

Financial Resilience Update Budget 2022/23 Preparation

Governance & Audit Committee
25th January 2022



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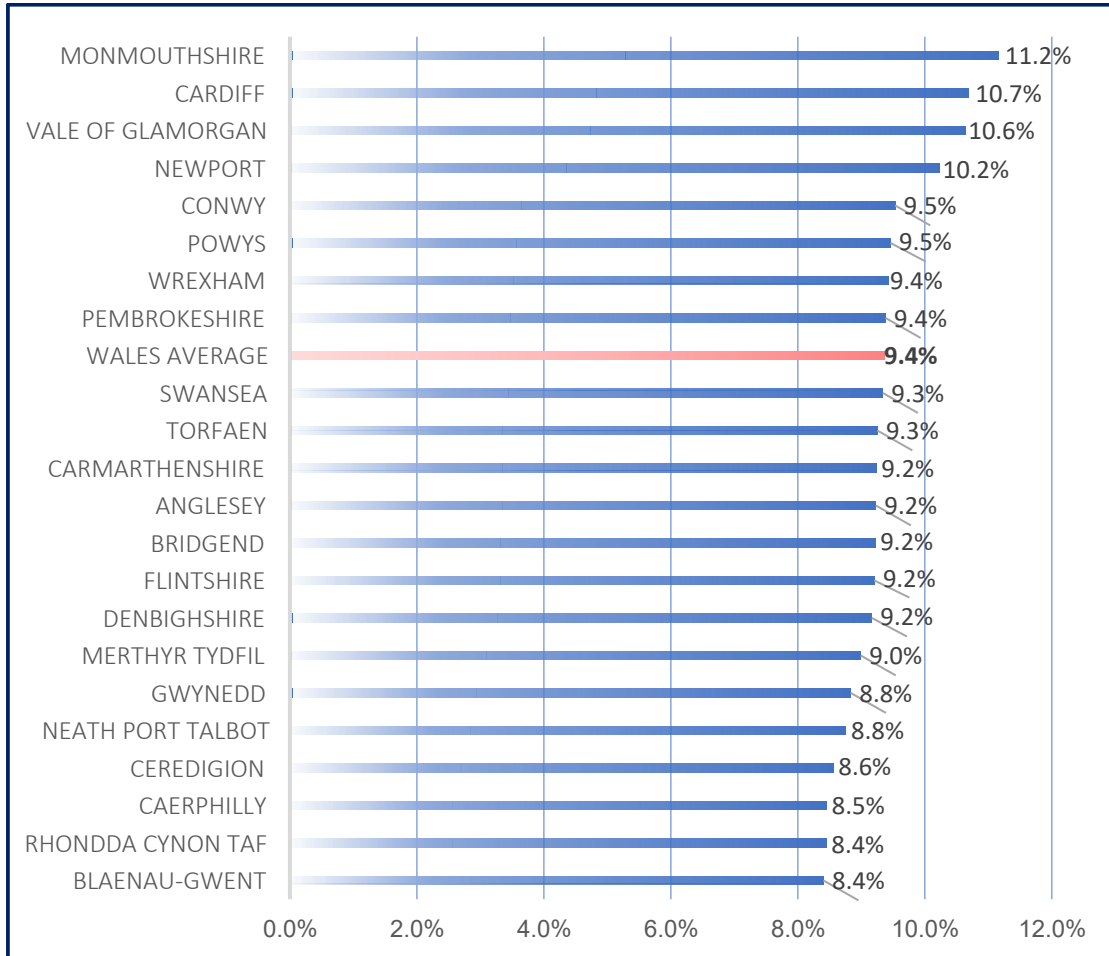


Some Context

- Budget Strategy work 2022/23 is a key priority currently
- Setting robust budget strategy and MTFP is a key aspect of the Council's Financial Resilience
- The position remains complex and challenging given the continuing Pandemic and other service pressures



Provisional Settlement Headlines



Overview of Non-hypothecated Funding

Wales

- Welsh average increase: 9.4%
- Range: 8.4% - 11.2%
- Indicative settlements for future years: 3.5% (2023/24) and 2.4% (2024/25)
- No floor funding mechanism
- Transfers - Gate Fees & £5m of Social Care Workforce and Sustainability Grant

