

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	24 JANUARY 2022
SUBJECT:	DRAFT REVENUE BUDGET 2022/23
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN W WILLIAMS
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

The final budget will not be approved by the full Council until 10 March 2022, however, at this point, the Executive is recommended to approve the following:-

- The initial proposed budget for 2022/23 of £158.365m;
- A proposed increase in Council Tax of 2%, taking the Band D charge to £1,367.46;
- That the Executive seek the opinion of the public on the initial budget proposal and Council Tax rise for 2022/23.

The detailed report on the preparation of the 2022/23 standstill budget, the provisional settlement and funding the budget gap is attached as Appendices 1 and 2.

B - What other options did you consider and why did you reject them and/or opt for this option?

A number of options have been considered in reaching the proposed budget detailed in this report. The options took into account the level of net expenditure based on the draft settlement from Welsh Government and options relating to the level of Council Tax. The proposed budget aims to strike a balance between reducing Services and raising Council Tax.

C - Why is this a decision for the Executive?

The setting of the initial budget proposal is a matter delegated to the Executive.

CH - Is this decision consistent with policy approved by the full Council?

Yes. The final decision on the 2022/23 revenue budget will be taken by the full Council at its meeting on 10 March 2022.

D - Is this decision within the budget approved by the Council?

Yes. The final decision on the 2022/23 revenue budget will be taken by the full Council at its meeting on 10 March 2022.

Dd – Assessing the potential impact (if relevant):		
1	How does this decision impact on our long term needs as an Island?	This is an initial budget proposal which will be reviewed prior to setting and approving the final budget for 2022/23. In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The details of any savings proposals are set out in the report.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Council has been working with other Councils and the WLGA to press the Welsh Government for the best financial settlement possible.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The budget proposals have / will be subject to a consultation process and the outcome of that consultation will be taken into consideration before the final budget proposal is agreed and put forward to the full Council for approval.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Any proposals included in the draft budget for 2022/23 will take into account the impact on any protected groups.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The budget will result in an increase in the Council Tax payable by the taxpayers of Anglesey. Those experiencing socio-economic disadvantage are more likely to qualify for help through the Council Tax Reduction Scheme, which should result in no financial impact / limited financial impact to those who are experiencing socio-economic disadvantage.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact identified.
E - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Comments from the SLT have been incorporated into the report.
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a Member of the SLT and any comments made have been taken into account in discussions on this report in the SLT.
4	Human Resources (HR)	Any proposals which impact on staff will have been identified and discussed with the HR Team.
5	Property	Any proposal which impacts on the Council's property and related budgets will have been discussed with the Property Team.
6	Information Communication Technology (ICT)	Any proposal which impacts on the Council's information technology systems and related budgets will have been discussed with the ICT Team.
7	Scrutiny	TBC
8	Local Members	Proposals are applicable to all Members.
9	Any external bodies / other/s	

F - Appendices:

- Appendix 1 – Report on Draft Revenue Budget 2022/23
- Appendix 2 – 2022/23 Proposed Budget by Service

FF - Background papers (please contact the author of the Report for any further information):

- Medium Term Financial Plan 2022/23 – 2024/25 – See Executive Meeting Agenda 27 September 2021 – Item 6

DRAFT REVENUE BUDGET 2022/23**1. INTRODUCTION**

- 1.1. The following report sets out the Executive's provisional revenue budget for 2022/23. The budget is prepared on the basis of the assumptions set out in the Medium Term Financial Plan (MTFP) approved by the Executive in September 2021, the provisional local government settlement which was issued by the Welsh Government on 23 December 2021, and the proposed revenue savings which have been identified by the individual services and have been discussed at the various workshops that have taken place during the summer and autumn.
- 1.2. The provisional budget approved by the Executive will then be subject to a formal public consultation process, which will run from 25 January 2022 to 8 February 2022.
- 1.3. Following receipt of the final settlement figures on 2 March 2022, the final budget proposal will be subject to a review by the Scrutiny Committee on 28 February 2022, will be recommended for approval by the Executive on 3 March 2022, with the final 2022/23 budget being approved by the Council at its meeting on 10 March 2022.

