

**SUBJECT: BUDGET UPDATE, PROCESS AND TIMETABLE 2023/24**

**MEETING: CABINET**

**DATE: 9<sup>th</sup> November 2022**

**DIVISION/WARDS AFFECTED: WHOLE AUTHORITY**

**1. PURPOSE:**

- 1.1. To provide update on the most recent update of the MTFP and to agree the process and timetable for developing the budget for 2023/24.

**2. RECOMMENDATIONS:**

- 2.1. That Cabinet notes the unprecedented challenges facing the Council as a result of the most recent update of the MTFP and the budget shortfall of £23.1m needing to be addressed through the remainder of the budget process.
- 2.2. That the budget process and timetable as outlined in section 9 is adopted and that includes member budget scrutiny and consultation conducted through all-member seminars, member and officer working groups, member scrutiny, community engagement and consultation events.
- 2.3. It be noted that the Chief Executive as Head of Paid Service will be issuing all necessary statutory and non-statutory employment consultation in respect of the staffing implications of budget preparation.

**3. KEY ISSUES:**

**Summary**

- 3.1. A clear and robust financial strategy is vital to identifying the likely level of funding available to the Council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all Councils, it is also important to identify how we intend to respond to those pressures, and particularly how we will meet projected funding gaps.
- 3.2. The Council's Medium term financial plan (MTFP) is the link between its long term policy objectives and its financial capacity. It seeks to ensure that the Council's strategic objectives can be achieved within the confines of the financial resources available, such that the Council remains financially sustainable over the longer term.
- 3.3. The current MTFP model was developed and updated as part of the budget process for 2022/23 and ultimately informed the budget that was approved by Council on the 3rd March 2022. There has been unprecedented change impacting the Council's operating environment

since that time, both globally and nationally in terms of the changing financial and economic environment, and locally in respect of the new political administration of the Council.

- 3.4. It was therefore appropriate that the MTFP model was reviewed and updated as part of the budget process for 2023/24 to reflect the impact of the current economic situation, the revised demands and assumptions that this brings, together with aligning with the policy objectives of the new Cabinet. Based on the assumptions modelled and pressures included this identifies an unprecedented £23.1m budget shortfall to be addressed for the 2023/24 financial year.
- 3.5. Whilst the budget process is as always a dynamic one the funding outlook remains bleak and the budget shortfall a very real one. The Council will need to bring forward significant savings proposals and cost reduction measures in order to balance the budget. It is clear as a consequence that impacts will be felt across Council's services, albeit it every effort will as always be made to minimise the impact on front line services through innovation and service redesign where possible.

#### **4. External context**

- 4.1. The budget and medium term financial planning process has had a consistent theme over recent years. Since the financial crisis in 2008 the level of resources available to public services has been under pressure and the Council has had to absorb and manage significant pressures as well as adopting significant savings proposals.
- 4.2. The process adopted has sought to maintain a medium-term view on the financial position and plan savings targets over a 4-year period. This is essential given the lead in time for making some of the service changes required.
- 4.3. Over the past two financial years, the pandemic outbreak and response drew significantly on the Council's resources, both in terms of capacity and finances, and the legacy impact continues to place demands and pressures upon the Council.
- 4.4. The Welsh Government Hardship fund supported Local Authorities in meeting their direct additional costs and income losses directly resulting from the pandemic. During the financial years 2020/21 and 2021/22, we received £36 million in support from the fund. This support ceased on 31st March 2022 and we are now managing the additional costs and reduction in income from within our Revenue budget from 2022/23.
- 4.5. Since the last update of the Council's MTFP, the global and national political and economic landscape has changed enormously, resulting in an unprecedented operating environment for the Council.
- 4.6. The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The recent UK political situation following the 'fiscal event', albeit now principally reversed, has increased economic uncertainty further. It is hoped that a new Prime Minister and Chancellor will provide some stability and in moving the UK's public finances forward on a clear and sustainable path. However, it is becoming evident, when the Chancellor delivers his Autumn budget statement that there will be a further tightening of public finances and that could impact further on the Council's most recent update of its MTFP model.

