Cabinet

Date:

Subject: Draft Business Plan 2023-27

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Billy Christie - Cabinet Member for Finance and Corporate Services

Contact Officer: Roger Kershaw

Recommendations:

1. That Cabinet notes the approach to rolling forward the MTFS for 2023-27.
2 That Cabinet confirm the latest position with regards to savings already in the MTFS
3 That Cabinet agrees the approach to setting a balanced budget outlined in Section 4 as the basis for the setting of targets for 2023-27
4 That Cabinet agrees the proposed savings targets based on a standstill position.
5 That Cabinet agrees the timetable for the Business Plan 2023-27 including the revenue budget 2023/24 the MTFS 2023-27 and the Capital Programme for 2023-27.

1. Purpose of report and executive summary

1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2023/24.

1.2 The report sets out the approach towards setting a balanced budget for 2023-2027 and a draft timetable for the business planning process for 2023/24. It also proposes initial targets to be met from savings and income over the four year period of the MTFS.

1.3 There is an update on the current information relating to the timetable for the Government's Spending Review / Budget.

1.4 Given the current high level of uncertainty over a range of factors that have the potential to impact significantly on the MTFS there is a sensitivity analysis of a number of issues including the potential impact across the MTFS period of current issues that impact on local government such as the current high level of inflation and also specific issues such as addressing the DSG deficit.

.

1.5 Finally, there is an assessment of the potential impact in 2023/24 and possibly beyond, of the coronavirus pandemic which first impacted at the end of the 2019/20 financial year.

Details

2. Medium Term Financial Strategy 2023-27

2.1 Background

Council on 2 March 2022 agreed the Budget 2022/23 and MTFS 2022-26. Whilst a balanced budget was set for 2022/23 there was a gap remaining in future years which needs to be addressed, as shown in the following table:-

	2023/24 £m	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
MTFS gap (cumulative)	4,618	18,791	21,659	27,767

2.2 The initial phase of the business planning process is to re-price the MTFS and roll it forward for an additional year. Development of the MTFS in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

Regular updates will be provided throughout the year as part of Business Planning reports for the MTFS period 2023-27 and the estimated impact of inflation, COVID-19 and eliminating the DSG deficit will be modelled and included in this analysis.

2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2022/23 as the starting point.

2.3.1 Pay

Based on pay awards of 2% the provision in the MTFS approved by Council has been reviewed as follows:-

Provision for Pay Inflation:

(Cumulative £000)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Pay inflation (%)	**2.0%**	**2.0%**	**2.0%**	**2.0%**
MTFS 2022-26 (Council 2/3/22)	1,920	3,840	5,760	7,680
Pay inflation (%)	**3.0%**	**2.0%**	**2.0%**	**2.0%**
MTFS 2023-27 (Latest)	2,974	4,957	6,940	8,923
Change (cumulative £000)	**1,054**	**1,117**	**1,180**	**1,243**

Pay Negotiations 2022/23

For 2022/23 the final pay award has not been agreed but provision of 2% was included in the MTFS, and 2% also for each subsequent year. On 6 June 2022, the three local government unions, UNISON, GMB and Unite, representing 1.4 million council and school employees, submitted a pay claim for staff in England, Wales and Northern Ireland.

The 2022 claim, which would apply from the start of April 2022, would see council employees receive either a £2,000 rise at all pay grades or the current rate of RPI (presently 11.1%), whichever is higher for each individual.

On 25 July 2022, the National Employers agreed to make the following one-year (1 April 2022 to 31 March 2023), final offer to the unions representing the main local government NJC workforce:

- With effect from 1 April 2022, an increase of £1,925 on all NJC pay points 1 and above

- With effect from 1 April 2022, an increase of 4.04 per cent on all allowances

- With effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement

- With effect from 1 April 2023, the deletion of pay point 1 from the NJC pay spine

This offer would achieve a bottom rate of pay of £10.50 with effect from 1 April 2022 (which equates to a pay increase of 10.50 per cent for employees on pay point 1); everyone on the NJC pay spine would receive a minimum 4.04 per cent pay increase; and the deletion of pay point 1 on 1 April 2023, would increase the bottom rate to £10.60 (providing 10p headroom above the current upper-end forecast for the NLW on that date), pending agreement being reached on a 2023 pay award.

Potential rates of pay for London from 1 April 2022 based on the national employers' pay offer to the unions representing Local Government Services employees.

- With effect from 1 April 2022 the national offer is for a pay increase of £1,925 on all NJC pay points.
- In London this translates to an equivalent offer of £2,229 on all Outer London pay points and an increase of £2,355 on all Inner London pay points.
- Allowances to be increased by 4.04%

It is estimated that the overall increase in pay arising from this offer will be c.6.0%

National Living Wage

The offer from the National Employers also made the following comments about the National Living Wage (NLW):-

"At the pay briefings, your council may have been among those who supported a long-term (two years) pay deal, covering the period 1 April 2022 to 31 March 2024. A pay offer of that duration was until recently looking the most likely option for the National Employers. However, the current wider political situation means there is now some uncertainty that the current policy of the NLW reaching 66 per cent of median earnings in 2024 will remain as previously stated.

As was conveyed at the regional pay briefings, since its introduction in 2014, the NLW has presented a huge challenge for local government in managing to maintain headroom between the bottom pay points and the statutory NLW. Local government is almost alone in the public sector in having this challenge. Other public sector pay structures' lower rates of pay are far enough above the NLW for it not to present the same pressure as we face and involve a far smaller proportion of those sectors' workforces than is the case in local government.

The National Employers hold a longstanding principle of not pegging the bottom rate in local government to the NLW, as they do not believe the sector should be a minimum wage employer.

When the NLW was increased to 60 per cent of national median earnings in the last parliament, local government managed to achieve some breathing space by revamping its pay spine in 2018-19. On 1 April 2019, there was 79p headroom between the lowest local government pay rate and the NLW. However, following the General Election in December that year, central government introduced a revised policy for the NLW to increase from a target of 60 per cent of national average earnings, to 66 per cent by April 2024.

Since 1 April 2022, the bottom rate of pay in local government has been at parity with the NLW at £9.50 (pending this year's pay award). 2020 to 2022 saw a 8.94 per cent increase in the NLW, while affordability of pay awards in local government has resulted in pay growth in the sector over the same period at only around half that: 4.55 per cent.

