

Cabinet



Date of meeting:	21 December 2021
Title of Report:	Budget 2022/23 – Draft Budget
Lead Member:	Councillor Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
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Your Reference:	Fin/Bud/2022/23
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To provide an update on progress on the development of the 2022/23 budget.

Under the Council's Constitution, Cabinet is required to recommend the 2022/23 Budget to Council. This report sets out the latest information available to enable Cabinet to consider the first tranche of recommendations to Council in respect of the 2022/23 budget.

Cabinet received a report at their meeting on 9 November which provided an update on progress at the date on the development of the 2022/23 budget. The report identified the initial budget shortfall of £20.240m. Over the last month further work has been undertaken to enable this shortfall to be significantly reduced.

A summary of the proposed budget savings has been included for Members' consideration.

A summary of the outcome from the Provisional Local Government Settlement has not been included within this report and will be covered in a supplementary report. This is because the Settlement is expected in mid-December.

Recommendations and Reasons

That Cabinet:

- I. Note this report is subject to change in line with any Settlement adjustments;

2. Approve the savings options as set out in Appendix 2. Once approved these will be presented to Budget Scrutiny for review and after consideration of Scrutiny recommendations, to Full Council.

This report is put before Cabinet as they are required to approve the savings in order to step towards a legal and balanced budget in February 2022.

Alternative options considered and rejected

None - The approval of Council's budget is a statutory requirement so there are no alternative options.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget and the Medium Term Financial Plan (MTFP) is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for the Medium Term Financial Plan and Resource Implications:

The resource implications are set out in the body of the report.

Financial Risks

The Council is a complex service organisation with a gross revenue expenditure budget exceeding £500m. It is essential that careful consideration is given to all factors that could impact upon the budget to ensure they are – when eventually approved - robust and deliverable within the overall budget allocations that are available

Carbon Footprint (Environmental) Implications:

No impacts directly arising from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

The reducing revenue resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A Of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Net additional cost pressures and adjustments							
2	Proposed Savings by Directorate							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

Fin	ba.21. 22.21 1	Leg	LS/37 833/A C/16/ 12/21	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 15/12/2021											
Cabinet Member approval: Councillor Nick Kelly (Leader)											
Date approved: 14/12/2021											

I Introduction

- 1.1 This report provides an updated position for the Council's budget.
- 1.2 The Council continues to manage a challenging financial environment where service demands continue to increase, the ongoing impact of COVID-19 continues and where uncertain and unpredictable funding levels remain.
- 1.3 The Comprehensive Spending Review (CSR) provided some positive news for Local Government with a real terms increase in resources. The details from the CSR will be understood in greater detail when the Provisional Local Government Finance Settlement is received in mid-December 2021.
- 1.4 This report will form part of the key budget papers that will be made available to the Budget Scrutiny meeting when it considers the draft budget proposals. These will include:
- The draft 2022/23 Budget by service;
 - A list of savings proposals;
 - Treasury Management Strategy as approved by Audit and Governance Committee on 29 November 2021;
 - Capital Strategy as approved by Audit and Governance Committee November 2021.

2 Background

- 2.1 The Council is scheduled to set a budget for the next financial year on 28 February 2022. Once again, this is very challenging as, like all local authorities, the Council is facing growing pressures on resources as demand for services rises and costs increase whilst funding reduces.
- 2.2 This report highlights that due to estimated reductions in funding and rising demand for services the forecast budget shortfall is £20m for 2022/23. This is in addition to the ongoing savings targets we have already agreed in previous years in order to protect services for Plymouth residents. The Council has worked hard over the last few years to reduce costs and has achieved this without significantly reducing services. Savings of over £25 million – largely related to improved efficiency - have been achieved over the last three years. For reasons already mentioned the shortfall in funding is likely to increase in future years, which means that, where possible, savings need to be both recurring and sustainable in the longer term.
- 2.3 The existing challenges have been exacerbated over the last 18 months by the coronavirus pandemic, which has required the Council to introduce significant changes in how it operates in order to manage the impact on Plymouth and its residents.
- 2.4 Every part of the Council has been involved in the response and many employees and services have worked in new ways, whether launching new services to provide additional support for vulnerable residents, continuing to provide services using Covid-safe measures, or dealing with a rise in the number of vulnerable children needing support. The additional costs arising from these endeavours are now expected to decline but persist in 2022/23 and contribute to the forecast shortfall in that year.
- 2.5 A significant amount of work has been carried out to support the city's economy, which has been severely affected by the pandemic. The Council distributed more than £92 million of

Government grants to help more than 7,440 Plymouth business affected by the impact of COVID-19.

