

THE VALE OF GLAMORGAN COUNCIL

CABINET: 1ST DECEMBER, 2022

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 16TH NOVEMBER, 2022

“ FINANCIAL STRATEGY 2023/24 AND MEDIUM TERM FINANCIAL PLAN
REFRESH (REF) –

The reference from Cabinet of 6th October, 2022 was presented by the Head of Finance / Section 151 Officer, who explained to the Committee that the report set out the Council's Financial Strategy and the principles it would follow in developing and delivering the budget. The key aims of the Financial Strategy were to deliver the Council's Corporate Plan and objectives, as well ensuring during these challenging times services to the most vulnerable were maintained. The remainder of the report was concerned with the refresh of the cost and funding assumptions over the medium term. There was a continuous review of resources and funding levels, with a big driver of the funding gap forecast at £28.190m being the forecast cost pressures of £38.108m. These figures presented a 'worst case scenario' for the Council, although it seemed likely that the current high levels of inflation would not significantly fall for some time. As part of the Council's internal review and scrutiny processes, it would be looking at and challenging these costs in order to try and get these down and to be absorbed wherever possible. Cost pressures were broken down into investment, inflation, demography and general pressures, with key inflationary drivers being the recent pay awards and the cost of utilities, although much of the pressures were of an external, 'imported' nature. This categorisation of the Council's financial challenges would help in terms of clarity and resolution.

In terms of the Welsh Government's (WG) financial settlement for Local Authorities, this would not be known until December, although the imminent UK Government's budget statement would provide some clarity on what funding for Welsh and Local Government would look like, with the potential for spending cuts in 2025/26. There would also be a significant challenge to balance the budget and it appeared extremely unlikely that the cost pressures and funding gap would be reduced significantly, unlike on other occasions with financial reporting at this time in previous years.

It was also noted that since the writing of the report, the financial position was continually moving, and the latest position would be reported in January.

There was to be a relatively short window on the consultation for the budget (January to February 2023), due to the WG settlement not being known until December and clarity on the associated savings and reductions required.

Following the presentation of the report, the Committee queried and scrutinised the following:

- On Councillor's Goodjohn's query on how 'out of date' the report was in light of recent and ongoing events, it was explained that the financial assumptions, etc. that made up the report, strategy and refresh were being reviewed on a day-to-day basis, with Council officers continuously trying to reign in or absorb cost pressures, particularly the non-inflationary ones. There was also an acceptance that a number of those pressures that were marked as investments were highly unlikely to go forward and appear in the later budget papers.
- Councillor Haines queried the workforce review within the report, and the costs involved in the investment of new roles, which could negatively impact other areas of the Council's services and investment. It was explained that financial colleagues had reached out to various Council services in order to ascertain the pressures they were experiencing, in terms of financial pressures and what they were experiencing in terms of delivering services and what investment they required as a result. However, it was unlikely that these requests for additional investment and recruitment could all be met given the expected limits on finances going forward.
- Councillor Dr. Johnson commented on the financial pressures likely to be placed on the Council and other Welsh Authorities due to the possible measures to be brought in via the UK Government's Autumn Budget statement and the impact on the Council's services in both financial and human resources, i.e. if investment in new jobs could not be achieved, then there would be less staff to deliver services and support given to residents and communities. The Councillor also referred to the impact of higher inflation and various related crises such as the impact of Brexit and the war in Ukraine and asked if the Committee could receive a further update on the budget, strategy and refresh in January / February before their final approval by Cabinet and full Council; including any subsequent changes not covered by this further reporting. The Councillor also asked about any opportunities to further 'reshape' services, invest to save possibilities and whether the Council was looking at service provision in the longer term. In response, the process for consultation was outlined, with various factors, including the Housing Revenue Account and rent setting set out, and the need to take the budget, etc. consultation to Cabinet on 19th January, 2023, which in turn would be referred to Scrutiny and the final budget back to Cabinet and Full Council. The Council was however in a good position with a relatively strong balance sheet, financial reserves, and would consider investment in areas of prevention, early intervention, including the use of reserves to help mitigate costs in future years.
- On Councillor Carroll's query on demographic changes in the report and the contradictory nature of both a rising aging population and an increase in school pupils within the Vale, it was confirmed that both increases were being seen based on current information and modelling, with significant costs for supporting an older population and younger adults with social care as well as an increase in school pupils requiring placements in special schools.
- The Councillor followed up his question above by commenting on the Council's spending on external consultants and the possibility of reducing this

and queried the drop to zero for cost pressures concerning new jobs from 2023/24 to 2024/35, etc. It was explained that, on the cost pressures / new jobs, this was to do with changes to the base budget and the way this was presented, the money was in the base budget and it stayed there.

- The Executive Leader and Cabinet Member for Performance and Resources also clarified the position on cost pressures and the budget setting pressures for the Council, citing the demographic, inflationary and other pressures mentioned in the report, as well as the difficult choices in terms of investment and the provision of services the Council had to make and the need for Councillors to have sensible discussions on how to support communities within the Vale going forward as part of the consultation on the budget. Overall, despite the financial challenges the Council faced, it was still in a relatively good financial position going forward.
- The Committee also considered the comments provided by some of the other Scrutiny Committees on the report, which were endorsed and asked for these to be referred on to Cabinet for their consideration.
- On mitigating the use of external consultants, Councillor Haines suggested that the Council could look at greater forecasting of where its skills needs were in order to train in-house staff.
- The Vice-Chair stressed the need for the Council to not be afraid to invest in recruiting young people and apprenticeships for the longer-term benefit of and investment in Council services.

Having considered the reference and report and all the issues and implications contained therein, Scrutiny Committee

RECOMMENDED –

(1) T H A T Cabinet be informed of the following comments and recommendations made by the Committee regarding the Financial Strategy 2023/24 and Medium Term Financial Plan Refresh, for their consideration:

- The Council focuses on, and investigates, reshaping of services and invest to save opportunities.
- The Council reviews the use of external consultants.
- The Council continues to invest in recruitment opportunities for young people and apprenticeships.

(2) T H A T the Committee supported the comments made by the Healthy Living and Social Care Scrutiny Committee and asks Cabinet to consider these, namely:

- The Cost Pressures set out within the report, that lie within the remit of the Committee, are legitimate and fully endorsed by the Committee.
- The majority of services provided by the Council under the Social Services Directorate are statutory provision and therefore, the Council has very little choice over the spending in relation to these services. Therefore, meeting the needs of the most vulnerable to ensure that the Council complies with its statutory duties remains paramount.

- Committee notes the significant pressures placed on the Domiciliary Care Service in terms of recruitment and the need to enhance the Council's employment offer to potential employees in order to improve recruitment and subsequently provide the level of care the Council is required to provide.

(3) T H A T the Committee supported the comments made by the Environment and Regeneration Scrutiny Committee and asked Cabinet to consider these, namely:

- To consider exploring joint in-house recruitment services and further joint procurement opportunities with other Local Authorities, for example joint fleet management and purchasing of consumables.

Reasons for recommendations

(1) In order that Cabinet be informed of the comments made by Corporate Performance and Resources Scrutiny Committee as part of their consideration of the Financial Strategy 2023/24 and Medium Term Financial Plan Refresh.

(2-3) In order that Cabinet be informed of the recommendations of the relevant Scrutiny Committees as part of their consideration of the Financial Strategy 2023/24 and Medium Term Financial Plan Refresh.”