The economic turmoil over the past two years has only increased the volatility of the projections. In April 2020, the Low Pay Commission (LPC) set out that the projected NLW rate for April 2024 was £10.69. Due to the impact on the economy of the COVID pandemic, the OBR revised down this forecast to £10.10 in December 2020, though by April 2021, when the LPC published that year's NLW consultation documentation, the projection had rebounded to £10.33. By the Budget in Autumn 2021, the projection had rebounded once more and stood at £10.70.

The LPC's latest published forecast for the NLW states from March 2022:

Although our recommendations in the autumn will be subject to Commissioners' assessment of economic conditions, our current best estimate for the on-course NLW rate in April 2023 is £10.32, within a range of £10.14 - £10.50. Our current best estimate of an NLW set at two-thirds of median earnings for those aged 21 and over in 2024 would be £10.95 within a range of £10.58 - £11.33. These are based on the latest wage growth forecasts, but actual wage growth may turn out higher or lower, and we will update these ranges in the summer based on changing forecasts. We will publish a report, to coincide with the increase in NLW and NMW rates, setting out this pathway in more detail.

This projection is the highest rate yet predicted for the NLW in 2023 and 2024 and there is no guarantee it won't rise further due to the ongoing economic volatility, potential impact of the international context and expected further increases in the rate of inflation. The lack of a fixed figure to work towards and the volatility of the forecasts of what the NLW rate will be, has made it difficult for local government to plan effectively over the past few years.

The National Employers fully support the increase of the NLW but have made clear to government that in meeting the cost of this policy, additional funding is required. If this is not forthcoming, jobs and services will be at risk as employers struggle to accommodate this additional cost when trying to balance their budgets.

Conclusion

The National Employers are eleven senior elected members, some of whom are Leader of their council. They are all acutely aware of the additional pressure this year's offer will place on already hard-pressed budgets, especially for those councils and schools with large numbers of employees on the lower pay points. However, for the reasons set out above, they believe their offer meets the NLW challenge (at least in the short-term) and is fair to employees, given the wider economic backdrop and is in line with awards made recently to other parts of the public sector workforce. However, they are also aware that without additional funding from central government, meeting the NLW challenge and providing a fair award for local government staff will come at a cost to jobs and / or service provision. The National Employers have written to the relevant government department (DLUHC) to make this point clear."

Unions are balloting their members on the offer. There are three recognised unions involved, Unison, GMB and Unite. Unison members have voted to accept the offer whilst the outcome of the GMB and Unite ballots will not be known until October.

Further details on any progress towards agreeing a pay award for 2022/23 and the impact on the MTFS, will be reported during the Business Planning process as more information becomes available.

Impact of 2022/23 Pay Award on MTFS 2023-27

The cost to the Council of the 2022/23 pay offer outlined above are expected to be c.6%.

Each 1% of pay costs c. £0.990m and if a 6% pay award is made in 2022/23 this will have the following impact on the MTFS 2023-27:-

	2023/24 £000	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**
Additional Impact of a 6% pay award	3,960	4,039	4,120	4,202

2.3.2 Prices

The current assumptions regarding price inflation incorporated into the MTFS are

- 2.5% in 2022/23 and 1.5% in each subsequent year of the MTFS

The MTFS agreed by Council on 2 March 2022 includes the following provision for price inflation

Provision for Prices Inflation:

	2023/24	**2024/25**	**2025/26**	**2026/27**
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Original MTFS 2022-26 (cumulative £000)	2,139	4,278	6,417	8,556

This has been reviewed using the approved budget for 2022/23 and the latest estimate based on 1.5% price inflation is:-

(Cumulative)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Price inflation (%)	1.5%	1.5%	1.5%	1.5%
Revised Estimate (cumulative £000)	2,282	4,564	6,846	9,129
Change	143	286	429	573

Each 1% of price inflation costs c. £1.5m.

Given the forecast level of inflation is not expected to drop back to 2.5% until 2024, the current 1.5% provision in 2023/24 may not be adequate and an increase to 3% in 2023/24 and 2% in 2024/25 is proposed

.

(Cumulative)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Price inflation (%)	3.0%	2.0%	1.5%	1.5%
Revised Estimate (cumulative £000)	4,564	7,607	9,889	12,172

Net change in Pay and Price inflation provision:

The overall change in inflation provision since Council in March 2022 is

(Cumulative) (£000)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Latest Inflation estimate	10,507	15,612	19,958	24,306
Original MTFS 2022-26 (Council March 2022)	4,059	8,118	12,177	16,237
Change	6,448	7,494	7,781	8,069

Current inflation
The Consumer Prices Index (CPI) rose by 9.9% in the 12 months to August 2022, down from 10.1% in July. On a monthly basis, CPI rose by 0.5% in August 2022, compared with a rise of 0.7% in August 2021. A fall in the price of motor fuels made the largest downward contribution to the change in both the CPIH and CPI annual inflation rates between July and August 2022. Rising food prices made the largest, partially offsetting, upward contribution to the change in the rates.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 8.6% in the 12 months to August 2022, down from 8.8% in July. On a monthly basis, CPIH rose by 0.5% in August 2022, compared with a rise of 0.6% in August 2021. The largest upward contributions to the annual CPIH inflation rate in August 2022 came from housing and household services (principally from electricity, gas and other fuels, and owner occupiers' housing costs), transport (principally motor fuels), and food and non-alcoholic beverages.

The RPI rate for August 2022 was 12.3%, which is unchanged from July 2022.

Outlook for inflation:
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment.

At its meeting ending on 21 September 2022, the MPC voted to increase Bank Rate by 0.5 percentage points, to 2.25%. Five members voted to raise Bank Rate by 0.5 percentage points, three members preferred to increase Bank Rate by 0.75 percentage points, to 2.5%, and one member preferred to increase Bank Rate by 0.25 percentage points, to 2%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months, to a total of £758 billion, in line with the strategy set out in the minutes of the August MPC meeting.

The next Bank of England MPC base rate decision is on 3 November 2022.