- 4.7. The economic backdrop continues to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact supply chains.
- 4.8. The labour market remains tight, meaning that there are far more vacancies than there are applicants.
- 4.9. The Bank of England, Federal Reserve and the European Central Bank have all pushed up interest rates and committed to fighting inflation. UK inflation has remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years and whilst falling modestly to 9.9% in August has returned to 10.1% in September.
- 4.10. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024. However, the extent of this support is now subject to a further review by the UK Treasury such that further and ongoing support beyond April 2023 is targeted at those in most need of support.
- 4.11. The Bank of England has increased the official Bank Rate to 2.25% from 0.75% in March, with the Monetary Policy Committee (MPC) noting that domestic inflationary pressures are expected to remain strong, and given ongoing strong rhetoric around tackling inflation, further bank rate rises are expected.
- 4.12. On 23rd September 2022 the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically leaving pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure.
- 4.13. On 17<sup>th</sup> October 2022 the newly appointed Chancellor reversed almost all of those measures introduced in the aforementioned 'mini budget'. The chancellor confirmed he was looking to give certainty about the sustainability of public finances. The chancellor indicated that there more difficult decision to take on both tax and public spending. More will be known when the Chancellor announces the UK government's medium-term fiscal plan as part of his Autumn budget statement on the 17<sup>th</sup> November.
- 4.14. The emergence of inflation at levels outside of previous estimates comes at a time when the significant and welcome temporary financial support provided by Welsh Government during the pandemic has ended. Increased inflation will also drive increased demand for Council services at a time when the Council themselves are facing inflationary pressures.
- 4.15. The cost of living crisis is also impacting upon our communities and local businesses and this is likely to create additional demand upon the services the Council delivers through:
  - Increasing homelessness levels
  - Increased referrals to Social services
  - Reduced demand for income generating services
  - The recovery of debt owed to the Council

- The provision of Cost of living / Winter fuel grant schemes
- Pressure on the Council tax reduction scheme

4.16. The context outlined above has significant implications for the Council's medium term financial planning. These implications are summarised below and have been central to the update in the budget assumptions for 2023/24 and over the medium term.

Factor	Planning Implications
<b>Inflation</b>	Increased costs across supplies and services, contractual arrangements calculated via CPI/RPI, impact on pay awards.
<b>Supply chains</b>	Disruption to availability of materials, parts and supplies leading to increased costs for alternative/expedited solutions.
<b>Labour market</b>	Shortage of staff leading to increased costs for commissioned services and agency staff, real living wage implications.
<b>Energy Crisis</b>	Increasing energy costs across Schools, Leisure centres, Offices, and Street Lighting, increased fuel costs for Council vehicles and for contracted transport providers. At present, there is no certainty regarding the UK Government's Energy Price Guarantee for public services after March 2023.
<b>Interest Rates</b>	Increased cost of borrowing and associated impact upon the affordability of the capital programme.
<b>Economic Growth</b>	Impact on future funding settlements for the public sector.

## 5. Funding context

- 5.1. The primary funding of the Council's revenue budget comes from the Welsh Government settlement and through council tax income. The assumptions for these funding elements are fundamental in developing robust medium term financial plans.
- 5.2. As part of the Welsh Government final budget for 2022/23, they issued indicative increases in Local Government funding settlements for both 2023/24 and 2024/25 of 3.5% and 2.4% respectively. It was noted that these were dependent on current estimates of NDR income over the multi-year settlement period, and the funding provided to Welsh Government by the UK Government based on the 2021 comprehensive spending review.
- 5.3. The UK government has cancelled the 2022 comprehensive spending review and it remains unclear what impact this may have on those indicative funding settlements. Though it is expected that further public spending cuts will be forthcoming when the Chancellor announces his Autumn budget statement on the 17<sup>th</sup> November. There is further concern that consequently, the inflationary impacts noted above will not be recognised which may lead to difficult decisions around the size and shape of service delivery moving forward.
- 5.4. Local authorities continue to lobby Welsh Government directly and through the WLGA to ensure that there is a strong body of evidence to support the need for funding at a level that

allows Council services to be sustained and at the level of increased demand being experienced.

