

Report

Cabinet



Part 1

Date: 15 February 2023

Subject 2023/24 Budget and Medium Term Financial Plan (MTFP)

Purpose To present to Cabinet the results of the public consultation on the draft 2023/24 budget proposals, as set out in their December 2022 meeting, and provide an update on any changes in budgetary assumptions in the intervening period. 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 28 February 2023.

Author Head of Finance

Ward General

Summary The draft budget proposals for 2023/24 agreed in the December Cabinet meeting have been subject to detailed consultation, and the results have been set out within this report and its appendices.

Since the December Cabinet, the results of the draft settlement have been confirmed. Newport will receive an 8.88% uplift which was the fourth greatest increase received by an individual council, against an overall 7.9% net funding increase for Local Government across Wales. This was much higher than that included within planning assumptions.

Whilst the final settlement will not be known until early March 2023, no changes are expected other than potentially cost neutral movements in specific grants into/ out of the final settlement. Therefore, Cabinet are finalising their 2023/24 budget based on the funding position made up of the draft Revenue Support Grant, the confirmed increase in the Council's tax-base and Council Tax income at the rate that will be recommended at this meeting.

This report summarises the key aspects of the draft budget, feedback on the consultation and other key contextual matters before setting out the current position on the 2023/24 budget which Cabinet will consider. The final proposals will be announced at the meeting, following consideration of the above.

Section:

- 1 Background
- 2 Finalising the budget
- 3 Financial planning assumptions
- 4 Public consultation

- 5 Medium term financial plan (MTFP)
- 6 Risk, reserves, financial resilience, and performance
- 7 2023/24 proposed Council Tax

Appendix:

- Appendix 1 Minutes from the Employee Partnership Forum
- Appendix 2 Extracts from Scrutiny Committees
- Appendix 3 Extracts from Schools Forum minutes
- Appendix 4 Public budget consultation responses and feedback
- Appendix 4a Fairness Commission review
- Appendix 4b Specific responses to budget proposals
- Appendix 5 Budget investments
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- Appendix 7 Medium term financial plan (MTFP)
- Appendix 8 Reconciliation of movements since budget consultation
- Appendix 9 Equalities Issues
- Appendix 10 Financial resilience snapshot, earmarked reserves & transformation fund (previously invest to save)
- Appendix 10a Projected earmarked reserves
- Appendix 10b Summary of transformation fund spend and forecast
- Appendix 11 Fees and charges

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 equality issues and 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).
4. To agree the 2023/24 fees and charges of the council shown in appendix 11.

Overall revenue budget and resulting council tax 2023/24 (section 6 and 7)

5. To note the significant risks and uncertainties within budget planning and specific issues highlighted in section 6 of this report and the mitigation in place to manage.
6. To review and agree the re-purposing of specific earmarked reserves as set out in Appendix 10a
7. 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.
8. 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 28 February.

9. 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 December 2022 meeting.

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

Heads of Service – implement all delegated savings with immediate effect and apply new fees and charges from 1st April.

Timetable Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Law and Standards
- Head of People, Policy and Transformation

Signed

1 Background

- 1.1 Budget preparations for 2023/24 presented a distinct set of challenges, building on the unprecedented circumstances of the last few years and the drastic economic changes that we have seen over a relatively short period of time. Councils are dealing with pressures on a scale never seen before. Inflation, soaring energy bills and increasing demand have resulted in significant budget shortfalls over the immediate and medium term.
- 1.2 As a result, the 2023/24 budget shortfall presented to Cabinet in December 2022 was £27.6m prior to cost reduction plans (£55.8m over the medium term). Savings of £11,561k were identified at that stage and formed part of the budget consultation that commenced immediately following the December Cabinet meeting. It was recognised at that point that further savings would potentially be required in order to balance the budget and this would be confirmed once the outcome of the draft settlement was known.
- 1.3 The Welsh Government (WG) draft settlement was received on 14 December and confirmed that funding would increase by 8.88% for 2023; additional funding of £11.7m, over and above that already assumed. This was a welcomed uplift as it enables the Council to support a growing population, support major cost and demand pressures that the Council continues to face during a challenging economic period, however, it was not sufficient to mitigate, in full, the extent of the financial challenges being faced. Therefore, this confirmed that a budget gap remained, and Cabinet announced draft school budget savings in their December Cabinet.
- 1.4 As always, the budget process has continued since Cabinet agreed the detailed budget proposals for consultation in December 2022. The external considerations impacting on the Council have been key in the financial planning and the movement since the position shared in December highlights the continued volatility. The table below sets out the changes that have arisen during this time, mainly relating to changes in planning assumptions in cost pressures and new savings in non-service budgets with no service impacts, and the revised MTFP reflects the current budget position.