- 2.6 In 2019/20 the Council received £23 million in grants to help cover the additional costs of responding the pandemic. In 2020/21 we received a further £9m; it is unlikely – arising from the national position of the public finances - that the Council will receive the same levels of grant funding to help offset the costs of the pandemic moving forward. This means that challenging decisions lie ahead to ensure that the services delivered by the Council are the best possible for Plymouth and its people given the resources available.
- 2.7 It should be noted that options are limited by the fact that the Council needs to deliver a large number of services as a statutory requirement and has limited scope to influence how these services are delivered. Examples of this include supporting vulnerable children and adults in the city.
- 2.8 Despite these challenges, the City Council is ambitious for Plymouth and its residents and is keen to pursue its vision of making Plymouth a great place to live, work and visit. In doing so listening to the views of city residents is a key part of the budget setting process and decision making.

3. Provisional Local Government Finance Settlement

- 3.1 At the time of writing this report the Provisional Settlement has not been announced. Receipt is expected in mid-December 2021. As in previous years the late timing of the announcement has not been helpful with regard to preparing the Council's budget. However any differences between the assumptions made within this report and the Provisional Settlement will be updated in a subsequent report which is scheduled for Cabinet in early February 2022 before onward presentation to Council for decision.

4 Budget Consultation

- 4.1 A public engagement to support the 2022/23 budget setting process took place between 05 November and 28 November 2021. A questionnaire was developed which asked respondents to prioritise key public services the Council provides.
- 4.2 The engagement was promoted in the local media and through the Council's own channels, which included a website banner, newsroom feature and press release. Social media posts were viewed by more than 17,000 people on Twitter and 77,500 people on Facebook and the message arrived in almost 73,000 inboxes via e-newsletters. Library staff were given access to a print version of the questionnaire and social media posts and the email newsletters asked residents to inform their friends and family without internet access on how to take part. The questionnaire was also shared internally in Staff News bulletin.
- 4.3 This year's budget engagement exercise yielded a response rate that compares well with previous exercises and 1,196 online questionnaires were completed and entered for analysis. The engagement also provided the opportunity for respondents to give comments on a number of potential areas for savings. These were themed under the following headings;
 - Continuously improving what we do to provide better value for money
 - Caring for the elderly and vulnerable adults in our community
 - Protecting vulnerable children and young people
 - Investing in a clean and safe city and reducing our carbon footprint
 - Raising income and reviewing fees and charges

- 4.4 The themes arising from the engagement will be provided as part of the final budget proposals in the New Year.

5. Budget Planning Assumptions – Core Funding

Council Tax

- 5.1 The Council Tax base for 2022/23 has been set at 73,830 properties, an increase of 715 on 2021/22. The Council Tax Base report for 2022/23 appears elsewhere on this Cabinet agenda and will be presented to Council in January 2022 for approval.

The average band D council tax base is set out in the table below.

	Council Tax Base (Band D Properties)
2021/22	73,115
New Homes Growth	478
Council Tax Support Claimants	(165)
Higher 2021/22 forecast	433
2022/23	73,830

- 5.2 The rise in the council tax base for 2022/23 primarily reflects the increase in the number of properties within the City offset by an increase in the number of residents claiming Council Tax Support which has increased by 2.54% in the last year. The collection rate has been maintained at 97.5% which is realistic and prudent due to the current economic climate.
- 5.3 Following CSR21 it is understood from Government that the Council Tax Referendum Limit is to remain at 1.99% (i.e. this is the highest level of increase permissible without a referendum) and an adult social care precept of 1%. These will be confirmed as part of the Provisional Finance Settlement. These increases, if adopted, would provide an additional £2.429m in Council Tax and £1.221m of ASC Precept to an overall total of £3.650m. The Government has assumed that councils will maximise these items when referencing increases to councils' core spending power across the three years of the CSR.

