

## Change in budget pressures & savings

In addition to new specific service pressure and savings mandates, the final budget has incorporated changes to some of the draft pressures and savings put forward. The following briefing note provides details of those revisions.

### BUDGET PRESSURES

		Draft £000	Movement £000	Final £000
SCH8	Budget provision and contingency to support fragility in care sector	1,903	(700)	1,203

Welsh Government have confirmed that the settlement includes funding to enable authorities to meet the additional costs of starting to pay the Real Living Wage (RLW) of £9.90 an hour to social care workers from April 2022. The Council already commits to paying its paid workforce at the RLW. For commissioned care it is anticipated that market providers are already having to pay staff above RLW and in light of the well publicised challenges with recruitment and retention and at a time when Welsh Government is removing the funding support through its COVID hardship fund. The funding included in the settlement remains unhypothecated within the settlement and therefore assists the Council in making further budget provision and contingency that allow the Council to suitably respond to challenges brought about by the fragility of the care sector and the current levels of unmet need.

Since the draft budget proposals were circulated the Authority has received notification of further unbudgeted in-year grant to support Social care sustainability. The receipt of unbudgeted grant has been a trend in this service over the past few years and the pressure for 2022/23 has been revised downward at final budget stage to reflect this trend.

		Draft £000	Movement £000	Final £000
CORP3	Fire precept - estimated increase	188	(77)	111

The Council received final notice from the South Wales Fire & Rescue Authority of their precept for next year after the draft budget was released. The forecast increase originally included of £188,000 has now been revised downwards following final clarification.

		Draft £000	Movement £000	Final £000
CORP4	Employers national insurance contribution 1.25% rise	96	668	764

From 6 April 2022 to 5 April 2023 National Insurance contributions for MCC as an employer will increase by 1.25%, reflecting the requirement of Central Government to collect and earmark the additional funds to be spent on the NHS and social care in the UK. From April 2023, these increases will be legislated separately as a “health and social care” (H&SC) levy and NIC rates will return to 2021/22 levels.

The original estimated pressure was based upon preliminary details of the revised legislation and this has since been remodelled following receipt of the final requirements.

		Draft £000	Movement £000	Final £000
CORP9	Holiday pay for regularised overtime	0	263	263

The Authority is reviewing staff that work “over and above” their contracted hours, and those staff working casual hours over holiday pay entitlement. If staff work over their contracted hours as part of their normal working pattern, or casual staff are given standard working hours, they are entitled to accrued holidays.

However, the practices that operate within the Authority have not always accurately recorded and provided staff in this situation with their full holiday entitlement, and we are reviewing the situation for those holidays to be calculated and payment made in lieu. Also moving forward a system will need to be put into operation that does address holiday pay for this work sector.

The preferred option moving forward is to split the analysis into 1) staff on casual employment and 2) staff on contracted hours working “over and above” and pay a percentage based on hours worked to be calculated as below: -

Casual staff – the option is to calculate holiday pay based on the number of paid holidays in the year as a percentage which equates to 12.07%, based on 5.6 weeks holiday during the working year.

Contracted staff – As above with the percentage being 9.06% based on 8 weeks holiday during the working year.

		Draft £000	Movement £000	Final £000
RES2	Rental income - NLP & Castlegate	650	(408)	242

At the time of acquiring Castlegate business park, we were aware that a tenant had the ability to exercise a break clause in March 2022, which would have a significant impact on the rent roll. The tenant has now served notice to exercise the break, which will result in a loss of rental and additional landlord expenditure to meet the void service charge costs. The consequence of this pressure in 2022/23 was originally estimated at £1,089,274.

Newport Leisure Park was significantly impacted during the pandemic as the leisure sector was subject to closure periods and following re-opening initially social distancing limited capacity. Whilst the leisure

sector is starting to bounce back, the loss of several tenants and the ongoing trading position was originally projected to be a shortfall of £99,933 against the net income target of £400,000.

It is proposed that our investment sinking funds are combined and used to reduce the overall impact of the projected loss, the estimated balance of the sinking fund at end of 21/22 is £539,056. If all of this amount is used then the combined pressure will reduce to £650,151

Since the draft budget proposals were released there has been a reduction in the Commercial investment income pressure of £408,000 reflecting revised expectations around tenancy levels at Castlegate and Newport Leisure Park for the 2022/23 financial year.

		Draft £000	Movement £000	Final £000
ENT4	Waste services - increase in demand offset by service efficiencies	1,222	(100)	1,122

Due to the current positive position around the disposal cost of recyclates it was decided to reduce the budget pressure by £100,000. This area can be very volatile and there is a risk that this position could change as we go through the year.

### **BUDGET SAVINGS**

		Draft £000	Movement £000	Final £000
CORP10	Council tax base increase	0	(275)	(275)

An assessment of properties in temporary Council tax bands and likely new properties eligible for Council tax charging during 2022/23 has resulted in further income being forecast over and above the existing draft budget proposals.

		Draft £000	Movement £000	Final £000
RES11	Solar farm income increase	0	(300)	(300)

Increases in wholesale electricity prices have driven up the rate that we can get for the units produced by our Solar Farm. We have just recently received the results from the energy auction and with the rate that we achieved there is potential for our turnover to increase by £300,000 in 22/23.