Table 1: Key changes to pressures/ investments since December

	2023/24 £'000
December 2022 MTFP balance	16,078
Draft settlement: +8.88% in 23/24	(11,738)
Post draft settlement budget gap	4,340
Schools contribution to overall budget gap	(8,475)
Change in budget assumptions	
Pay Inflation - revisions made to pay assumptions for both NJC and teachers <i>detail within body of the report and Appendix 8</i>	4,710
School Business rates - Revaluation will see increase in schools RVs	110
Fleet Maintenance - increase in fuel costs	275
Passenger Transport - Increase resource within passenger transport	111
	5,206
Non service budget reductions	
Release of covid base budget	(160)
Housing Benefit - reduction in HB technical overpayments pressure	(200)
Non Service - reduced budget required for non operational pensions	(200)
Non Service - release budget temporarily re-classified for Covid risk mitigation in 22/23	(980)
Non Service - increase Council tax reduction scheme saving	(300)
	(1,840)
Children's Services - remove social care demand pressure - eliminate funding	(1,360)
Homelessness - reduced pressure following confirmation of WG funding	(335)
Revised budget gap/ (surplus)	(2,464)

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

- 1.5 The Council's final settlement will be announced on 1 March 2023. Apart from late transfers of specific grants into/ out of the final settlement, which should be 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.

2 Finalising the budget

- 2.1 Within the context of the above, Cabinet have considered their final budget decisions. In doing this, key 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 provide Cabinet with an update on the key assumptions that have been included within the medium term financial plan (MTFP), the 2023/24 draft budget and the quantum of investments and savings.
- 3.2 The table below illustrates the key assumptions and their financial consequence before the 2023/24 budget requirement is considered and includes the recently revised pay award assumptions noted in table 1 above for 2023/24. As always, future years assumption are subject to on-going review.

Table 2: Financial implication of key assumptions

MTFP Summary	2023/2024 £'000	2024/2025 £'000	2025/2026 £'000
Base change in WG Revenue Support Grant (+8.8% in 23/24 and +3% thereafter)	(23,599)	(8,676)	(8,937)
Residual increased share of the total Revenue Support Grant due to data changes showing increased relative spending need	0	(1,012)	0
Estimated increase in NCC share of RSG due to population changes	0	(500)	(500)
C. Tax @ 9.5% in 23/24 and 4% thereafter	(6,325)	(2,853)	(2,968)
Pay award and increments - NJC staff (inc. schools non teaching staff and other pay) +6% in 23/24 and 2.5% thereafter	9,879	2,832	2,863
Pay award - teachers +3.5% since December assumption 23/24	6,107	4,463	4,348
Contract inflation - 0% to 245% (energy) in 23/24 reducing to 15% over the life of the MTFP	22,530	16,173	12,982
Demand investments (inc. social care demand and homelessness)	5,133	787	1,476
School demand (inc. new and growing schools)	785	1,221	1,164
Cost reduction - new savings	(13,201)	(284)	0
Schools contribution to budget gap	(8,475)	0	0

Increasing costs and demand

Inflationary Increases

- 3.3 At the time of writing, with inflation forecast to be 9.4% for Q1 2023, this is possibly one of the most important considerations in the setting of this budget. Aside from pay, key areas of concern are energy, fuel, and food. Forward purchasing arrangements for energy have largely protected the Council from the impact of energy price increases in the current year but energy bought for 2023/24 are substantially increased - 245% for gas and 137% for electricity. Although they remain volatile, wholesale energy prices have fallen significantly in recent months and so it is expected that energy inflation will reduce down to more typical levels by the end of the current MTFP.
- 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, ensuring that budgets are set at a realistic level, for example social services community care contracts that incorporates the living wage uplift payable to staff plus the running costs of the homes.