2. MAIN ASSUMPTIONS ARISING FROM THE MEDIUM TERM FINANCIAL PLAN

- 2.1. The Medium Term Financial Plan sets out a number of assumptions and these assumptions have been taken into account in calculating the standstill budget for 2022/23. The standstill budget is a budget which provides resources to operate services at 2021/22 levels but updated to reflect any known changes outside the control of the services (committed changes) and to reflect the costs in 2022/23.
- 2.2. These assumptions have been factored into the standstill budget along with more detailed changes (committed changes) which allow for known increases in costs e.g. contractual commitments and minor budget corrections. The draft budget also allows for additional funding, known changes to grant funding and minor budget corrections deemed necessary to ensure that the Council's budget accurately reflects the costs it faces in 2022/23.

3. PROVISIONAL SETTLEMENT

- 3.1. The provisional settlement for Local Government in Wales, announced on 21 December 2021, shows an increase of £456m in the overall level of funding for Wales, which is equivalent to a 9.8% increase in cash terms. However, £18.585m relates to grants transferred in and, when the effect of these changes are adjusted for, the true figure shows an increase in funding of £437.4m, which is a 9.4% increase. The details are shown in Table 1 below:-

Table 1 2022/23 Provisional Settlement		
	Anglesey	Wales
	£'m	£'m
2021/22 AEF	104.825	4,651.494
Adjustment for the Change in the Taxbase	- 0.064	0.000
Previous Years Grants Transferred In / (Out)		
Coastal Risk Management	0.000	0.286
Gate Fees	0.000	13.300
Social Care Workforce	0.111	5.000
2021/22 Adjusted AEF	104.872	4,670.080
Provisional AEF 2022/23	114.549	5,107.507
Increase in comparison to 2021/22 AEF	9.724	456.013
% Increase in comparison to 2021/22 AEF	+ 9.27%	+ 9.80%
Increase in comparison to 2021/22 Adjusted AEF	9.677	437.427
% Increase in comparison to 2021/22 Adjusted AEF	+ 9.23%	+ 9.37%

3.2. A number of various datasets are adjusted in the allocation formula including population, the number of people in receipt of benefits, children in receipt of free school meals, school pupils etc., and these impact on the allocation to each authority differently. Some authorities fair better from these adjustments, whilst others are impacted negatively and, as a result, not every authority receives the same level of increase. In the 2022/23 provisional settlement, there is a range of increases from 11.2% (Monmouthshire) down to 8.4% (Blaenau Gwent). Anglesey's increase is 0.2% below the Welsh average, and the 11th highest increase from the 22 authorities.

4. MAIN BUDGET CHANGES FOR 2022/23

4.1. The major changes between the 2021/22 final budget and the 2022/23 initial budget are detailed below.

4.2. Pay Inflation and Other Staffing Pressures

Pay costs will change annually to reflect the changes in staff over the year (new staff being appointed to a different point on the pay scale), staff receiving annual increments and the pay award. Normally the pay award for the current year has been agreed prior to setting the budget and as such the starting point for the pay budget is known. However, at present the non teaching staff pay award for 2021/22, effective from April 2021, has yet to be agreed and this provided an element of additional uncertainty around the accuracy of the pay budgets. The employer's final offer is a 1.75% pay increase and the budget calculations assume that this will be the final pay award for 2021/22. The non teaching pay budget for 2021/22 (including employer national insurance and pension contributions) is £47.5m and, therefore, each additional 1% increase to the pay award will add approximately £500k to the Council's costs.

Given the above, estimating the pay award for 2022/23 is more difficult than normal. Estimating the level of the potential pay award for 2022/23 is further complicated by rising inflation and significant increases in the level of the national living wage and the real living wage in October 2021. These factors will invariably lead to the Unions to press for a pay award which is much higher than in previous years.