In the minutes to the September meeting, the MPC gave a bleak economic outlook stating that "In the August Monetary Policy Report, the MPC noted that the risks around its projections from both external and domestic factors were exceptionally large, given the very large increase in wholesale gas prices since May and the consequent impacts on real incomes for UK households and on CPI inflation.

Since August, wholesale gas prices have been highly volatile, and there have been large moves in financial markets, including a sharp increase in government bond yields globally. Sterling has depreciated materially over the period.

Uncertainty around the outlook for UK retail energy prices has nevertheless fallen, following the Government's announcements of support measures including an Energy Price Guarantee. The Guarantee is likely to limit significantly further increases in CPI inflation, and reduce its volatility, while supporting aggregate private demand relative to the Committee's August projections. An additional Growth Plan announcement is scheduled to take place shortly after this MPC meeting, which is expected to provide further fiscal support, and is likely to contain news that is material for the economic outlook. Once this announcement has been made, and as part of its November MPC round, the Committee will make a full assessment of the impact on demand and inflation from all these announcements, along with other news, and determine further implications for monetary policy….. Nevertheless, energy bills will still go up and, combined with the indirect effects of higher energy costs, inflation is expected to remain above 10% over the following few months, before starting to fall back.

The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. The economy has been subject to a succession of very large shocks. Monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term. Monetary policy is also acting to ensure that longer-term inflation expectations are anchored at the 2% target."

On 26 September the Governor of the Bank of England made the following statement:-
"The Bank is monitoring developments in financial markets very closely in light of the significant repricing of financial assets. In recent weeks, the Government has made a number of important announcements. The Government's Energy Price Guarantee will reduce the near-term peak in inflation. Last Friday the Government announced its Growth Plan, on which the Chancellor has provided further detail in his statement today. I welcome the Government's commitment to sustainable economic growth, and to the

role of the Office for Budget Responsibility in its assessment of prospects for the economy and public finances.

The role of monetary policy is to ensure that demand does not get ahead of supply in a way that leads to more inflation over the medium term. As the MPC has made clear, it will make a full assessment at its next scheduled meeting of the impact on demand and inflation from the Government's announcements, and the fall in sterling, and act accordingly. The MPC will not hesitate to change interest rates as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit."

On 4 August 2022, the Bank of England also published its quarterly Monetary Policy Report for August 2022. In this report the MPC include forecast quarterly CPI inflation rates over the next three years as follows:-

2022	2022	2023	2023	2023	2023	2024	2024	2024	2024	2025	2025	2025
Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3
CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %
9.9	13.1	12.6	10.8	9.5	5.5	4.3	2.6	2.0	1.4	1.2	0.9	0.8

The MPC's analysis of this forecast are that "the direct contribution of energy prices to CPI inflation alone is expected to peak at 6½ percentage points in 2022 Q4. That is substantially higher than in the Committee's forecasts over the past year, given the successive very sharp increases in global energy prices over this period. Together with higher indirect effects from energy prices, which can affect both goods and services prices, this accounts for most of the much higher outlook for CPI inflation over the first half of the forecast since May. Though responsible for much less of the rise in headline inflation, domestic inflationary pressures have also increased and are projected to be a little stronger than previously expected. In particular, it appears that the labour market is currently tighter than the Committee previously assumed. Together with a little more upward pressure on pay from higher price inflation, nominal private sector regular pay growth rises by more than in May over the first half of the forecast. This is broadly consistent with the Agents' survey on employment and pay, which suggests that firms expect pay settlements to average 6% over the next year, higher than the equivalent survey set out in the February Report. As a result, CPI inflation is a little higher throughout the projection from this judgement."

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following table:-

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (September 2022)			
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	7.4	14.0	10.2
RPI	8.7	17.7	13.1
LFS Unemployment Rate	3.6	4.5	4.1
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	7.6	4.0
RPI	1.6	8.9	5.1
LFS Unemployment Rate	3.2	5.0	4.3

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from volatile fuel and utility costs impacting on the cost of living and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2022 to 2026 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2022)					
	2022	2023	2024	2025	2026
	%	%	%	%	%
CPI	8.3	4.7	1.3	1.6	1.8
RPI	9.1	6.5	2.4	3.1	3.4
LFS Unemployment Rate	3.9	4.2	4.2	3.8	3.7

2.3.3 Provision for Excess Inflation:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the budgeted inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand. This was increased to £2.5m in 2022/23 but reduces to £0.5m from 2023/24 onwards. Whether this is sufficient is dependent on inflation reducing back towards the Government's 2% target by 2023/24 and the extreme volatility in utilities costs and supply being brought under control.

The provision in the MTFS is currently :-

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Budget in MTFS 2022-26	500	500	500	500

The cash limiting strategy is not without risks and if the inflation rate fails to return to the Government's 2% target levels of inflation by 2025/26 it will lead to further pressure on service budgets.

2.3.4 London Living Wage (LLW) and Living Wage Employer Accreditation

Merton is seeking accreditation as a Living Wage Employer and will introduce the Real Living Wage into Merton contracts - as and when the contracts come up for re-tendering (excluding Care Home contracts) – Phase I.

More work will be undertaken to ascertain a more realistic cost for implementing the LLW across Merton's Care Home contracts and this work will be carried out after Merton has achieved its Living Wage Employer accreditation – Phase II.

The total additional cost to the Council - for the life of contracts which do not currently cover LLW and excluding Care Homes - is in the region of £7.23m over the next five years. The Living Wage foundation reviews its rates each year. These rates are not in line with RPI and as such it is difficult to predict what the uplift will be year-on-year and the actual increased cost to the Council.

	Financial Year					
Contract	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Total**
Corporate Catering	£ 33,288	£ 33,288	£ 33,288	£ 33,288	£ 33,288	£ 166,440
Corporate Cleaning	£ 70,888	£ 70,888	£ 70,888	£ 70,888	£ 70,888	£ 354,440
Corporate Security	£ 56,410	£ 56,410	£ 62,051	£ 62,051	£ 62,051	£ 298,973
School Catering	£ 155,324	£ 155,324	£ 155,324	£ 51,775	£ 155,324	£ 673,071
School Cleaning	£ 169,669	£ 254,504	£ 254,504	£ 254,504	£ 84,835	£ 1,018,016
Home Care	£ 744,123	£ 372,062	£ 1,200,000	£ 1,200,000	£ 1,200,000	£ 4,716,185
	£ 1,229,702	£ 942,476	£ 1,776,055	£ 1,672,506	£ 1,606,386	**£ 7,227,124**

Figures in red are based on new contracts that would include LLW

Some figures vary year-to-year due to contract start / end dates not aligning to full financial year

The MTFS 2022-26 currently includes provision for the additional cost of implementing the LLW for the contracts included in the table above (i.e. excluding care homes) as follows:-

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Provision in MTFS 2022-26	521	711	2,382	2,430	2,478

The provision will be reviewed and an update provided in a future report once the final increase has been announced.