Staff Costs

- 3.5 Sustained levels of high inflation have placed upward pressure on pay costs as shown by the investment required in 2023/24. This amount is inclusive of the shortfall in the current year over and above the budgeted level of 4%. For 2022/23, the average NJC pay award was an increase of 6.4% and an additional cost of £3.6m has been factored into the base budget for the 2023/24 to make good this shortfall.
- 3.6 There is very significant uncertainty in respect of pay. For teachers, whilst the Independent Welsh Pay Review Body's recommendations of a 5% increase from September 2022 was agreed in principle by the education minister in November 2022, there is a risk that planned strike action could lead to further change and uncertainty as to when any change might apply from, at the time of writing this. We

are now aware that the non-teaching unions have asked for a 'inflation plus 2%' pay rise for all other staff for 2023/24 and those negotiations are now in progress.

- 3.7 As a result of recent pay awards and the forecast National Living Wage increase which has a substantial impact on the LG pay negotiations, a 6% pay award has been assumed for NJC staff and further provision of 3.5% has been added to teachers in 2023/24. These 'updated (higher)' assumptions reflect the key elements noted above but in light of the actions in para. 3.6 above; are very uncertain and once again, the Council may find itself with lower pay award budget provision than are subsequently agreed.
- 3.8 Thereafter, the MTFP assumptions for pay are increases of 2.5% per annum for all staff groups.

Service Demand

- 3.9 Alongside inflationary pressures, the Council is experiencing exceptional levels of demand and cost pressure in some areas; most significantly in Children's Services, linked to the number and complexity of placements for children looked after, and homelessness. Whilst new 'Eliminate' Grant funding has been awarded for 3 years enabling the pressure linked to children looked after placements to be removed in 2023/24, the pressure will be required in 2025/26 when the grant comes to an end, as set out within the MTFP. Demand pressures will need to be closely monitored for the two services above, as well as across a range of other services such as adult social care.
- 3.10 Appendix 5 sets out the budget investments over and above inflation. These are investments required to deal with the exceptional levels of demand that the Council is experiencing and to ensure budgets are realistic to deal with the demands being faced within key areas. In particular, social care, homelessness and schools are key areas of significant investment in 2023/24.

Schools

- 3.11 Cabinet considered the schools' funding position during their December meeting which included a cash increase of up to £10,395k for the overall school budget. This was based on an assumed level of inflationary pay award and non-pay increase as noted above plus the additional costs of new/ expanding schools. For the full three-year MTFP period, assessed school pressures amounted to £28m, based on current assumptions. These will, like other MTFP assumptions, continue to be reviewed regularly and any actual proposed funding increases confirmed through the budget process.
- 3.12 Since December, key assumptions including pay have been revisited and further pressures have been identified and factored into the MTFP as set out in table 1 above. The updated, gross, investment is set out below.

Table 3: Revised schools pressures 2023/24 to 2025/26

	2023/2024 £'000	2024/2025 £'000	2025/2026 £'000
Teaching staff - pay award - 23/24 +3.5% since December update and 2.5% thereafter	5,507	4,463	4,348
Non Teaching school staff - pay award - 6% in 23/24 and 2.5% thereafter	3,087	899	921
Contract & Income Inflation	3,941	3,463	1,745
New and growing Schools	368	1,345	1,278
Secondary School Transitions	417	(124)	(114)
Other School investment	1,437	566	566
	14,757	10,612	8,744

- 3.13 Given the size of the school budgets relative to the overall budget, Cabinet are aware that protecting the school budgets in its entirety would be extremely challenging on all other Council services. In that sense, it is being proposed that the school budget contributes to balancing the overall Council budget. A draft saving of £8,475k based on the December Cabinet draft budget has been included within the MTFP as schools contribution to the overall councils budget gap. This results in a net increase in school funding of £5.6m or just under 5% in 2023/24 alone.
- 3.14 The draft settlement provided all Wales information in respect of specific grants. The one area of notable change is the Additional Learning Needs Transformation grant has nearly doubled from £6.6m to £12m across Wales.
- 3.15 Further final detailed investments will be agreed at the meeting when consideration will be given to the feedback from consultation.

