



To:  
**Councillor Rob Stewart**  
**Cabinet Member for Economy,**  
**Finance & Strategy**

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2 February 2023

Summary: This is a letter from the Service Improvement and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy. The letter concerns the meeting held on 17 January 2023 and the Draft Budget Proposals 2022/23 – 2025/26, Q2 Budget Monitoring 2022/23 and the Q2 Performance Monitoring Report 2022/23. A response is required by 23 February 2023.

Dear Councillor Stewart,

On the 17 January, the Service Improvement and Finance Scrutiny Performance Panel met to discuss the Draft Budget Proposals 2022/23 – 2025/26, Q2 Budget Monitoring 2022/23 and the Q2 Performance Monitoring Report 2022/23. The Panel are grateful to you and Ben Smith, Chief Finance Officer / S.151 Officer, for attending to discuss and answer our questions.

#### Draft Budget Proposals 2022/23

We are aware that formal consultation with a number of statutory consultees and bodies remains ongoing regarding the draft proposals with a view to an agreed budget proposal being considered for pre decision scrutiny on 14 February.

We were made aware of the £31.2m increase and that over £75m worth of cash sums are going to directorate budgets over the next four years, with more going into central pots as well but that real terms spending power will be impacted. You informed us that £22.3m of cash savings is still required from services and a further near £3m from schools, making £25m in cash savings required at the moment on the planning assumptions made. It was emphasized that at the point of drawing up the draft proposals, up to 68 full time equivalent Council posts are at risk.

#### Pay awards

We acknowledge that teachers pay awards are currently in contention and we asked for further clarity around this, you informed us that the cost is likely to fall on local government.

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### Energy costs

It was emphasised that the Council has provisioned for £15m from the Economic Recovery Fund to pay for the increase in energy prices in the short term to allow time for energy prices to settle. Around 80-85% of energy costs are known due to being locked into price agreements, but any fall in prices may benefit the last 15% and therefore benefit the 2024/25 budget. We understand that given element of uncertainty the actual draw from reserves may be less.

### Fire levy

You informed us that the fire authority which are independent, set their own levy and the Council are awaiting the final decision in terms of their levy. Early indications are that the levy could rise by between 8% and 17% which would equate to a net cost to the Council of between £2-2.2m.

### Reserves

We relayed previous discussions that the Council projects using £40m of earmarked cash backed reserves. We asked for an update on this and you confirmed it is still estimated that £30m from central and £10m from school reserves would be drawn with an additional £30m spending of reserves in the coming year.

### Council tax reduction scheme

We asked about the proposal to rebase the Council Tax Reduction Scheme resulting in £1.5m budget savings. You clarified that it is a locally administered benefit scheme and the budget reduction reflects historic take up so it is prudent to rebase it this year. However it is not capped so if more claim there will be a decrease in the budget saving identified and this will be monitored.

### Insurance fund

We queried the absence of any reference to the Insurance Fund as part of Indicative Investment and Savings Requirement for 2023/24 to 2026/27, which has appeared in previous budgets and were told that there is no plan to further draw on the Insurance Fund (£14m) this year especially as Cabinet only recently agreed draw in the current year, and that the Section 151 Officer is satisfied that this is well-funded at the present time, based on relevant information and advice.

### Borrowing

We questioned the inclusion of a potential up to £50m net addition to the overall capital envelope, and the need to be mindful of revenue cost implications and affordability. We were told the new future planning assumption of up to £50m of unsupported borrowing for a range of capital improvement projects could be taken forward, but much is dependent on the outcome of bids for Levelling Up funds and the requirements for match funding. We were informed that any borrowing will be delayed until rates of interest are more attractive and the use of the Capital Equalisation Reserve provides a short-term solution for financing costs and avoids direct impact on other service revenue budgets and delays borrowing until necessary. We are aware that future capital projects will be subject to FPR7 reports to Cabinet.

The Panel noted that the Council has benefited in respect of the Minimum Revenue Provision (charges to the revenue budget to repay debt) but queried that a tipping point will come at some point, though noted this would be beyond the budget period currently under consideration.

#### Council tax

We discussed with you a potential Council Tax increase for 2023/24 and we were told that current assumptions are at 5% for planning purposes but no decision yet and will only be finalised when all other costs factored in, including the Fire Authority Levy.

#### Revenue and Capital Budget Monitoring 2nd Quarter 2022/23

We also briefly discussed the Quarter 2 Monitoring report which is a similar picture to Quarter 1. The advice to directors was highlighted to avoid overspending and overall there is just under a £3m overspend forecast, however the teachers' pay awards is anticipated to be a £3.4m cost pressure which will be drawn from school reserves ensuring the overall budget is balanced.

The under spend on capital financing was highlighted, which is being used to top up the Capital Equalization Reserve. We were also told of the emerging pressures in housing which will affect the HRA financing. The relevant cabinet member continues to be concerned.

The second quarters figures continue to predict a spend in reserves of £40m in current and £30m next year which is manageable in the short term, but the outlook remains challenging, therefore we await to see what 3<sup>rd</sup> quarter holds as well as the final budget proposals.

#### Q2 Performance Monitoring Report 2022/23

Whilst a letter regarding this item in general has been addressed to Cllr Hopkins, we had a question regarding the Housing Benefits Team.

We considered the time taken to process housing benefit and council tax reduction claims. While council tax reduction claims benefit from a new automated system, in the main these indicators have declined in quarter 2 similarly to the previous quarter 1. At the Service Improvement and Finance Scrutiny Panel on 6 December we were informed by the officer, that this was due to staff being diverted to process Covid and other Welsh Government grants and this is still the case in quarter 2. We were reassured in our Panel meeting on 6 December that the Housing Benefits Team had indicated they were not too adversely affected by this.

The quarter 2 report however indicates that there is additional strain from the loss of staff to other services and that it will take some time before we can expect an improvement in performance in this area.

We therefore seek further reassurance that individuals claiming a benefit or grant are not being adversely affected by these delays and that housing benefits continue not to be adversely affected by their challenging circumstances.

### **Your Response**

We welcome your comments and request a formal response by 23 February 2023 in regards to the following -

- Reassurance that the Housing Benefits Team are not adversely affected by the loss of staff in addition to staff being diverted to processing Covid and other Welsh Government grants.

Yours sincerely,



Councillor Chris Holley  
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