2.4 Income

2.4.1 The MTFS does not include any specific provision for inflation on income from fees and charges, as these have now been subsumed into the overall gap and therefore approach to targets. However, in the business planning process for recent years, service departments have been able to identify increased income as part of their savings proposals and increased income currently makes up c.6.3% of future savings.

2.4.2 It is also the case that the Council's income streams were decimated by COVID-19 in 2020/21 and there is uncertainty about how long it will take to return to pre-COVID19 budgeted levels.

2.5 Forecast of Resources and Local Government Finance Settlement

2.5.1 Background
The main elements of financial planning that impact on local government are summarised as follows

Spending Review

The Spending Review 2021 covered the period 2022/23 to 2024/25. It was published on 27 October 2021 at the same time as the Autumn 2021 Budget.

Spending Reviews set out departmental Resource and Capital Departmental Expenditure Limits for forthcoming years. Details from the Spending Review will form the basis of allocations to local authorities for 2023-27 and beyond as announced in the Local Government Finance Settlement 2023-24. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit.

Fair Funding Review
The government first announced that there would be a 'fair funding review' in February 2016 which was followed by consultations in July 2016 and December 2017. The results of the latter were published in December 2018.

At the start of 2022 the government announced that it would be consulting on potential reform on local government finance "in the spring". The Government has stated its commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The Government has also noted that the data has not been updated for a number of years and that it will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

The Institute of Fiscal Studies (IFS) state that "the current spending needs formulas use data that is now around ten years ago and were originally devised in the mid-2000s. There hasn't been a well-functioning funding system that takes account of both spending needs and revenue-raising capacity since the mid-2000s either. Funding allocations are therefore based on increasingly out-of-date data and arbitrary and ad hoc decisions.
This is what prompted the Fair Funding Review in the first place. But it also makes it harder to deliver the Review, especially in the context of a funding environment that looks increasingly tight, not least due to rising inflation. That's because the 'fair' funding allocations implied by the new formulas and funding system are likely to differ significantly from the out-of-date and arbitrary allocations local authorities currently receive. Moving to the new allocations would therefore create many big losers who would see their real-terms funding cut – and this group who would likely be much more vocal than those winning."

The MTFS included an adjustment of £3m from 2023/24 on the prudent assumption that the Fair Funding Review and potential Brexit effect including the implementation of the levelling up agenda, would result in a net loss of funding.

Spring Statement 2022 and Autumn Budget 2022

Following the Russian invasion of Ukraine and the significant jump in utilities costs and inflation, the Government issued a Spring Statement on 23 March.

It is expected that there will be an Autumn Budget, probably around October 2022, and this may be accompanied by a Spending Review 2022. The financial implications of these for local authorities will be incorporated into the Provisional Local Government Finance Settlement 2023/24 which is usually issued in mid-December at the earliest. The funding announcements in the provisional Settlement will underpin the Council's funding estimates for 2023/24.

Updates on the expected timetable for these announcements will be reported as part of the Business Planning process when further information is known.

2.6.2 The current level of resources included in the draft MTFS 2023-27 as agreed by Council in March 2022 is as follows:-

DRAFT MTFS 2023-27:				
	2023/24 £000	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**
Revenue Support Grant	0	0	0	0
*Business Rates (inc. Section 31 grant)	*(41,216)	*(41,658)	*(42,105)	*(42,556)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(6,282)	(6,282)	(6,282)	(6,282)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(300)	(300)	(300)	(300)
Corporate Funding in the MTFS	(57,605)	(58,047)	(58,494)	(58,945)

* Net of £3m adjustment for Fair Funding Review and Spending Review 2022 potential effect.

These figures currently assume the London Business Rates pool is not reintroduced in 2023/24 and that there is an annual 2% uplift for CPI inflation to the Business Rate multiplier. Funding levels have been netted down by £3m p.a. from 2023/24 to reflect the potential loss of funding (government grant and business rates) arising from the potential ongoing economic impact of COVID-19 and Brexit, and the potential redistribution of resources away from London which could result from the Government's Fair Funding Review and the levelling up agenda.

The Government's aim is to allow local authorities to retain 75% of their Business Rates income but this has been deferred and the deadline for implementation is not yet known.

Updates will be provided in future reports as part of the Business Planning process.

2.6.4 Social Care Funding

Improved Better Care Fund

In 2022/23 the Improved Better Care Fund (iBCF) was increased by £63m (3%) and £10m in London. This was an inflationary uplift on 2021-22 allocations in line with the September 2020 to September 2021 change in the Consumer Price Index (CPI) and the distribution formula was unchanged and the grant will continue to be required to be pooled as part of the Better Care Fund .

Merton's allocation for 2022/23 was

Improved Better Care Fund	**2022-23 £m**
Merton	5.010

Social Care Grant

National Social Care Grant allocations were increased by £636m in 2022-23. This grant is not ringfenced, and there are conditions attached on reporting requirements. In particular, local authorities can determine how much of it should be spent on adult social care and how much should be spent on children's social care.

Merton's 2022/23 allocation is:-

Social Care Grant	**2022-23 £m**
Merton	6.282

2.6.5 Business Rates - Update
As previously reported, due to uncertainty arising from COVID-19 and the collapse in Business Rates income replaced by government Section 31 grant, the London Business Rates pool was discontinued for 2021/22 and 2022/23. Although the economic position is slowly improving for businesses, it is not currently known whether there will be an attempt to reinstate the London pool for 2023/24. Reconciliation of final figures for when the London pool was in operation has not yet taken place as some London boroughs have not yet produced audited Statements of Account.