Savings

- 3.16 The identification of significant new savings is a requirement to balance the budget for 2023/24. The draft proposed savings identified for 2023/24 total £11,561k, the detail of which can be found within Appendix 6. In addition, since December, officers have continued to identify further recurring savings which will provide permanent mitigation against the financial pressures. These additional areas of mitigation total £12m including the schools proposal of £8,475k and the reduction in key pressures following confirmation of additional grant funding from WG. Details of which can be found within Appendix 8.

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 2023/24. It is likely that a number of grants will see real terms decreases in funding during 2023/24 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 be able to absorb the impact within existing resources. 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 December 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 19 January 2023 (minutes included within Appendix 1);
 - With all Scrutiny Committees in their January 2023 meetings where Members discussed the detailed investments and savings proposals, plus the MTFP. Their reports and conclusions are included in Appendix 2;

- With the Schools' Forum on 19 January 2023. Responses are included in Appendix 3;
 - With the public from 14 December 2022 to 2 February 2023. An analysis of responses is included in Appendix 4;
 - Engagement with Newport Fairness Commission – their response will help inform the decisions taken by Cabinet and further budget engagement work.
- 4.2 During the 2023/24 budget consultation just under 1,800 responses were received. This is a significant increase over the previous year, which was 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 have increased again. The availability of bus Wi-Fi consultation also enabled us to undertake pre-budget engagement on the prioritisation of council services.
- 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 an ongoing process throughout the year;
 - Carrying out an online survey via the public Wi-Fi on Newport buses that received 653 responses;
 - An in-depth online survey, which received 820 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, voluntary sector contacts;
 - 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;
 - Attendance at public events to promote the budget consultation including the four participatory budgeting sessions, and Warm Welcome sessions in venues across Newport;
 - Service Area led events directly with affected service users and their families e.g. adult services, library services.
- 4.4 In addition to completed surveys, around 400 representations have been received from organisations and have been considered by Cabinet Members and Officers as part of the budget consultation, these are particularly in relation to the proposals on:
- Domestic Residual and Garden Waste collections
 - Social care - Oaklands / Short Break Services / Cwtch Centre
 - Car parking charges
 - Growing Spaces
 - Council Tax increase
 - A response to multiple proposals from Aneurin Bevan University Health Board CAMHS, Complex Needs and Public Health Nursing Team.
- 4.5 The comments received in these representations are consistent with those summarised in Appendix 4.

5 Medium Term Financial Plan (MTFP)

5.1 The MTFP is the articulation of the financial challenges and includes the savings identified over the next three years. The scale of the budget challenges significantly outweigh funding increases; therefore, consideration must be given to how the Council is able to continue operating effectively for the residents of Newport whilst maintaining financial sustainability. With savings totalling circa £80m having already been identified over the last decade, it will not be possible to balance the 2023/24 and medium term budget through efficiencies alone. This means that required savings will impact upon front line service delivery. The Head of Finance 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 economic challenge, in the context of major cost and demand pressures. The cost of living and energy crisis and the lasting impact that current levels of inflation have on future pay and other cost pressures;
- increasing demand within service areas over and above provision already made within the MTFP;
- potential financial issues on school budgets.

5.2 The Council has recently approved its new Corporate Plan, and this will be supported by a Transformation Plan and other plans to achieve the outcomes within it. The Transformation Plan is in the development stage and whilst this will form a key part of the strategy for addressing the budget gap in the future, it will not in itself deliver the quantum of savings required over the medium term. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability. As part of this the development of a detailed delivery and implementation plan with potential savings is required.