The teachers' pay budget for 2021/22 is approximately £31m (including employer national insurance and pension contributions). The pay award is set by the Welsh Government and is effective from September each year. This gives us some certainty over the teachers' pay budget for part of 2022/23, but there is a significant amount of uncertainty over the pay award from September 2022 onwards, for the reasons noted above. The pay award is set by the Welsh Government who have confirmed that funding for the 2022/23 pay award has been incorporated into the settlement, although they have not indicated the level of pay award that is funded.

The Chancellor of the Exchequer announced, in September 2021, an increase of 1.25% in employer national insurance contributions, which takes the standard contribution rate from 13.8% to 15.05%, an increase of 9.06%. This increases the Council's costs by approximately £500k.

Taking all of the above into account, it is estimated that the overall pay budget will increase by £4.053m in 2022/23.

4.3. Non Pay Inflation

For a number of years, the level of inflation in the UK has been low and very simple to estimate, however, inflation has risen significantly in 2021, with the Consumer Prices Index (CPI) rising to 4.2% in October 2021, with higher increases for certain goods, including energy and building materials. It is forecast to reach 5% in early 2022, before beginning to fall back in the latter part of 2022.

The Council's non pay costs are made up of a number of different contracts and procurement methods all of which are affected by inflation in different ways:-

- Long term contracts where the inflation calculation is incorporated into the contract using pre-determined inflation indices and using the figure as at a particular point in time. These type of contracts tend to favour the Council when inflation rates are rising, but they do reflect what is happening with particular types of goods which impact on the contractor's costs, e.g. the inflation factor for the refuse collection contract will be heavily linked to the cost of fuel as this is a major cost for the contractor.
- Contracts where the annual increase is negotiated. These include residential and nursing care home fees and other care contracts. CPI is not the main factor on these price increases as the main cost is staffing. The level of inflation is linked to pay and, in particular, what the increase in the national living wage is.
- Long term framework agreements where the annual price is set by the framework and not as part of an individual agreement between the Council and the supplier / contractor. These include our main energy contracts. Again, the price increase will be linked to specific factors relating to the goods supplied, rather than using CPI as the basis for the increase.
- Goods and services that are purchased as and when required, either through a one off tender process, obtaining quotations or simply by placing an order. These costs are subject to inflationary pressures as the price the Council pays is dependent on the price at the time the order is placed or tender received.

In drawing up the standstill budget, the level of inflation as determined by a specific contract has been allowed for. Where no formal agreement exists detailing how inflation is determined, a general level of 2% has been allowed for, with energy budgets increased by 3% and Social Services contracts, where costs are driven by increases in staffing costs, 5% has been allowed for.

Over the last 4 years, a general 3% increase has been applied to non-statutory fees and charges budgets and this figure has again been applied in 2022/23, although services have the discretion to increase individual fees and charges by more or less than this figure, provided that their overall income rises by 3%.

The net increase of the adjustments for non pay inflation and non statutory income is £2.479m.

4.4. Pupil Numbers

Each year, the effect of the change in pupil numbers in the primary and secondary sectors is taken into account as part of the budget setting process, with the pupil numbers as at September 2021 being used as the basis for the 2022/23 budget. For 2022/23, the number of primary school pupils has continued to fall, with a further drop of 126 pupils, whilst the number of secondary school pupils has increased by 89. In addition, the number of pupils at Canolfan Addysg y Bont has increased by a further 12 pupils. The net effect of these changes is an overall increase in the delegated schools budget of £295k.

4.5. Levies

The Council's budget includes levies raised on the Council by other bodies who have the statutory power to set a levy. The main levy raised is by the North Wales Fire Authority, which sets an overall levy for the 6 North Wales authorities and this is allocated across the 6 authorities on population. At its meeting on 20 December 2021, the North Wales Fire and Rescue Authority resolved to increase its levy on the 6 constituent authorities by 6.3%, which results in an increase to the levy on the Council of £225k. This takes the levy which is funded by the Council to £3.915m.