Updates will be provided as the Business Plan process develops.

2.7 **Council Tax and Collection Fund**

2.7.1 Council Tax
The Council Tax income forecast in the current MTFS agreed by Council in March 2022 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 98.75% from 2023/24 to 2026/27. It also assumes the following changes in Council Tax over the MTFS period:-

	2023/24 %	2024/25 %	2025/26 %	2026/27 %
Council Tax increase - General	2.0%	2.0%	2.0%	2.0%
Council Tax increase – ASC*	0%	0%	0%	0%

* Currently no provision to be able to levy an ASC charge but if allowed has no impact on the MTFS gap

On the basis of these assumptions the Council Tax income included over the period of the MTFS is:-

(Cumulative figures exc. WPCC)	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Council Tax - No change in rate	105,933	106,507	107,125	107,532
Council Tax – General (2%)	2,119	4,259	6,420	8,603
Council Tax income	108,052	110,766	113,545	116,135

The Council Tax Referendum Principles for 2023/24 will not be known until the Provisional Local Government Finance Settlement for 2023/24 is announced, usually around mid-December.

There are several main issues that need to be considered when formulating a council tax strategy for the MTFS period 2023-27:-

i) To what extent will the high cost of living inflation impact on collection rates in 2023/24 and beyond?
ii) Will the Government revise the referendum principles to enable Councils to set higher council tax levels as part as a move towards balancing budgets from local taxation?
iii) What impact will the high level of inflation have on the level on collection rates in 2022/23 and therefore what level of budget deficit relating to council tax will it be necessary to fund in 2023/24 ? (This will be reflected in a Collection Fund deficit as at 31 March 2023)

The Council Tax Base will be updated later in the year following the return of the Government's CTB statistical return, usually in October, which is based on properties on the valuation list in September. The collection rate will impact on the council tax base.

2.7.2 Collection Fund

In the MTFS approved by Council on 2 March 2022, the shares to preceptors of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2022 are summarised in the following table:-

	Surplus/ (deficit) as at 31/03/22 Estimate	Surplus/ (deficit) as at 31/03/22 Estimate	Total surplus/ (deficit) as at 31/03/22
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(4,939)	(4,939)
GLA	554	(5,537)	(4,983)
Merton	2,026	(4,490)	(2,464)
Total	**2,580**	**(14,966)**	**(12,386)**
Payable in 2022/23	3,701	(13,052)	(9,351)
3 year spread to 2023/24	**(1,121)**	**(1,914)**	**(3,035)**

2.7.3 Merton's share of the surplus/deficit for council tax and NNDR were built into the MTFS agreed by Council in March 2022.

2.7.4 Since then, the Council has produced its draft 2021/22 accounts as at 31 March 2022 which are currently being audited. The draft accounts for 2021/22include the following surplus/deficit for Council Tax and NNDR as at 31 March 2022.

	Surplus/ (deficit) as at 31/03/22 Outturn	Surplus/ (deficit) as at 31/03/22 Outturn	Total surplus/ (deficit) as at 31/03/22
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(6,652)	(6,652)
GLA	590	(7,459)	(6,869)
Merton	1,948	(6,051)	(4,103)
Total	2,538	(20,162)	(17,624)

2.7.5 The overall change in shares of surpluses/deficits is:-

	Surplus/ (deficit) as at 31/03/22	Surplus/ (deficit) as at 31/03/22	Total surplus/ (deficit) as at 31/03/22
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(1,713)	(1,713)
GLA	36	(1,922)	(1,886)
Merton	(78)	(1,561)	(1,639)
Total	(42)	(5,196)	(5,238)

2.7.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/22	Outturn Surplus/ (deficit) as at 31/03/22	Surplus/ (deficit) as at 31/03/22 Change
	£000	£000	£000
Council Tax	2,026	1,948	(78)
NNDR	(4,490)	(6,051)	(1,561)
Total	(2,464)	(4,103)	(1,639)

2.7.7 There is no change to the surplus/deficit figures agreed for 2022/23 as all variations are managed via the Collection Fund. However, the net deficit of £1.639m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2023/24.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2023 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the increase in the net surplus carried forward from 2021/22 of £1.639m will be included in the draft MTFS for 2023/24.

2.8 Capital Programme 2023-27 and implications for Treasury Management: Capital Financing Costs and Investment income

2.8.1 Council in March 2022 approved the following Capital Programme for 2021-26:-

Capital Expenditure	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**
Capital Expenditure	26,872	32,611	18,050	15,949	37,869
Slippage and Underspends	(5,118)	(2,408)	3,921	(119)	(392)
Total Capital Expenditure *	**21,754**	**30,203**	**21,971**	**15,830**	**37,477**
Financed by:					
Capital Receipts	1,856	900	900	900	500
Capital Grants & Contributions	14,778	18,730	10,177	5,756	4,464
Revenue Provisions inc. borrowing	5,120	10,573	10,894	9,174	32,513
Total financing	**21,754**	**30,203**	**21,971**	**15,830**	**37,477**

*Includes Multi-Function Devices finance lease.

2.8.2 Since the capital programme was approved by Council in March 2022 and the revenue implications built into the MTFS, there have been a number of amendments arising from outturn 2021/22, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

2.8.3 It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term.

2.8.4 Following the closing and preparation of final accounts for 2021/22, the level of slippage required from 2021/22 and the re-profiling of schemes over the programming period has been undertaken to ensure that the level of capital budget is aligned with the Council's capacity to deliver it.

2.9 Reserves – Review of Earmarked Reserves

2.9.1 Reserve for Use in Future Year's Budgets

The Business Plan and MTFS for 2022-2026 approved by Council on 2 March 2022 forecast that a contribution of £8.112m would be required in 2022/23 with the balance of £8.513m applied in 2023/24.

Following the final accounts process for 2021/22 (subject to audit), the balance on the Reserve for use in Future Year's Budgets (subject to audit) on the Reserve as at 31 March 2022, excluding the contribution set aside for 2022/23 of £8.112m is £9.172m. This means that there is c. £0.659m more available to balance the budget over the MTFS period.

The reserve will be applied over the period of the MTFS to reduce the budget gap and enable longer term, strategic management of the budget.