5.3 Cabinet is asked to take a strategic medium-term view, and following this consultation period, recommended to agree 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 the 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 2023/24 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 16 risks that are considered to have a significant impact on the achievement of the Council's objectives and legal obligations. Overall, 8 of these risks are severe and in many cases link the issues set out within the economic context and earlier sections of this 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 Three current risks in the corporate risk register with significant uncertainty are (i) stability of social services providers, (ii) pressures on adult services and (iii) pressure on delivery of children services and in the case of challenges facing social care have already been considered earlier in this report.
- 6.5 Outside of the risk register, and as noted in this report above, there are also other key issues and risks which the Cabinet's attention needs to be drawn too:
- Uncertainty on the adequacy of pay provision for 2023/24 financial year, given on-going disputes and the trajectory of the National Living Wage.
 - The inherent risk in delivering a quantum of savings which is far higher than any previous year.
- 6.6 In the context of the challenging economic climate, the budget has the following areas of mitigation will be required to support the challenges set out above.
- existing revenue contingency budget £1.373m;
 - existing revenue budgets not yet committed, and which are set aside to manage revenue budget risks in the short term c£1m;
 - specific reserves earmarked for general budget risks, including the 'pay reserve' and residual covid risk reserve at £2.3m;
 - investment in revenue budgets to mitigate risks on an ongoing basis.
- 6.7 The HoF is required to independently assess and report, to Council, on the adequacy of the budget (and council tax level as an integral part of this) and reserves in the context of the financial issues and risks facing the Council. The assessment of the risks mentioned here and how we plan and utilise the above options are key to this.

Financial Resilience

- 6.8 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:
- Earmarked Reserves: Although the Council's reserves have increased in recent years, nearly all of these are earmarked for specific purposes. However, as a last resort they do provide some mitigation 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, as well as delaying the identification of recurring mitigation for the identified budget gap. At the request of Cabinet, the Executive Team have reviewed these and have identified the potential availability of £2,537k from a small number of reserves for repurposing; Cabinet are being recommended to consider and approve these for re-purposing.
 - 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.

- School budgets- Reserves: Although the position in relation to school reserves has improved over the last couple of years, this is likely to be a temporary improvement due to significant one-off grants being awarded at the end of last financial year. The forecast net spend against school budgets this year will see reserve balances reduce to £10,453k by the end of this financial year, though this could change in the last quarter as so often is the case if new grants are received.
- Current budget savings-managing the revenue budget – demands on the revenue budget: The Council has identified and continues to monitor budget reductions of £800k in 2022/23 and whilst understandable delays in delivery is evident, HoS have confirmed they can and will be implemented. This is alongside delivering outturns within and under budget over recent years, despite the delivery of £25m 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.

6.9 The Council is developing a strategic transformation programme and has its 'transformation plan fund' (previously 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.

Fairness and Equality Impact Assessments (FEIAs)

6.10 In line with the council's legal duties as set out in the Equality Act 2010 and the Welsh Language (Wales) Measure 2015, all proposals that are subject to public consultation have undergone a full equality impact assessment, which have been updated to reflect public consultation responses.

6.11 Appendix 9 provides the impact assessment for the new saving proposals individually listed in Appendix 6, showing any issues, after mitigation, of any equalities issues that Cabinet and Council need to be aware of.

7 2023/24 proposed council tax

7.1 The draft budget includes a council tax increase of 9.5% in 2023/24 and 4% base assumption in future years.

7.2 Despite the draft settlement included an improved RSG, recent developments and revisions made to planning assumptions means that there remains a budget surplus of £2,464k. Cabinet will decide on how this budget surplus is to be addressed to give a balanced position.

Table 4: 2023/24 available and required budget

<p>The table below shows the available and required budget funding with a 9.5% increase in council tax. Cabinet will be aware that beyond 2023/24 there has been a further 4% increase implicit in</p>	
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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 9.5%	£1,392.85
Budget requirement	£000
Base budget 2022/23	343,012
Inflation	36,071
Transfer to reserves	563
DRAFT BASE BUDGET 2023/24 (before investments/savings)	379,646
Budget investments – (£12,502k (inc. increase of £1,205k required in council tax benefit based on 9.5% council tax increase))	13,707
Budget savings	(21,676)
DRAFT BASE BUDGET 2023/24	371,677
Draft funding available	
Draft WG settlement	289,211
Current council tax at new tax base	77,400
Increased council tax @ 9.5%	7,530
Total	374,141
Balance to allocate	(2,464)

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
- consider the level of council tax required to balance the budget. A 0.1% change in council tax equates to £65k. The current MTFP and draft 2023/24 budget assumes an increase of 9.5%.

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 councils shown, even at a 9.5% increase and the actual monetary increases in tax are low in themselves.