There is now a requirement for the 6 North Wales Authorities to set up a Corporate Joint Committee (CJC) to be responsible for strategic transport and planning policy and regional economic development. Work is ongoing to determine the responsibilities of the CJC and the CJC will determine the levy it will charge on each authority at a meeting at the end of January 2022. For the purposes of the initial budget, an estimate of £20k has been included as an estimate of the CJC levy, however, this may change.

4.6. Capital Financing Charges

Capital Financing Charges are made up of the Minimum Revenue Provision, annual interest charges on outstanding loans and interest received on investments. The change in the Minimum Revenue Provision policy in 2018 has resulted in an over provision of MRP in previous years. This over provision does allow some scope to reduce the MRP charge in future years, whilst still ensuring that the provision made is prudent. The Council took out interest free loans some years ago to pay for energy saving works in Council buildings. These loans are now starting reach a point where they have been repaid in full and allows the capital financing costs to be reduced. Interest received on investments has been at an all-time low during 2020 and 2021, and is not expected to rise significantly during 2022/23, and the interest received budget has been adjusted accordingly. The net effect of the three points noted above is to reduce the capital financing budget by £183k.

4.7. Contingencies and Other Minor Changes

As part of the budgeting process, a number of contingency budgets are built into the budget to cover fixed term costs, potential risks that may require funding during the year or as a general contingency which is utilised during the year as additional budget pressures arise or as unexpected events occur. These contingency budgets are reviewed on an annual basis, and it has been concluded that £122k can be taken out of the budget to take account of the adjustments to these contingency budgets and other minor budget changes not covered in the adjustments detailed above.

4.8. Funding Expectations from Welsh Government

In determining the level of Aggregate External Finance (AEF) provided to each Council, the Welsh Government has made it clear that the AEF has provided funding for a number of cost pressures which the Council will face in 2022/23 and no additional funding will be provided by Welsh Government, and it is for each Council to provide sufficient funding in the annual budget to cover these costs. The main areas that need to be allowed for are as follows:-

- **Payment of the Real Living Wage to Care Staff**

The Council's own care staff are paid above the real living wage level but it is likely that the external providers pay less than this level. The difference between the national living wage (statutory) and the real living wage is £1 per hour. In drawing up the initial budget, 5% was allowed for as inflation on external provider care fees. The requirement for external providers to pay the real living wage to care staff will increase their costs above this 5% level, and it is estimated that an additional £200k will be required to meet the additional costs.

- **Homelessness Prevention**

During the Pandemic, the level of expenditure on Homelessness Prevention significantly increased and was funded by the Welsh Government's Covid Hardship Fund. This funding ends in 2022/23, with funding being incorporated into the settlement. The estimated additional cost of maintaining this level of service is £530k. It should be noted that a separate grant of £15m across Wales is being made available and, although the distribution method has yet to be agreed, it is estimated that Anglesey may receive £180k of this additional grant funding. The remaining £350k has therefore been allowed for as the additional funding requirement, although this may need to be amended once the grant allocation is known.

- **Covid Hardship Fund**

In 2020/21 and 2021/22, additional costs and loss of income as result of Covid, have been funded through the Welsh Government's Hardship Fund. As we move out of the pandemic, there is an expectation that dealing with Covid will become business as usual, and some of these additional costs (additional cleaning, temporary staff, PPE etc.) will become normal business costs for the Council. As a result, Welsh Government will not have specific funding in place in 2022/23, but have recognised these increased costs in the settlement. Estimating the actual additional costs for the Council going forward is difficult as it is dependent on the number of cases and the severity of future strains of the virus. It is, therefore, prudent to have contingency funding in place which can also be supplemented by the Council's general reserves and balances if required. A contingency sum of £300k for 2022/23 to meet these additional costs, although it should be noted that some costs which were covered by the hardship fund have been incorporated into the main budget (increased residential and nursing home fees, additional cleaning in schools and homelessness prevention). The sum allocated is based on the assumption that we will move from a pandemic to the virus being endemic during 2022, but there is always a risk that the position will worsen once again and the pandemic continues with further restrictions.

