



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

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Date
Dyddiad:

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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 18th January 2022 and the Budget Proposals 2022/23 – 2025/26

Dear Councillor Stewart,

On the 18th January, the Service Improvement and Finance Scrutiny Performance Panel met to discuss the Budget Proposals 2022/23 – 2025/26. The Panel are grateful to yourself and Ben Smith, Chief Finance Officer / S.151 Officer, for attending to discuss the proposals and answer questions. Our observations focused on the following areas:

It was reported to the Panel that the Welsh Government budget and settlement announcements are late again this year, and that this is not yet a fully formed budget. We understood that further developments and policy announcements are likely to come, through to March 2022.

Officers explained to us that the three-year outline envelope from the Welsh Government, whilst only a broad indication, has been very welcome and helpful for medium term budget planning purposes.

The Panel queried Table 1 in the report, note 7, regarding the removal / future use of the Capital Equalisation Reserve (CER). Officers explained that this necessary format sets out a balanced position between years.

We heard that, following the welcome uplift in funding received from the Welsh Government (£33.9m), it is envisaged that all directorates as a whole (excluding Finance) will receive an overall increase in cash budgets for next year of at least 7%, and that directorate budgets will grow overall by about £80m over 4 years.

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Officers highlighted to the Panel that the Council expects to see the highest inflation rates in over a decade, with inflation likely to go higher still. We noted also the remaining uncertainty surrounding Brexit and the continued Covid-19 pandemic.

Officers also explained to us that the appropriate use of the Capital Equalisation Reserve will be recommended for use in determining the final shape of the overall budget.

Panel Members raised queries over potential Council Tax increases, relating to the assumed Council Tax spending up 3.5% on average (Welsh Government CTSS figure). Officers explained that the Council Tax yield is currently 1% - 2%, and that no firm decisions have yet been taken; we understood that this is merely a function of sum needed to balance the first cut of the Budget.

We heard that there has been a significant underspend achieved within the last two years and is likely again this year, and you highlighted the positive outturn at the end of 2021. You also explained to us that the UK Government/Treasury has included Covid-related monies within the Welsh Government settlement.

Members queried the position of the Fire Authority in relation to the Estimated Fire Authority Levy increase of 3% - 3.5%. We understand that the Council is in contact with the relevant officers regarding this matter.

We also queried pay and grading reviews, and costs of staff reduction. Officers explained that there is a backlog of grading appeals, yet to come through, but compared to the Budget are very modest in scale. It was noted that hardly any posts are at risk of redundancy as a result of budget proposals.

Panel Members queried the Capital Equalisation Reserve (referring to S4.17 and S4.18 in the report). Officers explained that the CER is being used to bridge some pressures and smooth some timing differences over several years.

Panel Members queried likely calculations relating to note 18 of the report (*following the introduction of the new Social Care Levy, currently reflected as an increase to National Insurance rates*). Officers explained it will be a few years before figures can be certain both as to sums raised by HM Treasury by the new tax and sums received and spent ultimately by Councils.

We are interested in any thoughts you may have on the contents of this letter but, in this instance, we require no formal written response.

Yours sincerely,

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