23 (before investments/savings) | 325,803 |
| | |
| Budget investments – (£14,592k (inc. £254k of transfers in from RSG) shown in list of pressures plus increase of £520k required in council tax benefit based on 3.7% council tax increase) | 15,112 |
| Budget savings | (812) |

| | |
|-------------------------------------|----------------|
| DRAFT BASE BUDGET 2022/23 | 340,103 |
| Draft funding available | |
| Draft WG settlement | 265,612 |
| Current council tax at new tax base | 75,134 |
| Increased council tax @ 3.7% | 3,249 |
| Total | 343,995 |
| Balance available 'in hand' | (3,892) |

7.3 Before Cabinet can recommend a budget to Council; decisions are required based on the figures shown in the above table. Options include:

- delete previously agreed savings
- providing additional capacity within services
- fund new initiatives and policies
- fund additional pressures not anticipated at January Cabinet
- consider the level of council tax increase required to balance the budget. A 0.1% change in council tax equates to £63k. The current MTFP and draft 2022/23 budget assumes an increase of 3.7%.

7.4 For contextual purposes, the table below shows the weekly increases in council tax based on a number of scenarios and current values at other Welsh Councils. Given the low starting point on Newport council's tax, it will still be lower than most (if not all) of the council's shown, even at a 3.7% increase and the actual monetary increases in tax are low in themselves. Newport City Council proposed tax increase is likely to maintain its position as one of the lowest in Wales.

Table 5: Scenarios illustrating weekly council tax increases

| Weekly Increase | £0.24 | £0.48 | £0.72 | £0.96 |
|---|-------------------|-------------------|-------------------|-------------------|
| Increase per annum | £12.42 | £24.84 | £37.27 | £49.69 |
| Newport Band D tax 2022/23 | £1,254.62 (1%) | £1,267.04 (2%) | £1,279.47 (3%) | £1,291.89 (4%) |
| Comparison with existing Band D council tax (rounded) | | | | |
| Current year (2021/22) before any increase: | | | | |
| Caerphilly | £1,231 | | | |
| Newport | £1,242 | | | |
| Cardiff | £1,310 | | | |
| Wrexham | £1,319 | | | |
| Torfaen | £1,421 | | | |
| Monmouthshire | £1,434 | | | |
| Swansea | £1,448 | | | |

Risks

Detailed financial risks are included in the various sections of the report and appendices where applicable

| Risk | Impact of Risk if it occurs* (H/M/L) | Probability of risk occurring (H/M/L) | What is the Council doing or what has it done to avoid the risk or reduce its effect | Who is responsible for dealing with the risk? |
|--|--------------------------------------|---------------------------------------|--|---|
| Previously agreed budget savings not delivered | L | L | (i) robust budget proposal process (ii) robust budget monitoring (iii) programme governance (iv) service planning (v) retention of reserves and budget contingency | Head of Finance/ Heads of Service |
| Budget savings not delivered on time leading to in year overspending | L | M | (i) robust budget monitoring (ii) programme governance (iii) retention of reserves and budget contingency | Heads of Service Head of Finance |
| Unforeseen Pressures | H | H | (i) retention of reserves and budget contingency (ii) robust budget review | Head of Finance/ Heads of Service |

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The overall aim of the budget and MTFP is to ensure resource allocation is based on priorities, supports the delivery of the Council's change programme, and protects the financial health of the Council.

Options Available and considered

Taking a strategic medium term view Cabinet should approve the three-year plan as summarised in the MTFP, though they could approve 2022/23 proposals only. For 2022/23 Cabinet must agree a revenue budget and then the resulting council tax for Council. Cabinet has various options open to them on the detailed proposals contained within this report.

Preferred Option and Why

That Cabinet are asked to approve a three-year MTFP.

Cabinet must set a balanced revenue budget and recommend the related council tax amount required for this level of spending to Council.

Comments of Chief Financial Officer

Key financial information is contained within the main report.

At the draft budget stage, the Cabinet had not fully allocated available resources and further refinement of existing budget pressures and notification of specific grants which can contribute to existing pressures has meant the 'in hand balance' has increased.

In dealing with this, it is essential the Cabinet agrees a balanced budget, taking into account the final agreed Council Tax level and the resources that generates.