- **Local Government and Elections (Wales) Act 2021**

The Local Government and Elections (Wales) Act 2021 places a number of new specific duties on local authorities in Wales, including how Council meetings are held and undertaking performance assessments. The Act also sets out the requirements for regional Corporate Joint Committees (CJCs) which is covered by the levy (see above). It is estimated that an additional £78k will be required to meet these additional duties and responsibilities. The Council has undertaken capital investment in new technology during 2021/22 to allow for hybrid Council meetings to take place.

4.9. Increasing the 2nd Homes Premium

At its meeting on 25 October 2021, the Executive approved to increase the premium on second homes to 50%. This creates an estimated additional £451k of funding. The Executive agreed to use £65k to fund two additional staff in the Council Tax team (this change has been incorporated into the pay budget). This leaves a remaining sum of £386k to be allocated to projects to help people purchase their own home and to promote the local economy.

4.10. Investing to Address Service Issues and Risks

The Council's services have been subject to a long period of austerity where capacity and service provision have been reduced. Since 2013/14, over £25m of savings have been achieved in order to balance the budget each year. However, this has resulted in increased risks and issues in a number of services. The settlement from Welsh Government now provides the Council with an opportunity to address some of these risks and to re-invest in critical front line services.

As part of the budget setting process, Heads of Service and Service Directors were asked to determine what level of funding would be required to help them address service issues and risks. Based on the initial bids, the Executive has reviewed the level of sums requested and has included the following sums in the initial budget proposals. These are detailed in Table 2 below, along with a summary of risks and issues which the investment will address.

Table 2

Summary of the Proposed Investment in Services

Service	Sum Allocated £'000	Risks and Issues Addressed
Education	1,120	
Children's Services	489	There are currently pressures in relation to the costs of specialist residential placements which cannot be dealt with locally. In addition, the number of children who are referred to the Specialist Children's Service has increased by 67% over the last 3 years and changes to various pieces of legislation will result in additional pressure on this team. The additional investment in the service will allow for these increased demands to be covered.
Adult Services	258	Additional investment will provide funding to deal with increased demand but will also increase the capacity within the service, to transform and modernize business processes and the delivery of services. This will reduce commissioning risks and provide better methods to measure the performance and effectiveness of the service.
Regulation	196	The additional investment will cover three main areas within the Service: Maritime, Public Protection and Economic Development. Maritime – The investment will improve the capacity to ensure that all users of maritime areas can be managed more effectively and it will allow for the better identification and mitigation of marine risks and the management of watercraft.

Service	Sum Allocated £'000	Risks and Issues Addressed
		<p>Public Protection – Ensuring a safe and healthy living and working environment for residents and business is a clear corporate duty. The additional investment will allow the Service to respond effectively to environmental concerns and incidents.</p> <p>Economic Development - The Island is facing many socio-economic challenges. It is imperative that the Service possesses the ability to address these issues in a co-ordinated and effective manner, with the aim of securing inward investment to the Island, influencing regional economic activities and supporting the Island's critical economic assets.</p>
Highways, Waste & Property	446	The additional investment will provide funding to address emerging risks and priorities across the service (decarbonisation, Ash dieback, changes in service demands and the public's expectations post Covid in terms of hygiene and cleanliness of public buildings). It will also allow for projects to be developed to bid for external grant funding in particular in response to the Council's objective to become a carbon zero organization by 2030.
Resources	58	The additional funding will increase the capacity within the Service which will allow for the modernisation of business systems and business processes. This will improve efficiency and provide better customer service to both internal and external customers.
Transformation	297	The additional funding will increase the capacity within the Service to provide support to services to continue to modernize and improve services and processes, in particular improving IT systems
TOTAL	2,864	

The short timescale between the announcement of the provisional settlement by Welsh Government and the need to publish the initial budget proposal has not allowed for all of the proposed investments to be fully examined and challenged by Members. Further work will take place before the adoption of the final budget proposal in March to examine the detailed proposals put forward by Heads of Service and Service Directors.