Business Rates

- 5.4 The full impact of COVID-19 upon the business rates income that Plymouth will receive in 2022/23 is still uncertain due to the unprecedented level of rate relief and support from central government for local businesses. This is a national issue and reflects the ongoing impact of COVID-19 but also the challenges across the retail and hospitality sector. Therefore, no growth in the business rates base has been included. However, business rates income will increase by £2.1m in 2022/23 from the current £63.010m to a revised £65.130m. This is as a result of the CSR21 which stated the multiplier would be set at 0% but with a Section 31 Grant received to compensate Councils for the equivalent of inflation.

Revenue Support Grant (RSG)

- 5.5 After a series of one year funding Settlements the Chancellor announced as part of the CSR that local government would receive a three year funding package. Local government was expecting confirmation of a timetable for the Funding review and move to 75% Business Rates Retention. However the Government has indicated that there may not be a fundamental review and they will use the Levelling-Up Agenda to address issues relating to the distribution of local government funding. For planning purposes at this stage the figure for 2021/22 (£9.742m) has also been estimated for 2022/23. It is expected that the actual

figure for RSG or an alternative resource will be advised in the Provisional Finance Settlement.

New Homes Bonus

- 5.6 CSR21 provided no details of any replacement for new homes bonus and the allocation will be confirmed as part of the subsequent Settlement. For planning purposes new homes bonus is assumed to be £0.811m, 50% of the amount received in 2021/22.

Public Health Grant

- 5.7 The Public Health grant is another key source of income and is used to improve the health of the population, and in particular to tackle large differences in health outcomes that we see between local areas. At the time of writing this report the 2022/23 grant has yet to be advised but the CSR confirmed that the overall value would not change from 2021/22.

6. Resources Summary

- 6.1 In addition to the resources referred to above the Council receives a range of other one off specific grants. These include Better Care Fund grant, social care grant and others which form part of the awaited Settlement. The maximum amount of core resources that could be available to the Council are summarised below. The table below includes figures for a Council Tax increase of 1.99% and a 1% increase in the Adult Social Care precept and the resultant budget shortfall with and without the maximum increases.

	Budget	Without CT increases	With maximum CT & Precept increases
Unringfenced Resources	2021/22 £m	2022/23 £m	2022/23 £m
Council Tax	(121.449)	(121.354)	(125.004)
Business Rates	(63.010)	(65.130)	(65.130)
RSG	(9.742)	(9.742)	(9.742)
Use of Reserves	(1.367)	(0.000)	(0.000)
Total Resources	(195.568)	(196.226)	(199.876)
2021/22 Budget Base	195.568	195.568	195.568
Add Net additional costs pressures and adjustments (Appendix 1)		20.942	20.942
Less Savings proposals (Appendix 2)		(6.751)	(6.751)
Budget Shortfall	0.000	13.533	9.883

- 6.2 For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.305m; likewise each quarter percent rise in the precept would also yield an additional £0.305m.
- 6.3 The final recommendations on these matters will be presented for decision to Full Council on 28 February.

7. Budget Pressures

- 7.1 As is usual practice in the Council it is assumed that with a small number of exceptions set out in this report, inflationary pressures are absorbed within service budgets.
- 7.2 The estimated budget pressures for 2022/23 are detailed in Appendix I. These include significant cost and volume increases for Adults' and Children's Services together with additional corporate costs covering salary and pensions plus the cost of financing the capital investment programme.
- 7.3 The Council is committed to the National Living Wage and ensuring our care providers receive the necessary funding. The increase in the National Living Wage from the current £8.91 per hour to the announced £9.50 per hour from April 2022 gives an additional cost pressure of £4.476m to the Council although this is expected to be offset from Government grant in 2022/23.
- 7.4 The City has a capital investment programme which supports the local economy and the revenue implications of this investment are included within the budget plans, with an additional £2.442 made in 2022/23.
- 7.5 A significant proportion of our revenue budget is spent on two main areas; Adults' and Children's social care provision. These costs are rising as demand and complexity increases and are part of a national trend.
- 7.6 A summary of the net additional budget pressures totalling £20.942m after the offsetting of assumed government grants is shown in Appendix I.

8. COVID-19

- 8.1 COVID-19 has had a significant impact on the cost base for the Council. All relevant COVID-19 cost pressures have been included within the base budget for 2022/23. The current Budget model assumes these additional costs can be offset by one-off residual Covid funding in 2022/23.