A key issue is how the on-going financial risks related to any impact of the pandemic and no WG Hardship Fund is addressed. There is an inherent risk here as we can't know the extent and impact of this with any certainty. In saying that, services continue even now to incur significant costs and suffer lower income levels and we can reasonably expect for this to continue into at least the early and mid-periods of the 2022/23 financial year and for some budget areas, some permanent impacts too. Services such as social care are also under significant pressure. A prudent and robust approach and provision is therefore recommended, and this can be reviewed on-going as the year progresses. The recommendations made in section 6 provides for just under c£5m of revenue budget contingency, inclusive of the base budget contingency budget and c£2m of currently unallocated reserves. The provision here requires Cabinet to allocate at least £500k of the current 'in hand' provision for this purpose and the HoF strongly recommends this, and the overall package outlined.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report at this stage. Cabinet is being asked to consider the budget consultation responses and agree the final budget and investment proposals and proposed fees and charges in order to deliver a balanced budget for 22/23.

The investment priorities and the setting of fees and charges are executive decisions for the Cabinet but the overall base budget and council tax rate for 22/23 is a matter for full Council as these are non-executive reserved matters under the Constitution. Therefore, Cabinet will need to recommend the final budget and the proposed Council tax increase to full Council for approval in accordance with the Local Government Finance Act. As there are no additional savings proposals or reductions in services this year, then no individual fairness and equality impact assessments are required. However, the Council is still required to have regard to its public sector equality duty and also its socio-economic duty under the Equality Act when taking decisions about investments and the allocation of resources. Therefore, an over-arching fairness and equality impact assessment has been undertaken, informed by the budget consultation process. The overall impact of the budget proposals is considered to be positive in terms of equalities and social disadvantage, given the additional investments in key services.

Comments of Head of People and Business Change

The 2022/23 Budget and Medium Term Financial plan gives Cabinet the opportunity to consider the implications and opportunities in the deployment of resources across a range of functions and services over the next three years. This is set against a backdrop of unprecedented challenges to public services due to the Covid19 public health crisis, on top of ongoing financial pressures, however this situation has been mitigated to some extent by a relatively favourable draft funding settlement from Welsh Government and the agreements that have been in place to provide the Council with financial support to cover costs related to Covid19. This has for the first time in a decade enabled the Administration to avoid making new cost savings whilst still making significant investments in key Council services and maintaining Council Tax at one of the lowest levels in Wales.

As part of the consultation process opportunities have been made available for the public to express their views and again these are included in the report for the consideration of Cabinet. Views have been gathered via email, on-line consultation pages, through bus Wi-Fi surveys and in sessions with Newport Fairness Commission, Trade Unions, and school representatives.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations and protected equalities groups. This has been done through the use of an overarching Fairness and Equality Impact Assessment, which is appended to this report.

There are no staffing implications as a direct result of this report, however it should be noted that if savings proposals are required from staffing budgets in any service, these will be subject to consultation with any affected staff and their trade union representatives.

Scrutiny Committees

Comments from Scrutiny Committees are included in appendix 2 of the report.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The Fairness and Equalities Impact Assessment (FEIA) is included in appendix 9 of the report.

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has implications for the long-term planning of finances and service provision. The business cases used to develop savings proposals include specific linkage with Future Generation Act requirements of the “five ways of working”.

Long term - The medium-term approach that is in place for financial planning within the Council is intended to bridge the gap between longer-term strategic aspirations and sustainable development concerns with the more immediate pressures of setting a balanced budget each year.

Prevention – Taken as a whole the proposed investments are geared towards sustaining preventative type services and focussing on some of the most vulnerable groups which should have the greatest impact over the longer term and will help to prevent negative outcomes getting worse.

Integration – The budget and medium term financial plan has the overall aim of balancing resource allocation across services to support the range of strategic priorities and the delivery of the Council’s change programme whilst ensuring financial sustainability.

Involvement – The budget is informed by insight gained from public engagement work, including previous budget consultations. Pre-budget public engagement on the relative prioritisation of Council services has informed the proposed budget investments. Newport Fairness Commission along with other stakeholders will be engaged as part of the consultation.

Collaboration – Whilst the budget and medium term financial plan is a Council owned document it recognises that services are increasingly delivered in a collaborative public sector landscape with a greater emphasis on regional working e.g., through Corporate Joint Committees, Gwent-wide and South East Wales based partnerships.

The Well-being of Future Generations Act has involvement as one of the five ways of working under the sustainable development principle. Involvement in the development of this budget has included a four-week period of public consultation and consultation with Trade

Unions via the Employee Partnership Forum, with all Overview and Scrutiny Committees, with the Schools' Forum and with the Council's Fairness Commission.

Consultation

Consultation on the budget has been undertaken, as outlined in section 4 of the report and within the appendices.

Background Papers

January 2022 Cabinet report - 2022/23 Budget and Medium Term Financial Plan

Dated: 14 February 2022