It should be recognised that the use of reserves is a one-off form of funding and alternative ongoing savings would need to be identified to address the budget gap over the long-term.

2.9.2 Review of Earmarked Reserves

The use and availability of Reserves is monitored throughout the year as part of the monthly monitoring process.

It should be recognised that reserves are a one-off source of funding and should not be used to fund ongoing expenditure commitments.

2.10 Review of Outturn 2021/22 and Current Budget and Spending 2022/23

2.10.1 There may be issues identified during the final accounts process and from monthly monitoring, elsewhere on this agenda, that have on-going financial implications which need to be addressed in setting the budget for 2023-27.

2.10.2 Monitoring 2022/23

At period 4 to 31 July 2022 the year end forecast is a net £5.448m unfavourable variance compared to the current budget:-

	Original Budget 2022/23 £000s	Current Budget 2022/23 £000s	Year to Date Budget (July) £000s	Year to Date Actual (July) £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s
Department						
Corporate Services	29,209	30,090	10,020	11,709	31,234	1,144
Children, Schools and Families	60,401	60,995	17,699	20,902	61,995	1,202
Community and Housing	66,201	66,539	26,479	22,972	67,387	848
Public Health	(162)	(162)	651	(5,019)	(162)	0
Environment & Regeneration	11,763	11,931	366	(7,814)	16,723	4,792
Overheads		(267)			0	267
NET SERVICE EXPENDITURE	**167,412**	**169,126**	**55,215**	**42,750**	**177,177**	**8,253**
				6		
TOTAL CORPORATE PROVISIONS	**166**	**(1,687)**	**7,969**	**1,349**	**(4,115)**	**(2,428)**
Covid-19	**0**	**0**	**0**	**52**	**52**	52
TOTAL GENERAL FUND	**167,578**	**167,439**	**63,184**	**44,099**	**173,114**	**5,877**
FUNDING	**(167,305)**	**(167,305)**	**(10,317)**	**(14,403)**	**(167,734)**	**(429)**
NET	**273**	**134**	**52,867**	**29,696**	**5,380**	**5,448**

The main reasons for the variance based on July 2022 monitoring are:-

a) Corporate Services: Marketing and communications, Press and publications, bailiffs service income, human resources

b) Children's, Schools and Families: Child Social Care and Youth inclusion including agency social workers and Social Care Placements. Education - high transport costs. DSG budgets in line with Safety Valve Agreement is showing a deficit of £10.4m

c) Environment and Regeneration: Regulatory Services, Parking Services income, waste services, Leisure and culture, Greenspaces, Future Merton, Building and Development Control

d) Community and Housing: Adult Social Care placements, Housing General Fund – Temporary Accommodation

2.10.3 COVID-19

Hopefully the implications of COVID-19 will have been addressed by 2023/24 and not have a significant impact whilst recognising at the same time there have inevitably needed to be some changes to how the Council delivers some services. The most affected services, particularly those to vulnerable groups will continue to be reviewed and monitored to ensure that they are managed effectively.

2.10.4 Savings under pressure

As shown in the following table, the budget monitoring report for July indicates that some savings assumed in the MTFS are under pressure in 2022/23 and this may impact on 2023/24.

Department	Target Savings 2022/23	Projected Savings 2022/23	2022/23 Expected Shortfall
	£000	£000	£000
Corporate Services	550	395	155
Children Schools and Families	1,888	1,338	550
Community and Housing	1,659	305	1,354
Environment and Regeneration	1,898	833	1,065
Total	**5,995**	**2,871**	**3,124**

Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed. If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets. If it is not possible to find replacements, if any of the savings included in the MTFS approved by Council in March 2022 are not achieved this will result in an increase in the budget gap and increase pressure on services. The projected shortfall in savings of c. £3.124m in 2022/23 will add to the budget gap and make it more difficult to achieve the balanced budget that is a statutory requirement.

2.10.5 Growth

New proposals for growth in service budgets will be considered at a future meeting.

2.11 DSG Safety Valve Agreement – implications for the MTFS

2.11.1 The DSG deficit was moved to an unusable reserve at the end of 2020/21 and will continue to grow unless action is taken. Resolution of the underlying problem was a consistent cause of uncertainty throughout 2021/22 but, following negotiations, agreement was reached with the government

(Department for Education) and a Dedicated Schools Grant “Safety Valve” Agreement signed in March 2022 with the DfE.

2.11.2 Under the terms of the Agreement it is planned that the DSG deficit will be cleared by 2026/27 and thereafter will need to be effectively managed so that it breaks even, year on year.

2.11.3 As reported in the 2021/22 Outturn report to Cabinet, the first phase of implementing the Safety Valve Agreement has been executed and had a significant impact in 2021/22 with receipt of £11.6m Safety Valve Grant turning an overspend of £0.8m in 2021/22 to an underspend of £10.8m. For the Medium Term Financial Strategy, the Safety Valve Agreement will have an ongoing impact on future years and, subject to successful implementation it will eliminate the deficit by 2026/27.

2.11.4 Although their will continue to be a continuing, but reducing annual deficit until 2026/27, thereafter it should breakeven.

2.11.5 In monitoring and managing the elimination of the DSG deficit, there are four key elements:-

- The DSG Deficit Unusable Reserve
- The Spending Review Reserve containing Merton resources to contribute towards eliminating the deficit
- Merton’s annual revenue budget towards eliminating the deficit
- The Government’s Safety Valve grant payments up to 2026/27

2.11.6 The financial implications of the Safety Valve Agreement if successfully implemented, over the period of the MTFS, are summarised as follows:-

DSG Unusable Reserve	Outturn 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
B/F DSG Deficit	24.98	26.93	31.03	32.93	34.03	34.23
In year deficit	13.55	7.10	5.40	4.60	3.70	(0.90)
Sub-total	38.53	34.03	36.43	37.53	37.73	33.33
Safety Valve Payments	(11.60)	(3.00)*	(3.50)	(3.50)	(3.50)	(3.20)
Deficit c/f	26.93	31.03	32.93	34.03	34.23	30.13

* Safety Valve payment £3.5m less £0.5m required for staffing costs

Spending Review Reserve Cover for DSG	Outturn 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
B/f Provision	23.74	26.93	31.03	32.93	34.03	34.23
Budget provision for DSG Deficit	14.08	10.54	11.63	12.71	13.80	15.00
Revised balance	37.82	37.47	42.66	45.64	47.83	49.23
Sum Required to meet DSG Deficit	26.93	31.03	32.93	34.03	34.23	30.13
Balance available to be released/(overspend)	10.89	6.44	9.73	11.61	13.60	19.10
Less: Corporate contribution		0.50	0.50	0.50	0.50	0.50
Balance Available for Other purposes		**5.94**	**9.23**	**11.11**	**13.10**	**18.60**

2.11.7 As can be seen, successful implementation of the Safety Valve Agreement will enable c. £58m of revenue resources to be used on other council services whereas failure to implement the Agreement will jeopardise the £28.8m grant that the government has pledged if the Council eliminates the deficit.

