

Report to Cabinet

1 February 2022

Council Plan and Revenue Budget 2022/23

Report by Director of Finance and Support Services

Electoral division(s): All

Summary

The report in Appendix A sets out a balanced budget for 2022/23 as well as the Capital Strategy for 2022/23 to 2026/27 and Treasury Management Strategy Statement for 2022/23. Since the Cabinet last looked at the budget proposals in October 2021, the Spending Review (SR21) for 2022/23 was announced on 27 October 2021 and the Provisional Local Government Finance Settlement on 16 December 2021.

West Sussex County Council is required to set a balanced budget for each financial year by statute. The council tax flexibility and grant announcements in the SR21, that were further clarified in the provisional settlement, enable the council to set a balanced budget.

The Budget Report is prepared on the assumption the Council agrees the 1.99% increase in council tax and a 1.0% increase for the adults' social care precept. The settlement was for one year only with the priority being "stability in the immediate term", with a more fundamental review of local government funding starting in early 2022.

Recommendation

Cabinet is asked to:

Endorse the County Council Budget for 2022/23, as set out in Appendix A and Annex 1, the Capital Strategy set out in Annex 2(a) and the Treasury Management Statement set out in Annex 2(b), for approval by County Council on 18 February 2022.

Proposal

1 Background and context

- 1.1 During the last financial year, the Council has implemented Our Council Plan which brings together the overarching service delivery and community objectives with the resources that underpin their delivery. Our Council Plan has been updated in parallel with the development of the budget for 2022/23. As it is aligned to the budget and medium-term financial strategy, it acts as the framework in which investment decisions can be made based on the priorities of the County Council and the outcomes we want to achieve for people in West Sussex.
- 1.2 The pandemic continues to provide challenges, both service and funding related, in terms of new variants of the disease, the changing public health requirements, the demand for services, in particular social care, and the unfolding implications upon Council Tax and Business Rates collection. There have also been additional challenges in 2022/23 such as the inflationary impact of changes in relation to staff shortages and utility costs.
- 1.3 The Government announced the Spending Review (SR21) on 27 October which was followed by the publication of the Provisional Local Government Finance Settlement on 16 December. These provided detail of local government funding in 2022/23, including confirmation of grant funding and the flexibility for increasing council tax by up to 1.99% without a referendum and the ability to levy an Adult Social Care (ASC) precept of up to 1%.
- 1.4 There remains significant uncertainty around funding from 2023/24 onwards with the review of the funding methodology due to commence in early 2022. The Fair Funding Review and changes to the business rates retention scheme, originally planned to be implemented from April 2020, has been postponed for a number of years and has, therefore, delayed the impact on local authorities' funding assumptions. The Government are now committed to implementing the changes and it is expected that there will further indication of the impacts by the summer 2022.

2 Proposal details

- 2.1 The financial impact of the Provisional Settlement has been reflected in the Budget Report and now reflects a balanced position assuming the Council agrees the 1.99% increase in council tax and the 1% ASC precept.
- 2.2 The Provisional Settlement included confirmation on the allocation of the £1.6bn funding announced as part of the SR21 with the significant announcements outlined in paragraphs 2.1 to 2.5 in the Budget Report. The key announcements for West Sussex for 2022/23 are as follows:

	2022/23
Settlement Funding Assessment (excluding s31 grant)	£79.3m
Improved Better Care Fund	£20.6m
Social Care Support Grant	£25.8m

2022/23 Services Grant – one off	£5.5m
Market Sustainability and Fair Cost of Care	£2.2m
New Homes Bonus	£2.0m

2.3 The settlement was for one year only with a more fundamental review of local government funding starting in 2022. The government has stated they are “committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources” but there is no certainty over funding allocations for the medium term. The current Medium Term Financial Strategy assumes the impact from the implementation of the funding distribution methodology changes will be phased across 2023/24 and 2024/25.

2.4 After setting a balanced budget for 2022/23, which includes savings of £11.0m, the Medium Term Financial Strategy sets out a gap prior to any savings delivered of £25.7m for 2023/24, £18.0m for 2024/25 and £19.7m for 2025/26 totalling £63.4m over the subsequent three years. Further indications on funding allocations and review of the funding methodology are expected by Summer 2022 and we will continue to update the medium term position reflecting any future government announcements.

3 Consultation, engagement and advice

3.1 As there are no new savings to be considered formal consultations have not been required.

4 Finance

4.1 As this is a Budget Report the financial consequences are covered within the body of the report.

5 Risk implications and mitigations

5.1 The risk assessment implications and mitigations are set out in section five of Appendix A.

6 Policy alignment and compliance

6.1 The approach set out above is in alignment with Our Council Plan and delivers a balanced budget for 2022/23 in accordance with the County Council’s statutory duty.

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Appendices

Appendix A – Revenue Budget 2022/23

Annex 1 - Budget Pack:

Appendix 1 – Summary of Revenue Budget and Precept 2022/23

Appendix 2 – Analysis of Changes

Appendix 3 – Balancing the Budget

Appendix 4 – Grants Towards Specific Services

Appendix 5 – Reserves

Appendix 6 – Detailed Portfolio Budgets

Appendix 7 – Fees and Charges

Appendix 8 – Our Council Plan

Annex 2(a) - Capital Strategy 2022/23 to 2026/27

Appendix A – Capital Programme Portfolio Pages

Appendix B – MRP Statement 2022/23

Appendix C – Illustrative External Debt

Appendix D – Graphical illustration

Appendix E – Projects to be funded from flexible use of capital receipts

Annex 2(b) – Treasury Management Strategy Statement 2022/23

Appendix A – West Sussex County Council – Treasury Portfolio

Appendix B – Economic and Interest Rate Forecast (Link Asset Services)

Annex 2(c) – Prudential Indicators 2022/23 to 2026/27

Annex 3 – Equality Impact Assessment

Background papers

None