- 5.5. The further challenge amidst this uncertainty is one of timing. The provisional settlement is expected on 13<sup>th</sup> December 2022. Cabinet will therefore need to delay consideration of the draft budget proposals until January in order that the most up to date funding announcement can be included. Welsh Government's final local government settlement is due to be published on the 28<sup>th</sup> February 2023, the day before Cabinet will be considering the final budget proposals and ahead of Council setting the budget for 2023/24 on 9<sup>th</sup> March.
- 5.6. The Council Tax planning assumption is currently modelled at a 3.95% year on year increase. Cabinet have not yet considered the level at which Council Tax will be set for 2023/24, and the rate of increase used is for illustrative purposes only at this stage. In proposing the final level of increase for the 2023/24 budget, consideration will be given to local context, such as the affordability for communities, together with the ongoing need to meet increasing demand and cost pressures of essential local services.

## **6. Budget Position for 2022/23**

- 6.1. All of those issues highlighted above are already having a significant impact on the Council in the current financial year. The month 4 position reported to Cabinet on the 19<sup>th</sup> October highlighted an in year forecast over spend of £8.8m as a consequence of demand pressures, cost inflation, income loss, and pay awards.
- 6.2. Whilst the Council is taking immediate budget recovery action in the current year, recourse to earmarked reserves is likely to be required as part of the range of mitigation measures. The Council replenished earmarked reserves by approximately £10m over the financial years 2020/21 and 2021/22, with particular focus in providing protection against some of the legacy impacts of the pandemic.
- 6.3. However, reserves only provide a finite and one-off source of mitigation and do not address re-current and structural budgetary deficits. It is essential that a prudent reserve level continues to be in place to ensure ongoing financial resilience, especially during a period of economic uncertainty and at a time when significant budgetary risks are presenting themselves.
- 6.4. Importantly the budget for 2022/23 continues to be supported by £2.65m of identified eligible expenditure to be funded from capital receipts under the flexible use of capital receipts directive. Reliance on this mitigation was a short-term measure only and is not sustainable at this level beyond 2022/23 as capital receipts forecast to be generated start to fall away.
- 6.5. The inherent pressures presenting in 2022/23 will clearly have a bearing on the budget for 2023/24 and over the medium term unless suitably mitigated through much needed additional funding from Welsh Government.

## **7. Assumptions for Developing the Medium-Term Financial Plan**

- 7.1. The Authority has developed a MTFP model which is reviewed annually and is continually updated through the budget process. The financial model contains the base budgets of the

Authority. This is updated each year in the light of a review of assumptions and known sensible changes to enable the gap between resources and expenditure to be highlighted.

7.2. The revenue financial planning assumptions in the roll over MTFP from 2022/23 were as follows:

BUDGET ASSUMPTIONS - INCREMENT FACTORS	2023/24	2024/25	2025/26	2026/27
<b>Expenditure:</b>				
Pay award (non-teaching staff)	2.50%	2.30%	2.30%	2.30%
Pay award (teaching staff)	3.13%	2.38%	2.30%	2.30%
Superannuation rates	25.10%	26.10%	27.10%	28.10%
Non-pay inflation	0.00%	0.00%	0.00%	0.00%
<b>Income and Efficiencies:</b>				
Staff vacancy factor (non-schools)	(2.00)%	(2.00)%	(2.00)%	(2.00)%
Staff vacancy factor (schools)	0.00%	0.00%	0.00%	0.00%
<b>Funding:</b>				
Aggregate External Funding (AEF) RSG/NDR	(3.50)%	(2.40)%	(2.00)%	(2.00)%
Council Tax (MCC) - Band D increase	(3.95)%	(3.95)%	(3.95)%	(3.95)%
Council Tax Collection Rate	99.00%	99.00%	99.00%	99.00%

