

Amendment to the Budget:

We propose amending the proposals for Council Tax down to 0.1%.

We propose doing this by releasing the budget management reserve to fund the difference between 0.1% and 3.9%.

We will replenish the budget management reserve with the forecast underspend in 2021/22.

We also call for a cross party taskforce to be established with immediate effect to address the budget gap and cost pressures and provide an update to the MTFS as soon as possible.

Proposer: David Thomas

Seconder: David Selby

The impact of the proposal – Assessment and Advice by Section 151 Officer

To change the Council Tax Increase from 3.9% to 0.1% will reduce the Councils funding for 2022/23 by £3.034 million increasing the Net Budget requirement by the same.

The use of the Budget Management Reserve to replace the funding lost, £3.034 million, will maintain a balanced budget for 2022/23.

The receipt of additional funding in the last quarter of the financial year is now projected to deliver a surplus Outturn for 2021/22 and this surplus can be used to replenish the reserve which are proposed to be drawn, although there were a number of options to utilise this surplus including funding the capital programme.

The additional funding is confirmed, but the surplus position is based on the Quarter 3 projected Outturn, a further forecast will be undertaken at the end of February 2022. That could see the projection improve or worsen. The final Outturn position will not be known until May 2022.

Reserves/additional funding are a one off source of funding and will only bridge the budget gap for one year.

Using Reserves in this way goes against the principle in the Medium Term Financial Strategy - that one-off funding cannot be used to support recurring commitments, this is set out in Principle 5 of the Medium Term Financial Strategy "Reserves will not be used to fund recurrent budget pressures or to keep down Council Tax rises".

This balances the budget for one year but immediately creates a further significant gap in the budget plan for 2023/24, it more than doubles that gap to over £6.3m and increase the cumulative budget gap to an estimated £18.2m over the next 4 years.

In order to balance the budget over the longer term significant further reductions or large increases in Council Tax would be required. We already have an indication of the funding we are likely to receive from WG next year with settlement expected

much lower at 3.5% and, in the second year of 2.4%. In order to replace this reduction in Council tax, the Council would need to raise CT by over 7% in each of the next 4 years of the MTF5, but this does not close the original £15 million budget gap that already exists in our plan. Further increases in Council Tax above that level or reductions in our service provision would also be required. This will impact on all services of the Council, including Schools, Social Care, HTR, Planning and Regulatory services, as well as support services and will impact on the ability of the Council to continue with its Capital investment.

Whilst acknowledging the impact on our residents of a rise in Council Tax, Council must also consider the reliance of our residents on the services we provide, maintaining an appropriate level of service is essential, particularly to the most vulnerable in our communities.

Reserves are an essential part of managing the risk in our budget for next year. The level of risk on the Council's budget for next year is greater than we have seen in many years, we too are impacted by rising inflation and rising costs. We are seeing this year £22m of additional funding to reduce the level of reserves we hold which are at the lower end of acceptability significantly increase the financial risk for the Council. Both in terms of financial sustainability and our ability to maintain appropriate levels of service. The additional funding received if not utilised would further strengthen our financial position.

Audit Wales have also raised concerns in their assessment of the Council financial sustainability, "With the exception of the 2020-21 financial year, the Council's useable reserves have declined in recent years, and they are relatively low in relation to the net cost of services compared with other Welsh councils". They have also stressed that the Council needs to address the Medium Term budget gap.

On the basis of what I have set out above I strongly advise Council not to approve this proposal.

The updated FRM as a result of this proposal is provided below:

FINANCE RESOURCE MODEL 2022-2027

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
REVENUE INCOME					
Base Funding (Prior Year)	279,782	298,930	310,722	320,619	329,964
AEF (RSG & NNDR Allocation)	18,374	7,359	5,223	4,457	4,546
Council Tax	774	4,433	4,674	4,888	5,133
Total Projected Revenue Funding	298,930	310,722	320,619	329,964	339,642
REVENUE EXPENDITURE					
Base Budget (Prior Year)	279,782	298,930	317,065	330,599	344,151
General Inflation:	3,707	4,288	4,370	4,426	4,514
Total Demographic Pressures	676	1,590	1,677	1,714	1,753
Total Corporate and Service Specific Pressures:	24,856	7,829	8,612	7,888	7,717
Savings	- 10,702	1,394	(1,127)	(477)	(250)
Undelivered Savings previous years	1,317	0	0	0	0
Transformation	2,329	0	0	0	0
Reserve Funding	- 3,034	+ 3,034			
Total Projected Revenue Expenditure	298,930	317,065	330,598	344,151	357,886
Funding (Shortfall)/ Surplus - Cumulative	0	(6,343)	(9,980)	(14,187)	(18,243)
Funding (Shortfall)/ Surplus - In Year	0	(6,343)	(3,636)	(4,207)	(4,057)