

Cabinet



Date of meeting:	9 November 2021
Title of Report:	Finance Update 2022/23 - Budget Development
Lead Member:	Councillor Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
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Your Reference:	Fin/PI/
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To provide an update on progress on the starting point and development in the coming weeks of the 2022/23 revenue and capital budgets. The report shows the result of the initial budget build as a gap of £20m. Since this time we have done some further work, which has included reviewing additional cost pressures. We have modelled the cost and volume impact on the demand-led services and also other financial adjustments. All of these will be further refined as we move towards balancing the budget.

This report does not look at or address the contents and impact of the Autumn Budget and Comprehensive Spending Review 21 announced Wednesday 27th October. At the time of writing this report, we are still digesting the contents and implications of the Chancellor's statements. The Comprehensive Spending Review (CSR) gave very few local authority funding details and we cannot reliably predict the value of this for Plymouth at this point.

Recommendations and Reasons:

That Cabinet:

1. Notes the report and the timetable for preparation of the 2022/23 revenue and capital budgets.

Alternative options considered and rejected

The approval of the Council's budget and the approval of a balanced budget by 28 February 2022 is a statutory requirement under the Local Government Act 2003 so there are no alternative options.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will

Sign off:

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Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 03/11/2021											
Cabinet Member approval: Leader after discussion with Cabinet colleagues											
Date approved: 03/11/2021											

1.0 Introduction

- 1.1 This report sets the scene for the development of the 2022/23 revenue and updated capital budgets.
- 1.2 Like all local authorities, we have had to balance the provision of business as usual services together with the additional COVID-19 demands for the past two years. There are legacy costs to be covered in the 2022/23 Budget, adding to the existing pressures from the Council's system of modelling demographic and service pressures.
- 1.3 Within the assumptions regarding core resources it is presently assumed the Council's resources base will be broadly unchanged by the Local Government Finance Settlement, expected in early December. Revenue Support Grant (RSG) is assumed to continue in its present form or be fully compensated with alternative funding.
- 1.4 Directorates have identified £25m of additional gross costs which, taken with amendments for changes in resources and other adjustments leads to a forecast budget shortfall in 2022/23 of £20m. This report is the first stage in the budget process as we head towards a balanced budget in February.

2. Spending Review 2021 and Local Government Finance Settlement

- 2.1 The Chancellor has announced the Government's Comprehensive Spending Review (CSR21) which set out an overview of the Government's spending plans over the next three years and provided details of spending allocations for Government Departments. Further details of the outcome of the CSR will be presented to Members when it has been fully analysed.
- 2.2 As a result of COVID-19 and the wider implications arising from the pandemic, the Government recently announced that they would increase national insurance contributions with the money collected used to support the NHS. Due to close links between the NHS and Social Care there is an expectation that additional resources may be redirected to support local authorities in the provision of Social Care services. Details of this and other factors are unlikely to be clarified until the release of the Provisional Finance Settlement in December.

3. The Revenue and Capital Budgets

Revenue Budget

- 3.1 The Medium Term Financial Plan and 2022/23 budget is in development in preparation for receipt of the funding settlement referred to above. At the present time a budget shortfall of circa £20m is anticipated for financial year 2022/23.

Core Funding

- 3.2 We are modelling estimated resources of £198.660m as set out below.

Total Resources	2022/23 Total £m
RSG	(9.742)
Council Tax	(123.514)
Business Rates	(65.404)
Core Resources	(198.660)

Council Tax

- 3.3 A key issue was whether local authorities would be permitted to raise an additional Adult Social Care Precept in 2022/23. The CSR announced a potential maximum increase of 1% but this has not been reflected in these assumptions pending further consideration during the autumn.

Business Rates (National Non Domestic Rates)

- 3.4 The planning assumption is that the total business rates rateable value will remain broadly static due, in part, to the impact of COVID-19 on the economy nationally and locally within Plymouth.

Revenue Support Grant (RSG)

- 3.5 The planning assumption is that will continue in its current form or to the same value though an alternative route subject to the release of the Government's detailed proposals.