7.3. A first review of the assumptions contained in the MTFP has been undertaken and a number of prudent and proposed changes are advocated:

- To maintain the anticipated cash increase in core funding from Welsh Government in line with indicative increases communicated by the Minister and subsequent to the UK Government at that time publishing a three-year comprehensive spending review. The UK government has cancelled the 2022 comprehensive spending review and it remains unclear what impact this may have on those indicative funding settlements. More will be known and understood when the Chancellor announces his Autumn budget statement on 17<sup>th</sup> November. There is further concern that consequently, the inflationary impacts noted above will not be recognised which may lead to difficult decisions around the size and shape of service delivery moving forward.
- Increase pay award assumption for non-teaching staff to 6.25% - Pay awards for non-teaching staff have most recently increased sharply from a 2.75% pay award for the last financial year (2021/22) to a proposed pay award and increase of £1,925 at each pay grade. Given the nature and profile of the workforce this represents a 6.25% increase and is seen as a response to levels of inflations that are now facing the UK economy. Bank of England forecasts are indicating that inflation will remain at high levels through 2023 before coming back down. At this stage it is reasonable to assume that any pay award for 2023/24 will be at a level consistent with the current 2022/23 pay offer.

Pressure will be put on the NJC to communicate early its intentions with regards to any proposed pay award for 2023/24 and to ensure that councils can make reliable estimates for pay awards as part of the budget setting process. It is also worth noting that UK Government have not passed any consequential funding through to Welsh Government in recent times to enable them to fund these pay award increases though it

remains a Welsh Government decision to consider and adequately fund the pressures facing local government in Wales.

- Increase pay award assumption for teaching staff to 4.13% - Pay awards for teaching staff have similarly seen increases in recent years and the current expectation is that such pay award levels will continue for 2023/24. The 4.13% increase reflects a pay award assumption of 5% from September 2022 and a 3.5% from September 2023. Welsh Government do have delegated responsibility for setting pay levels for teachers, unlike with non-teaching (LGE) staff. Welsh Government has funded pay award increases in recent years but there is no guarantee that this will continue and therefore the prudent assumption taken is that this remains unfunded or is incorporated into the settlement assumption.
- Superannuation rate change – no change is advocated but to note that after two years that have seen a freeze in the employer’s pension contribution rate at 23.1% for staff in the Local Government Pension Scheme (LGPS) stepped contribution rates revert to a 1% year-on-year increase in the contribution rate for 2023/24. The most recent 2022 actuarial assessment has presented some potential options to affect the increase in the contribution rate over the next three years. Conclusions reached will subsequently be factored into the budget proposals and MTFP.
- Council tax – the council tax rises built into the MTFP are solely for modelling purposes and remain at 3.95% over the MTFP period. Council tax rises are a matter for Cabinet to preside over. Cabinet have not yet considered the level at which Council Tax will be set for 2023/24, and the rate of increase used is for illustrative purposes only at this stage. In proposing the final level of increase for the 2023/24 budget, consideration will need to be given to local context, such as the affordability for communities, balanced against the ongoing need to meet increasing demand and cost pressures of essential local services.
- Non-pay inflation – whilst a non-pay inflation factor of 0% is used for modelling purposes this does not mean that inflationary pressures are not factored into the budget process. Such pressures are introduced into the budget process by way of the pressure mandate process and to ensure that there is robust challenge of evidence-based pressures, whether inflationary or otherwise.

7.4. Evidence based pressures - Historically pressures tend to be volunteered by services through the budget process. Provision is initially made in the MTFP, for modelling purposes, for “unidentified pressures” of £5m in each of the 4 years of the MTFP and based on the level of pressures that have historically presented themselves and been accommodated as part of the budget process.