9. Savings Plans

- 9.1 Cabinet Members and Officers have worked to identify £6.751m of savings. Full detail of the proposals is shown in Appendix 2.

10. Current Budget Shortfall

- 10.1 The forecast budget shortfall set out in the November Cabinet report was estimated in the sum of £20.240m. A number of adjustments have been possible to the starting assumptions to give a net reduction of £3.6m. For this reason, taking account of the proposed savings shown in Appendix 2, the budget shortfall is adjusted to £13.533. Following additional work this will be subject of a further report to Cabinet on 8 February 2022 following

- (a) Receipt of the Settlement in December and
- (b) The recommendations of the Budget Scrutiny meeting on 20 January 2022.

This report will include final options to balance the budget for 2022/23.

11. Equality & Diversity

- 11.1 The Equality Act (2010) harmonised and replaced pre-existing equality legislation and extended statutory protection across nine 'protected characteristics'. It recognised forms of discrimination that were previously beyond the scope of legislation and introduced the concept of the Public Sector Equality Duty (PSED).
- 11.2 The protected characteristics include; age, disability, gender reassignment marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The PSED placed specific responsibilities on public sector organisations to consider equality in their decision making. It consists of a general equality duty, supported by specific duties. In summary, those subject to the equality duty must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct.
 - Advance equality of opportunity between people who share a protected characteristic, and those who do not.
 - Promote good relations between people who share a protected characteristic and those who do not.
- 11.3 Plymouth City Council is committed to equality and diversity and to ensuring that the decisions we take promote equality. To help inform the development of the Council's budget and to ensure that we give 'due regard' to equality during this process, we are considering the equality implications of our budget decisions. A completed equality impact assessment will be presented with the final budget paper.

12. Recommendations

Cabinet are asked to:

1. Note this report is subject to change in line with any Settlement adjustments.
2. Approve the savings options as set out in Appendix 2 for submission to Budget Scrutiny for review and after consideration of Scrutiny recommendations, to Cabinet on 8 February and thence to Full Council on 28 February 2022.

Net additional cost pressures and adjustments

Cost Pressures	2022/23 £m
People Directorate	
Adult Social Care – Care Packages	2.194
National Living Wage, ASC providers	4.476
People Directorate inflation	0.449
Impact of 1.25% NI increase on ASC providers	0.700
Renegotiate Leisure	0.250
ODPH Capital Financing cost for Crematorium additional investment	0.141
Children's Directorate	
CYP&F – Additional volume	7.599
COVID Ongoing costs - Social Workers	0.385
Place Directorate	
Legacy Asset Investment Fund Income Target	0.500
New Homes Bonus	0.810
Parking - 50% of legacy shortfall of £1.695m	0.848
Waste tonnage and additional costs	0.490
Customer & Corporate Services	
Financing the Approved Capital Programme	1.888
ICT Inflation	0.400
Capital Financing cost - Estate Maintenance	0.300
Housing Benefit	0.300
Corporate Items	
Staff pay and pensions	6.975
Social Care Grant	(5.876)
One Off COVID Grant	(2.000)
Capital Financing cost - Health and Safety	0.113
Total Cost Pressures	20.942

Savings Proposals by Directorate

Proposal	Savings £m
Place Directorate	(0.734)
People Directorate	(3.507)
Children's Directorate	(1.111)
Office of the Director of Public Health	(0.117)
Customer & Corporate Services Directorate and Chief Executive's Office	(1.282)
Total	(6.751)

Savings Proposals	2022/23 Budget Saving
Customer & Corporate Services & Chief Executive	
Discretionary spending and management actions	(0.309)
Maximise benefits from Plymouth family of companies	(0.160)
Corporate Services Review	(0.813)
	(1.282)
People	
Care Package Reviews	(2.342)
Leisure Management Review	(0.065)
Maximise Grant Income and Management actions	(1.100)
	(3.507)
Children	
Contracts review and Management actions	(0.161)
In House Fostering	(0.450)
Step Up Adolescent Support	(0.500)
	(1.111)
Place	
Bus shelter advertising & concessionary fares	(0.258)
Highways	(0.105)
Review of Service Level Agreements (SLAs)	(0.233)
Fees & charges and management actions	(0.138)
	(0.734)
Office of the Director of Public Health	
Fees & Charges	(0.117)
	(0.117)
Total Savings Proposals	(6.751)