4. Spending Assumptions

- 4.1 The Council is subject to a number of cost pressures that are unavoidable and have to be built into the 2022/23 base budget.
- 4.2 The additional costs within the budget plans for 2022/23 currently amount to £25m. These cover a range of costs including pay award provision and additional pension costs; the borrowing costs to finance the existing capital programme; plus cost and volume increases for Adults' and Children's services and the impact of our commitment to providers to fund the proposed National Living Wage increase.
- 4.3 The Council is committed to the National Living Wage and ensuring our care providers receive the necessary funding. This, together with additional demand and complexity within our adult social care services see a year on year increase in the cost of providing care for the most vulnerable. Meeting the costs of care requires ongoing and increasing investment.
- 4.4 A significant proportion of our revenue budget (over 70%) is spent on two main areas; adult social care services and children's social care provision. Nationally and locally the costs of providing health and wellbeing services are rising as demand and complexity increases. We have an ageing population and higher levels of young children requiring our services and the ongoing impact of COVID-19 is impacting on future years.
- 4.5 For example, Plymouth provides around 610,000 hours of care each year to help elderly residents to remain living at home and around 4,700 long term care support packages to residents with a wide range of conditions and disabilities. The Council also investigated around 1,700 referrals about the safety of adults. Plymouth currently spends £87 million in this area, but demand for services continues to rise due to a growing elderly population and the complexity of the needs of the people we provide care for.
- 4.6 The Council continues to work and provide more joined up care services with the NHS and have been pioneering in combining our adult social care services with the community health services in Livewell Southwest. The aim is to reduce costs and improve the health of Plymouth residents. This includes work to prevent more people from needing care by focusing on services that help people stay healthy and remain independent for longer.
- 4.7 Nationally there has been significant pressures within Children's Services. A combination of increased numbers and increasingly complex cases has meant costs have been rising beyond the existing budget provision. Plymouth is responsible for ensuring children and young people are safe and protected from harm. This includes working with more than 5,500 children in need.
- 4.8 Plymouth spends around £29 million on providing placements for children in care through foster carers, residential care and secure placements and services for children with special needs or a disability. There is also a range of services for children in children's centres, nurseries, and school transport and school places. The total spend on services for children is around £53 million.
- 4.9 Attention has been focused on early intervention and prevention to try to prevent children and young people needing to come into care and work closely with partners in health, schools and the police on all of this work
- 4.10 The coronavirus pandemic has placed further pressures on budgets due to a rise in the number of children needing support. The cost of care packages for children and young people with very complex needs is also increasing. The Council is determined to protect these vital services and is proposing to reduce costs by increasing the number of in-house foster carers we use, reducing the need for more expensive placements with external providers.

- 4.11 The Place Directorate accounts for a net budget of £25m (12.8% of the overall Council net budget) with gross expenditure of the department at £85.6m. Over many years, the directorate has striven to maximise income, increase efficiency and remove costs wherever possible. This work is on-going.
- 4.12 The Place Directorate covers a wide range of areas under the headline departments of Economic Development; Strategic Planning and Infrastructure (SPI); and Street Services. The services provided cover areas as broad as Land and property/major regeneration programmes, commercial estate and business parks, economy and enterprise, Arts/culture/events and Freeport's; support of concessionary fares and support for non-commercial bus routes, planning, housing delivery, strategic transport, climate change and Green Infrastructure; universal services to all residents of the city in areas such as highways and parking as well as street scene and waste.
- 4.13 The Directorate is also seeing an increased cost base, in part as a result of the pandemic and the impact of people working from home on for example increased volumes of domestic waste collection.