3. Re-priced MTFS 2023-27

3.1 As indicated in the report, there have been a number of changes to information and data to factors which impact on the Council's MTFS and budget gap.

3.2 The net result of making these adjustments is to amend the forecast budget gap to the following:-

(cumulative)	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFS Gap (Council March 2022)	4,618	18,791	21,659	27,767
- DSG Safety Valve Benefit	(9,228)	(11,114)	(13,099)	(18,600)
- Inflation reprice - Pay and Prices	7,439	8,486	8,773	9,060
- Collection fund deficit revised for 21/22 outturn	1,629	0	0	0
- Capital financing costs (July monitoring, No slippage)	440	405	410	463
- Waste contract	0	0	1,800	1,800
- Parking contract and systems	0	0	900	900
- Use of Reserves	(659)	0	0	0
Revised MTFS Gap 2023-27	4,239	16,568	20,443	21,390

3.3 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period.

3.4 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. Hopefully, the impact and uncertainty of COVID-19 and the DSG Deficit issue have been brought under control and although there is currently the problem of high levels of inflation, this will be relatively short term and can be managed over the MTFS period to reduce the budget gap by the end of the four year period.

3.5 However, whilst recognising the great level of uncertainty about future costs and funding, it is still necessary to forward plan and set savings targets aimed at eliminating this gap on an ongoing basis.

4. Approach to Setting a Balanced Budget

4.1 This is the initial report on the business planning process for 2023/24 and there is a great deal of work to be done.

4.2 Savings Targets for 2023-27

4.2.1 In previous years the approach to setting savings targets for departments for the Business Planning process has been based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) : (50%), were applied to reduce the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also took into account the level to which departments had achieved savings against targets set for previous years. The balance of unachieved savings targets from last year's business planning process are summarised below:-

	Targets	Proposals	Balance
	£'000	£'000	£'000
Corporate Services	5,222	254	4,968
Children, Schools & Families	3,533	518	3,015
Environment & Regeneration	7,257	624	6,633
Community & Housing	8,033	1,100	6,933
Total	24,044	2,496	21,549

4.2.2 APPROACH FOR 2023-24

It is proposed that the savings targets for 2023-2027 are based entirely on each service department's controllable budgets for 2022/23 which are as follows:-

DEPARTMENTAL SAVINGS TARGETS **USING 2022/23 CONTROLLABLE BUDGETS**	**Controllable Expenditure 2022/23 £000**	**Weighting by dept. No.**	**Weighted Controllable £000**	Weighted Controllable %
Corporate Services	**31,081**	1.50	46,621	23.4%
Children, Schools and Families	**38,032**	0.75	28,524	14.3%
Environment and Regeneration	**38,990**	1.50	58,484	29.4%
Community and Housing	**65,353**	1.00	65,353	32.8%
Total	**173,455**		**198,982**	100%

4.2.3 Savings targets to address the revised gap on the MTFS are then calculated using the latest controllable budgets:-

SAVINGS TARGETS BY DEPARTMENT	**Allocation using controllable budgets**	**Total**
	£000	**£000**
Corporate Services	5,012	5,012
Children, Schools and Families	3,066	3,066
Environment and Regeneration	6,287	6,287
Community and Housing	7,025	7,025
Total	**21,390**	**21,390**

SAVINGS TARGETS BY DEPARTMENT	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Corporate Services	993	2,889	908	222	5,012
Children, Schools and Families	608	1,767	555	136	3,066
Environment and Regeneration	1,246	3,624	1,139	278	6,287
Community and Housing	1,392	4,049	1,273	311	7,025
Total	**4,239**	**12,329**	**3,875**	**947**	**21,390**
Total (cumulative)	**4,239**	**16,568**	**20,443**	**21,390**	

5. Alternative Options

5.1 The range of options available to the Council relating to the Business Plan 2023-27 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable which is set out in Appendix 1.

6. Consultation Undertaken or Proposed

6.1 All relevant bodies have been consulted.

7. Timetable

7.1 In accordance with current financial reporting timetables.

7.2 A chart setting out the proposed timetable for developing the business plan is provided as Appendix1.

8. Financial, resource and property implications

8.1 As contained in the body of the report.

9. Legal and statutory implications

9.1 As outlined in the report.

10. Human rights, equalities and community cohesion implications

10.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2023 – 2027.