Table 5: Scenarios illustrating weekly council tax increases

Weekly Increase	£1.47	£1.96	£2.32	£2.45
Increase per annum	£76.32	£101.76	£120.84	£127.20
Newport Band D tax 2023/24	£1,348.33 (6%)	£1,373.77 (8%)	£1,392.85 (9.5%)	£1,399.21 (10%)
Comparison with existing Band D council tax (rounded)				
Current year (2022/23) before any increase:				
Caerphilly	£1,254			
Newport	£1,272			
Cardiff	£1,335			
Wrexham	£1,372			

Torfaen	£1,449
Swansea	£1,462
Monmouthshire	£1,477

Risks

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	M	H	(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	H	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 soon to be developed transformation plan, savings proposals and protects the financial health of the Council.

Options Available and considered

Cabinet has various options open to them on the detailed proposals contained within this report. Taking a strategic medium term view, Cabinet should approve the three-year plan as summarised in the MTFP, though they could approve 2023/24 proposals only. For 2023/24 Cabinet must agree a revenue budget and then the resulting council tax for Council.

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

All financial details are included in the body of this report. The Cabinet have the responsibility to allocate funding to services and priorities and to make a recommendation to Council on the level of Council Tax required to support their resulting total net budget.

As the report indicates, the budget has been prepared under the most challenging situations facing public services and Local Councils in particular here. The report highlights a number of key risks; some within the Council's Corporate Risk Register. It is essential that revenue budget contingency is maintained given the uncertainty with these risks as this supports the budget as well as providing some level of protection to reserves in order for them to be utilised as planned and not cause additional financial pressures in future years. These are outlined in the report and the HoF/S151 officer will provide an overall opinion on the budget following the finalisation of the budget, given some c£2.5m of resources are left plus a small amount of reserves to allocate. In saying that, a reasonable level of revenue budget contingency exists at this point and whilst not impact free, the reserves of the Council provide further mitigation in the worst-case scenario.

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 savings proposals in order to deliver a balanced budget for 23/24. Where the relevant business cases are not delegated to Heads of Service and Cabinet Members in accordance with the Council's scheme of delegation, Cabinet are required to take the final decisions on those business cases in the light of the responses to the public consultation, prior to making a recommendation to Council regarding the budget for 23/24. The implementation of the business cases are executive matters, with the exception of any which purely relate to staffing proposals and operational matters which are non-executive matters delegated to Heads of Service. Business cases which have an impact on the delivery of services, have been the subject of Equality and Fairness Impact Assessments to ensure that the Council has regard to its public sector equality duties under the Equality Act and is also acting fairly in terms of the impact of the proposed changes on service delivery. In addition, where specific proposals have impacted on staffing levels, these have been the subject of a staff consultation process. The setting of the overall base budget and council tax rate for 23/24 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 1992.

Comments of Head of People, Policy and Transformation

The 2023/24 Budget and Medium-Term Financial plan report 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 highly challenging financial pressures, which have created a difficult environment and increased financial uncertainty. This is despite the Council having received a relatively favourable draft funding settlement from Welsh Government.

The Council's head count and full-time equivalent has reduced significantly over the last number of years to meet the financial challenges. The Council's workforce will be impacted by the proposals to deliver services in different ways or cease. It should be noted that a number of Council vacancies are also proposed for deletion as part of the budget savings. A consequence of the deletion on vacancies puts further strain on the ability of the remaining workforce to deliver services, potentially leading to wellbeing concerns for our staff. The Council's Wellness at Work policy and supplementary wellbeing support will become more integral in supporting the workforce to adapt to the challenges ahead.

All staff potentially affected by the budget proposals have been consulted with, or will be as and when necessary, and the relevant trade unions have made representations, which are referenced in this report.

As part of the annual 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, letter, the on-line consultation pages, through free bus Wi-Fi and discussions with relevant groups.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations and also the impacts on protected equalities groups. This has been done through the use of Fairness and Equality Impact Assessments. It should be noted that meeting the sustainable development principle is becoming increasingly difficult whilst the Council faces both immediate long-term financial pressures.

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 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 seven-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

December 2022 Cabinet report - 2023/24 Budget and Medium Term Financial Plan

Dated: 9 February 2023