5. Summary Budget Position

- 5.1 The Council is currently reviewing the £20m budget gap and is in the process of identifying solutions to resolve the current position. It is important that ongoing sustainable solutions are used to bridge the gap, wherever possible. That said, it is not unlikely that a mixture of one off and recurring solutions may need to be considered in achieving final balance when the Finance Settlement is eventually received and the shortfall confirmed.
- 5.2 In this regard it is important to note that the Council is launching a Consultation exercise on 3 November which will run for four weeks, so that residents can feed in their views to the work being undertaken presently by chief officers and Portfolio Holders to devise means of addressing the shortfall. Proposals will be set out in the Draft Budget Report to be presented at Cabinet on 21 December 2021.

6. Capital Budget

- 6.1 The City has an ambitious capital investment programme which supports the local economy, the creation of jobs and improving the infrastructure for the Council. At the November Council Meeting, Members will be recommended to approve a revision to the Capital Programme 2021-2026 to £344.7m. In addition to this a Capital Pipeline of schemes exists from which schemes will be drawn down for inclusion in the Approved Capital Programme which will be presented to Council for final approval on 28 February 2022.
- 6.2 The revenue implications to fund the corporate borrowing in the existing capital programme has already added an additional £1.648m to the 2022/23 budget. Clearly, given the pressure on revenue resources there will also be a need for prioritisation in the adoption of some capital schemes.

7. Budget Timetable

7.1 The budget timetable is summarised below:

Date / meeting	Item
3 November 2021 Budget Engagement	Launch of public consultation on the Budget. The consultation runs until 28 th November.
29 November 2021 – Audit Committee	Treasury Management Strategy and Capital Financing Strategy
December 2021 – date to be confirmed	Local Government Finance Settlement 2022/23
November/December 2021 Budget Scrutiny preparatory sessions	2022/23 Budget Scrutiny preparatory sessions
21 December 2021 – Cabinet	2022/23 Draft Budget
11 January 2022 – Cabinet	Council Tax Base Report Council Tax Support Scheme Tamar Bridge and Torpoint Ferry Budget
20 or 21 January (TBC) 2022 – Budget Scrutiny Second session	Budget Report 2022/23 and Medium Term Financial Plan Treasury Management Strategy and Capital Financing Strategy Capital Budget Strategic Risk Register Corporate plan Service Business Plans
24 January 2022 - Council	Council Tax Base Report Council Tax Support Scheme Tamar Bridge and Torpoint Ferry Budget Pay Policy
8 February 2022 - Cabinet	Final Budget Report Scrutiny Recommendations re Budget Proposals Treasury Management Strategy and Capital Financing Strategy
28 February 2022 - Council	Final Budget Report Council Tax Setting

8. Conclusion

8.1 A large portfolio of work is being undertaken in developing and finalising the 2022/23 revenue and capital budgets. The completion of the budgets is dependent upon the Government's announcement of funding – the Provisional Settlement - and at the time of writing this report no date has been set. A full report including final options to balance the budget will be considered by Cabinet on 8 February 2022.

8.2 This report has highlighted a budget gap of £20m. Whilst there is further work required to close the gap this should be achievable over the coming months. However, there will be a number of assumptions and issues which need to be considered by Cabinet. These will include:

- The impact of the Spending Review announcement;
- The impact of the Provisional Local Government Finance Settlement;
- Consideration of all proposals for service savings and income increases and the impact of grants.
- A further review of additional costs pressures.

8.3 There are always risks when preparing a Budget and a full financial risk register will form part of the suite of budget papers when presented to Full Council in February. The current risks include:

- The impact on our figures of the £9.50 National Living Wage for our care providers; this will cost an additional £2m on top of the assumptions already built in at the previously trailed £9.24.
- It is not clear how the extra monies announced for ASC reform will be allocated between the health and local government sectors.
- It is inferred that the Adult Social Care precept will be available to local authorities but that this will be to 1% rather than 3% as before. It may be that the difference will be supplied through grant rather than via council tax but this is unlikely to be confirmed until the Finance Settlement in December.
- No specific date has been released for the release of the Provisional Finance Settlement although there is an increasing expectation of mid-December rather than late December.
- From the additional funds to be made available to local government (£1.6 billion) increases in National Insurance (as recently announced) and the increases to the National Living Wage will be offset. This might not leave much for other service pressures.