

THE VALE OF GLAMORGAN COUNCIL

CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE:  
16<sup>TH</sup> NOVEMBER, 2022

REFERENCE FROM ENVIRONMENT AND REGENERATION SCRUTINY  
COMMITTEE: 15<sup>TH</sup> NOVEMBER, 2022

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

The reference and report from Cabinet of 6<sup>th</sup> October, 2022 as contained within the agenda was presented.

The purpose of the report was to review the financial pressures over the medium term and to put in place a strategy for delivering the 2023/24 budget and sustainable finances over the medium term. The Principal Accountant advised that the Council was currently estimating a £28m budget gap for 2023/24. Cost pressures had been highlighted totalling £38m. It was highlighted that almost £22m of these pressures were due to inflationary impacts so would be extremely difficult to mitigate against. The Council had also reviewed its resources and funding levels and currently estimated an increase of £10m in funding for 2023/24. The current position assumed an increase in Welsh Government funding of 3.5% for 2023/24 and 2.5% for 2024/25 as indicated in last year's financial settlement. Council Tax had been assumed to increase by 3.9% but this was only for planning purposes at present and would be subject to a policy decision later in the process. The Principal Accountant explained that the provisional settlement was likely to be received prior to the end of December which would provide more certainty on funding from Welsh Government for 2023/24. The Budget Working Group, which included the Leader, Deputy Leader, Cabinet Members and Officers, would be challenging all cost pressures and working up savings proposals which would also be subject to an internal challenge process, given the financial challenges facing the Council. These would inform an outline budget for further consultation being presented in January 2023 which would be reported back through all Scrutiny Committees.

The Chancellor was due to provide a budget announcement on Thursday, 17<sup>th</sup> November with Welsh Government's settlement announcement anticipated late December 2022.

Councillor Hooper commented that the Council could not be expected to rely on Westminster to solve the financial issues and Welsh Government's hands would therefore also be tied. He asked what position the Council was in to protect against any further budget shortfalls in years to come and suggested the Council should be adopting a zero base budget approach.

The officer commented that the Council had been prudent over the years and it had sizeable reserves although acknowledging that these could only be used once and advised that the Council would also be looking going forward to where it could invest some of its reserves with an invest to save strategy. Zero based budgeting had been suggested previously however it was very resource intensive.

Councillor Champion, having regard to the recent wage increases and possible future wage demands, enquired as to the position for the Council and whether the Council had underspent the previous year as a result of COVID 19. The officer in response stated that 3% had been anticipated for the wage increase this year although this had come in at closer to 7% this year which had indeed recently been agreed. The Council was however again anticipating a wage increase of 3% for the following year. £18m had been transferred to reserves at the end of financial year 2021/22, some of which had been put aside for future schemes.

Following a query regarding the proposed 3.9% Council Tax proposed, Councillor Ernest stated that it may be necessary to look at future capital schemes and defer some in light of the financial situation and also enquired as to the work of the reshaping services programme. The officer in response advised that the Council was under pressure to increase its sources of income and although the current proposals were based on an assumption of 3.9%, this was a matter for future agreement and discussion. With regard to capital schemes the officer advised that there was a fine balance between spend on capital and revenue therefore delaying spend on a capital scheme could actually create further repair costs within revenue budgets. Road resurfacing was given as an example. If capital spend was not maintained on the Highway network this would often lead to further repair costs for the revenue budget in repairing potholes.

Councillor Wilson (Cabinet Member for Neighbourhood and Building Services) with the Committee's permission to speak, advised that there were two reasons why it may not be able to defer some capital schemes i.e. for health and safety concerns and necessary maintenance. Councillor Wilson also offered the opportunity for any Member to approach him directly, if they wished, with any suggestions they may have regarding future proposals for savings.

Councillor Burnett (Leader of the Council) in referring to the suggestion of a zero base budget drew attention to the £21m inflationary pressure the Council faced, advising that Directors had been requested to look at their respective service areas in detail to highlight areas for savings or additional income opportunities. It was important to note that maintenance of older schools cost approximately £2m per year which needed to be done. To assist Members the Leader also suggested that two reports that were published each year by the English Local Government Association and Welsh Local Government Association would also be worthwhile reading. In conclusion the Leader advised that with regard to the reshaping of services two excellent examples were the library service and the Big Fresh Catering Company.

Following the discussion having regard to future cost pressures the Chair took the opportunity to suggest that going forward the Council may wish to consider establishing an in-house recruitment service jointly with another Council or a number of other Local Authorities. Although this would possibly be a minimal contribution to

the financial position the Chair stated that it was important that Members considered putting forward any suggestions that could be pursued to support officers and the Council in trying to address the situation.

Councillor Buckley also suggested that further exploration be undertaken regarding working together with other Local Authorities with regard to procurement and purchasing consumables, fleet management etc.

There being no further comments it was subsequently

**RECOMMENDED – T H A T** the report be noted and that Corporate Performance and Resources Scrutiny Committee be requested 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 and Cabinet be advised accordingly.

Reason for recommendation

Having regard to the report and suggestions for savings opportunities and in order to advise Corporate Performance and Resources Scrutiny Committee and Cabinet.”