7.5. The most recent month 4 forecast has reported a forecast £8.8m over spend this year and where immediate budget recovery action is now being taken. Upon undertaking an initial review of recurrent budget pressures contained within the most recent month 4 forecast the £5m provision for evidence-based pressures has been updated and replaced for 2023/24 with £10.4m of net recurrent pressures. These pressures will be the subject of rigour

review and challenge as part of the budget process with the aim of reducing and mitigating their impact.

- 7.6. There are also other significant pressures that are being caused by the current economic circumstances and for which forecasts have been prepared on the basis of latest information and planning assumptions:
- The most recent energy forecasts indicate that electricity prices will increase by 167% and gas by 342%. The energy budget is therefore forecast to increase from £2.97m to £8.40m, representing a £5.43m budget pressure. Clarification is awaited on whether UK Government will extend its energy support scheme for businesses beyond March 2023 and furthermore whether local authorities will be eligible to access the scheme. The consequences of the Council not being insulated from this level of energy price rise is significant.
  - As a consequence of the market turmoil caused in part by the ‘mini budget’ announced by UK Government, together with the Bank of England taking steps to slow and curb inflation through interest rate rises, the Council’s treasury budgets have had to be quickly reassessed and to understand the impact on the cost of the borrowing to the Council. Initial estimates indicate a potential increase in treasury costs of £2.5m for 2023/24 on top of already budgeted for increases in treasury budgets of £945k.
  - The Council is also required to pay a levy and annual contribution towards the South Wales Fire and Rescue Authority. A planning assumption of a 10% increase has been modelled ahead of the process of consultation and engagement with constituent Councils. This introduces a potential £487k pressure for 2023/24.
- 7.7. Finally, whilst the budget for 2022/23 continues to be supported by £2.65m of identified eligible expenditure to be funded from capital receipts, under the flexible use of capital receipts directive, reliance on this mitigation was not sustainable and was a short-term measure only. To that end the use of capital receipts for this purpose for 2023/24 has been reduced by £2.14m.
- 7.8. The effect of these revised assumptions and pressures being incorporated into the updated MTFP model is shown below for 2023/24. This unprecedented set of circumstances is impacting so significantly on the Council’s finance in the current year and next year that updated modelling suggests a budget shortfall needing to be managed in 2023/24 of £23.2m. Whilst the budget process is as always a dynamic one the funding outlook remains bleak and the budget shortfall a very real one. The Council will need to bring forward significant savings proposals and cost reduction measures in order to balance the budget. It is clear as a consequence that impacts will be felt across Council’s services, albeit it every effort will as always be made to minimise the impact on front line services through innovation and service redesign where possible.

	Cost Pressures £000's	Saving/ Income £000's	Total 2023/24 £000's
WG Core Funding (AEF) assumption 3.5%		(3,930)	(3,930)



Council Tax increase of 3.95%		(2,483)	(2,483)
Reversal of capitalisation direction	2,142		2,142
Non-teaching pay award increase to 6.25%	5,758		5,758
Teaching pay award increase to 4.13%	1,387		1,387
Superannuation increase 1%	543		543
Re-current pressures/savings (Month 4 monitoring)	10,387		10,387
Fire levy increase 10%	487		487
Borrowing costs year on year increase	3,445		3,445
Energy forecast	5,430		5,430
<b>Updated budget shortfall</b>	<b>29,579</b>	<b>(6,413)</b>	<b>23,166</b>

7.9. So following the described revisions above, the medium term financial plan at this early stage of the budget process is built upon the following assumptions for modelling purposes:

- 6.25% pay award for non-teaching staff
- 4.1% pay award for teaching staff, representing a 5% pay award from September 2022 and 3.5% from September 2023
- 0% non-pay expenditure inflation – pressure mandates to be considered separated through the budget process
- 0% income inflation – discretionary fees and charges increased to be considered by service managers through the budget process
- 2% staff vacancy factor for services and a 0% staff vacancy factor for schools
- 1% increases in the employer’s superannuation contribution over the MTFP period, to be reviewed in line with the latest 2022 actuarial valuation
- 3.5% cash uplift in Welsh Government settlement (AEF) in line with indicative increase previously notified, 0% thereafter to take account of UK Government public spending cuts
- 3.95% increase in Council tax receipts

7.10. The medium-term outlook remains very uncertain. Budget assumptions have been revised and based on the premise that inflation will be brought under control, that energy prices will normalise to lower levels and that public spending reductions by UK Government and that impact on local government in Wales are no worse than modelled. There are a lot of downside risks that could still play out and that could adversely impact further the budget shortfalls modelled over the medium term. These shortfalls are shown for illustrative purposes below:

Budget Shortfall	In-Year £000's	Cumulative £000's
2023/24	23,166	23,166
2024/25	4,296	27,462
2025/26	6,070	33,532
2026/27	6,303	39,835
	39,835	

## 8. Workforce and Trade Union Engagement

- 8.1. The scale of the financial challenge facing the Council is considerable. Whilst the Council will do all that it can to protect jobs, as a significant percentage of the Council's gross expenditure is on employee costs, the need to reduce costs on such a significant scale will inevitably affect employee budgets and the shape of the workforce.
- 8.2. Through the Council's Joint Advisory Group with trade unions and separate Trade Union partnership meetings, trade unions will be briefed on the scale of the 2023/24 budget gap and will continue to be consulted in advance of wider public consultation on any budget proposals and their likely impact on employees, particularly where posts are at risk of redundancy. Under the law relating to unfair dismissal, all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. Given the size of the budget gap, it is likely that there will be redundancies within the Council's workforce in the lead up to, and during the financial year commencing 1 April 2023, notwithstanding every effort being made to avoid them.
- 8.3. Where the number of employees likely to be made redundant exceeds certain thresholds, the law specifically sets out a minimum length of time and minimum content for the consultation with the trade unions, including ways of avoiding, reducing or mitigating the consequences of the numbers of employees being made redundant. As the Head of Paid Service, the Chief Executive is responsible for all staffing matters and has the authority to implement all necessary consultation in relation to proposed redundancies (statutory or otherwise), and make associated staffing decisions.

## 9. Financial Planning Methodology

- 9.1. Pragmatically in terms of financial planning, the basic premise is to assume that existing grants will continue at levels as currently, unless notified explicitly otherwise. If grants are transferred into core Welsh Government settlement funding (Aggregate External Financing (AEF)) then these will not be automatically hypothecated to the purpose for which the grant was given. If specific grants cease, it is expected that the activity will cease. Continuance of an activity following grant funding ceasing, would require the service providing a business case to assess each case on its merits.
- 9.2. It is planned for a revised reserves and capital receipts protocol to be produced as part of the MTFP process and to ensure that earmarked reserves and capital receipts can also adequately support financial planning over the medium and long term.
- 9.3. Services are expected to manage their own pressures in the first instance, ensuring that any significant impact on the public, council policy objectives or performance is explicitly identified

and approved. Pressures that are introduced into the budget process will undergo a rigorous challenge process consistent with that for any savings proposals introduced.

- 9.4. Budget assumptions are based on the best information available at the current time and will be subject to variation as new information comes to light, notably upon receipt of the funding settlement from Welsh Government.

## 10. Capital programme

- 10.1. The Council's Capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 10.2. The Council has strengthened its scrutiny and challenge of the Capital Programme through the established Capital and asset management working group (CAMWG). The process in place looks to ensure that projects are prudent, affordable and will deliver tangible benefits to core policy objectives over the long term.
- 10.3. The Capital Programme for 2023-2028 will be reviewed and reconsidered during the budgetary process to ensure that the revenue implications of capital expenditure are accurately reflected in the revenue MTFP and that the capital expenditure plans of the Council remain affordable, prudent and sustainable.
- 10.4. Alongside this, the Capital strategy will be refreshed and brought alongside final budget proposals to Council in March 2023.