Cardiff

- Cardiff: 10.7% - second highest in Wales (Cash £52.6m)
- Favourable but comes with some additional costs to consider
- Real Living Wage for Care Sector, clear emphasis in settlement letter that no 22/23 Hardship Fund, and no further grant allocations for pay award next year

Overview of Specific Grants

- Need further clarity on specific grants including individual LA allocations
- Notable increases are linked to specific policy announcements
 - Free School Meals (+£40m in 2022/23, further allocations in years 2&3)
 - Childcare (+£22.8m in 2022/23, further allocation in years 2&3)
- All figures above are All Wales
- Listing does not yet include a figure for Sustainable Waste Grant



Covid-19 Pandemic

- Significant financial impact and ongoing
 - 20/21 Expenditure £47.7M, Income £38.2M
 - 21/22 to November Expenditure £18.7M, Income £9.9M
- Likely to be significant costs and income losses into 22/23
 - PPE, Testing, Social Care Services
 - Income recovery
 - Impact of new variants
- No Welsh Government Covid Hardship Fund from 1st April 2022 – all costs / income losses have to be built into the Council's Budget from 2022/23



Budget Modelling Update

Resources Required	£000	
Base Budget B/F	687,358	Adjusted for transfers
Pay Award and NI changes	6,034	• Assumed 3% NJC award & NI changes
Price Inflation	5,773	• Includes: £4.4m Adult Social Care
Financial Pressures	20,497	• Covid Recovery (£10m) • Real Living Wage (care) sum to be finalised • Social Services staffing pressures
Commitments	3,117	• £1.4m CTRS associated with Ctax increase • £0.550m levies & contributions
Realignments	5,100	• £4.687m Children's Services • Renewable energy, waste, EOTAS, legal
Capital Financing	2,972	• Associated with existing capital programme
Demographic Pressures	8,425	• £5.9m Adults, £1.8m Children's, £0.7m other
Schools Growth	8,685	• Assumed pay awards of (3%) for 22/23 • Pupil Number Growth and LDP implications • Net of Schools contribution to Band B
Savings	(9,123)	
Resources Required	738,838	

	£000	
Aggregate External Finance	544,715	• Per Provisional Settlement
Council Tax	203,122	• With 2022/23 tax base & modelled 4% uplift
Resources Available	747,837	

Based on the modelling, available resources currently exceed resource requirements by £8.999 million

However



Budget Modelling Update

- Ongoing areas of review / risk include:

- The expenditure and income assumptions underlying the budget are continually being reviewed as part of normal budget preparation work.
- There is uncertainty on specific grant levels in some area next year, notably Integrated Care Fund (ICF) funding streams, which are a core area of support for Social Services.
- Work is required to fully quantify the financial impact of supporting the Real Living Wage in commissioned care rates.
- Assumptions regarding pay awards in light of inflation levels, and in the absence of an agreed award for the current financial year.
- Further clarity is required regarding new specific grants announced in support of specific initiatives (Free School Meals for foundation phase pupils and childcare) in order to determine the adequacy of the streams to deliver the required change
- The continually changing picture in relation to COVID19 needs to be further reviewed
- Any areas of targeted investment following feedback from the consultation exercise



Aspects of the Financial Strategy for Ongoing Review

- Use of Reserves
 - Currently assumes nil used
- Council Tax
 - Modelled increase remains at 4% currently
 - Same as MTFP currently but will be reviewed following the consultation process
- Budget Savings
 - Modelled currently at £9.123M
 - Schools £2.566M
 - Non Schools £6.557M



Consultation

- Consultation will run 14th January to 6th February
- Will build on the 2021 'Ask Cardiff' survey, which asked residents to identify their budget priorities for the next financial year, and the longer term
- The priorities identified in Ask Cardiff for 2022/23 were
 - Education and Youth Services
 - Supporting vulnerable children and families
 - Supporting vulnerable adults and older people
 - Recycling and Waste Services
 - Neighbourhood services such as street cleansing
 - Homelessness and housing



Next Steps

- Ongoing refinement and analysis of base requirements, savings proposals and modelling
- Cabinet considered report on 13th that set out the position at Provisional Settlement and instigated a period of consultation
- Consultation - focus on priorities identified in Ask Cardiff to help inform strategy

The report on the 13th January was not the Cabinet's Final Budget for 2022/23 ... this will be considered further over coming weeks and will not be finalised until proposals are put to Council on the 3rd March 2022