11. Crime and Disorder Implications

11.1 Not applicable.

12. Risk Management and health and safety implications

12.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

13. Appendices – The following documents are to be published with this Report and form part of the Report.

Appendix 1 – Business Plan Timetable 2023-27
Appendix 2 – Revised MTFS Gap

14. Background Papers

14.1 The following documents have been relied on in drawing up this report but do not form part of the report:

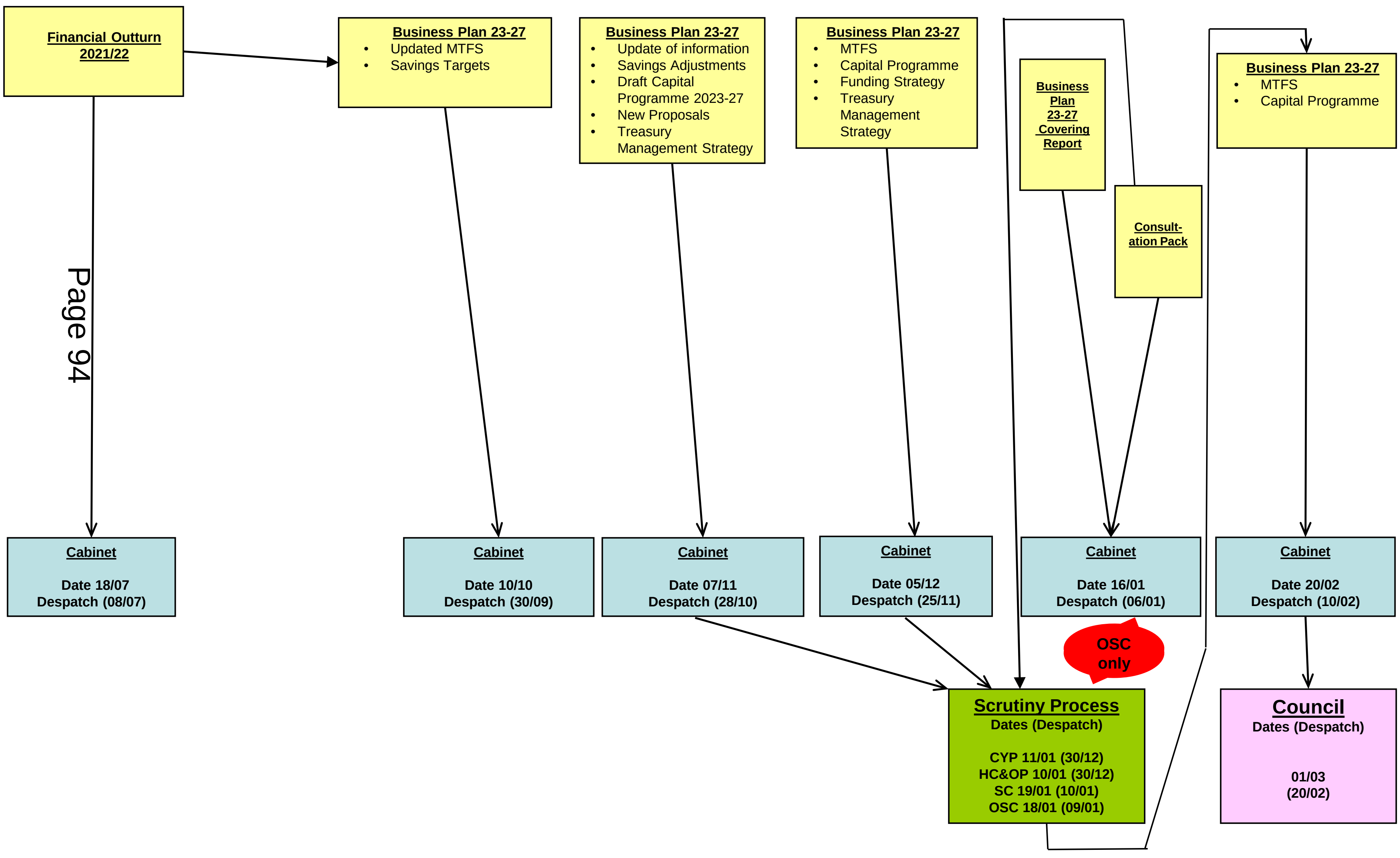
2021/22 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.
2022/23 Budget Monitoring working papers
MTFS working papers

15. **REPORT AUTHOR**

- Name: Roger Kershaw
- Tel: 020 8545 3458
email: **roger.kershaw@merton.gov.uk**

APPENDIX 1

BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2023-27



DRAFT MTFS 2023-27:				
	2023/24 £000	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**
Departmental Base Budget 2021/22	**173,022**	**173,022**	**173,022**	**173,022**
Inflation (Pay, Prices)	8,229	14,926	19,191	23,456
NI increase	7	16	24	32
Salary oncost increase (15.2% to 17.06%)	48	72	96	120
FYE – Previous Years Savings	(2,218)	(2,166)	(2,063)	(2,072)
FYE – Previous Years Growth	390	390	390	390
Amendments to previously agreed savings/growth	0	0	0	0
Change in Net Appropriations to/(from) Reserves	(3,226)	(3,226)	(3,676)	(3,676)
Taxi card/Concessionary Fares	1,457	4,468	5,712	5,712
Social Care - Additional Spend offset by grant/precept	(479)	(469)	(482)	(477)
Growth	0	0	0	0
DSG Safety Valve	0	0	0	0
Provision - DSG Deficit	2,400	1,600	700	(3,600)
Contract increases	0	0	2,700	2,700
Other	4,440	4,599	4,760	4,922
Re-Priced Departmental Budget	**184,070**	**193,232**	**200,374**	**200,530**
Treasury/Capital financing	11,968	12,989	12,821	16,335
Pensions	0	0	0	0
Other Corporate items	(20,050)	(20,323)	(20,646)	(20,328)
Levies	611	611	611	611
Sub-total: Corporate provisions	**(7,471)**	**(6,723)**	**(7,214)**	**(3,382)**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**176,598**	**186,509**	**193,160**	**197,147**
Savings/Income Proposals 2022/23	0	0	0	0
Sub-total	**176,598**	**186,509**	**193,160**	**197,147**
Appropriation to/from departmental reserves	(752)	(752)	(302)	(302)
Appropriation to/from Balancing the Budget Reserve	(9,172)	0	0	0
ONGOING IMPACT OF COVID-19 (NET)	505	0	0	0
BUDGET REQUIREMENT	**167,179**	**185,757**	**192,858**	**196,845**
Funded by:				
Revenue Support Grant/Covid RNF & LCTS grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(41,216)	(41,658)	(42,105)	(42,556)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(6,282)	(6,282)	(6,282)	(6,282)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(300)	(300)	(300)	(300)
Council Tax inc. WPCC	(108,428)	(111,141)	(113,921)	(116,510)
Collection Fund – (Surplus)/Deficit	3,093	0	0	0
Market Sustainability and Fair Cost of Care Fund	0	0	0	0
2022/23 Services Grant	0	0	0	0
TOTAL FUNDING	**(162,940)**	**(169,188)**	**(172,414)**	**(175,455)**
GAP including Use of Reserves (Cumulative)	**4,239**	**16,568**	**20,443**	**21,390**

This page is intentionally left blank