## 11. Process

- 11.1. In the context of all the above, setting a balanced budget for 2023/24 will be significantly challenging and will involve difficult decisions that will allow Cabinet to align and deliver the aims and aspirations set out in its revised Corporate and Community plan, and within the confines of available funding. The work required needs to involve Members and Monmouthshire communities as early in the process as possible.
- 11.2. The proposed milestone dates in developing the budgetary process for 2023/24 is as follows:

Refresh of MTFP model using updated assumptions	September 2022
Outline pressure & saving mandates produced for Cabinet scrutiny	November 2022
Report on budget process and timetable - Cabinet	9th November 2022
Final pressure & saving mandates to be produced	December 2022
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2022
Consideration of Welsh Government Provisional settlement	13th December 2023
Set Council tax base - ICMD	14th December 2022
Consideration of draft revenue & capital budget proposals - Cabinet	18th January 2023
Scrutiny of Proposals - Select Committees	January 19th to 15th February 2023

Public Consultation for 2023/24 budget	January 19th to 15th February 2023
Consideration of scrutiny, consultation, final pressures, savings & assumptions	21st February 2023
Consideration of Welsh Government Final settlement	28th February 2023
Final budget proposals - Cabinet	1st March 2023
Formal Council Tax Resolution & Budget Proposals	9th March 2023

- 11.3. The MTFP model and underlying budget assumptions have been updated based on most up to date information and estimates. A full assessment is being undertaken of budget pressures that services will be required to manage next year and over the medium term and that draws on:
- Most up to date budget monitoring information, and most recently the month 6 budget monitoring exercise.
  - Consequences of legislative changes that impact on service delivery
  - Demand projections based on trend analysis and data analysis
- 11.4. Building upon the success of the most recent budget processes, equal rigor and process will be applied to any new pressure that is added into the MTFP and budget process, as it is anticipated it may in fact be easier to avoid or mitigate a pressure than it is to find an equivalent saving. Efforts to identify savings will continue to be made whether through service efficiencies, transformation, reduction, or via limited scope for increases in fees and charges.
- 11.5. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 12<sup>th</sup> December 2022. It is hoped that the settlement will provide both a level of certainty and a sufficiency of funding that in turn will result in the Council minimising the need to draw on limited one-off reserves to assist the 2023/24 budget process.
- 11.6. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.
- 11.7. The underlying MTFP model will also be updated to include new information as it becomes available, specifically information from Welsh Government on the settlement. The modelling will inform a Medium term financial strategy and plan that will be presented to Cabinet in January 2023.
- 11.8. Formal scrutiny of the draft budget proposals will take place through the normal Select committee cycle in January and February, including if necessary one overall scrutiny meeting to consider the budget proposals as a whole.
- 11.9. Public consultation will also take place subsequent to the special Cabinet meeting in January 2023 and will run until the 15th February 2023. Feedback from the 2022/23 exercise highlighted that virtual and online consultation was welcomed and these options will again be explored to ensure that nobody is disproportionately disadvantaged in their ability to respond during the budget consultation period.
- 11.10. Final budget proposals will be presented back to Cabinet on 1<sup>st</sup> March 2023 after consideration of consultation feedback. The budget will then go to Council on the 9<sup>th</sup> March 2023 to meet the statutory requirement to set a Council Tax for the following year. This

presents a challenge for setting next year's budget, as Welsh Government intends to only release final settlement information shortly before this date on 28<sup>th</sup> February 2023. This date may change, but where necessary may involve the final budget proposals containing potential options to mitigate the potential for any adverse final settlement revision.

## **12. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):**

- 12.1. There is a requirement placed on Local Authorities to comply with the general equality duties set out in the Equality Act 2010 and the specific equality duties such as the statutory responsibilities to assess the equality impacts of their budgetary decisions. The Equality Act 2010 places a General Duty on Monmouthshire County Council to eliminate discrimination according to nine "protected characteristics" (age, belief and non-belief, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, and sexual orientation). Also we need to comply with the Welsh Language Act 1993 and the Welsh Language Measure 2011 through which the Welsh Language Commissioner has shaped the Welsh Standards in force from 30<sup>th</sup> March 2016.
- 12.2. The Wellbeing of Future Generations Act requires public bodies to improve social, economic, environmental and cultural wellbeing, by taking action in accordance with the sustainable development principle aimed at achieving the Wellbeing Goals. The authority was an early adopter of The Act and re-shaped its pre-decision evaluation tool to reflect the well-being goals and the principles which it sets out.
- 12.3. Whilst there are no significant impacts identified at this stage it is important to outline the process by which the Council intends to respond to these issues by building considerations of equality, diversity and sustainability into the planning and delivery of its budget process by:
  - Requiring Chief Officers to undertake a Future Generation evaluation of all savings proposals that are offered for their service area to contribute towards the Council's overall savings target.
  - Producing an overall FGE assessment of the revenue budget proposals and publishing this as part of the revenue budget proposals for consultation.
  - Undertaking a FGE assessment of the capital budget proposals and publishing this as part of the capital budget proposals for consultation.
  - Enabling the Council's Cabinet Members to consider initial savings proposals with the benefit of the FGEs, and to make initial decisions based on this information.
  - Deciding that once the final shape of the budget is agreed by Council in March 2023, Council service areas carry out continued detailed work to mitigate and manage any equalities or Future Generation issues that have been identified.
  - Including the FGEs as part of both draft and final budget proposal reports and published on the Council's website so that residents can understand the factors that went into the planning of the 2023/24 budget.
  - Ensuring that where proposals will be the subject of further reports it is expected that further FGEs will be undertaken at that time and where savings are being made from decisions already taken then those implementing those decisions should consider mitigating any negative impacts where necessary.

- 12.4. There is a continued intention to enhance the impact assessment process going forward with profiles of typical Monmouthshire residents being used to better anticipate the compounded effect of multiple proposals.

### **13. OPTIONS APPRAISAL**

- 13.1. This report looks to provide an overview of the process for the budget setting process. When budget proposals are developed and brought forward for consultation an option appraisal will be completed for each substantive saving and pressure.

### **14. EVALUATION CRITERIA**

- 14.1. Whilst the nature of this report does not require any evaluation, the annual budget process is reviewed on an ongoing basis and based on feedback received from the public, members and officers. Cabinet and the Strategic Leadership Team review the process and feedback and recommendations for improvement.
- 14.2. The changes incorporated as a result of this year's approach are referenced throughout the report.

### **15. REASONS:**

- 15.1. To provide the opportunity for full and informed engagement, consultation on and scrutiny of budget proposals and processes.

### **16. RESOURCE IMPLICATIONS:**

- 16.1. There are no resource implications arising directly from this report. Resource implications will subsequently arise from the draft revenue and capital budget proposals considered by Cabinet at its meeting in January.
- 16.2. The budget process will see draft budget proposals developed and brought forward to Cabinet for consideration and ahead of release on consultation and to ensure that feedback is sought and appropriately reflected in final budget proposals considered by Cabinet next March. Council tax and the final budget proposals will be approved by Council next March.

### **17. CONSULTEES:**

Strategic Leadership Team  
All Cabinet Members

### **18. BACKGROUND PAPERS:**

Nil

### **19. AUTHORS:**

Peter Davies  
Deputy Chief Executive (Section 151 Officer)

Jonathan S. Davies

Head of Finance (Deputy Section 151 Officer)

**20. CONTACT DETAILS:**

Tel: 07398 954828

E-mail: [peterdavies@monmouthshire.gov.uk](mailto:peterdavies@monmouthshire.gov.uk)

Tel: 01633 644114

E-mail: [jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)