5. THE FUNDING POSITION

5.1. After taking into account the provisional settlement from Welsh Government (as set out in paragraph 3) and the main budget changes (as set out in paragraph 4), the funding position prior to any increase in Council Tax is set out in Table 3 below:-

Table 3		
Budget Funding Gap 2022/23		
	£'m	£'m
2021/22 Final Budget		147.420
Main Budget Adjustments (as set out in Paragraph 4)		
Pay Inflation and Other Staffing Costs	4.053	
Non Pay Inflation	2.479	
Pupil Numbers	0.295	
Levies	0.245	
Capital Financing Charges	(0.183)	
Contingencies and Other Minor Amendments	(0.122)	
		6.767
Funding Expectations from Welsh Government		0.928
Use of Additional Funding from 2 nd Home Premium		0.386
Investing to Address Service Issues and Risks		2.864
Initial Proposed Net Revenue Budget 2022/23		158.365
Funded By		
Revenue Support Grant (RSG)	(89.056)	
Share of Non Domestic Rates Pool	(25.493)	
Total Aggregate External Finance		(114.549)
2021/22 Council Tax Budget (adjusted for the change in the taxbase and increase in second home premium)		(42.957)
Total Funding Prior to Increase in Council Tax		(157.506)
Funding (Surplus) / Deficit (before any change in Council Tax)		0.859

5.2. In order to fund the funding deficit of £0.859m, it would be necessary to increase Council Tax by 2%. This would take the Band D charge to £1,367.46, which is an annual increase of £26.82 and a weekly increase of £0.52.

6. BUDGET RISKS

6.1. In setting the budget, there are a number of financial risks which need to be assessed which may result in a financial cost to the Council. Some of these risks have been allowed for in the budget proposal, but others have not been allowed for in the budget and would be covered by the Council's general balances and reserves, should the risk materialise into a financial cost in 2022/23.

6.2. The Council's current level of unallocated general balances stands at £9.3m. The proposed capital budget for 2022/23 allocates £1.68m of these balances as capital funding, which reduces the unallocated balance down to £7.6m.

- 6.3. The current position of the 2021/22 revenue budget estimates that there will be an underspend and, although it is difficult to accurately estimate the final level of underspending, it is expected that it will be at least £1m. This sum will then be added back into the Council's general balances and, if the expected underspend is £1m, then this would increase the Council's general balances to £8.6m.
- 6.4. As a rule of thumb, the Executive has set the minimum general balance as 5% of the net revenue budget. Based on the proposed net revenue budget for 2022/23 of £158.365m, the minimum required sum would be £7.9m.
- 6.5. There are a number of financial risks which are not covered in the budget or potentially are only partly addressed in the budget, these include:-
- **Covid Costs and potential loss of income** - The budget includes a sum of £300k as a contingency, but this may be insufficient should the Covid situation worsen again in 2022/23 and further restrictions are re-introduced.
 - **Pay Award** – as noted in paragraph 4.2 above, the budget has been inflated to reflect the estimated pay awards for 2021/22 and 2022/23, but there is still significant uncertainty over the pay awards. If the final agreed awards are higher than the sum allowed for in the budget, the additional cost will be funded from the Council's general balances in 2022/23 before being corrected in the 2023/24 budget.
 - **General Inflation** – Over the past 12 months, the level of general price inflation has increased significantly from the level which it has stood for a number of years. The fact that the Council has a number of large long term contracts with external suppliers (highway maintenance, school meals, school transport, energy supply etc.), does provide a level of protection from increases in prices, as the price is covered by the terms of the existing contract. However, there is still a risk that increases in prices will place additional financial pressure on the revenue budget in 2022/23.
 - **Service Demand** – The budget allows for the provision of services at the current level of demand in certain services where the demand can fluctuate (Children's Services, Adult Social Care, Homelessness, Council Tax Reduction Scheme). Any significant increase in service demand will create additional financial costs for the Council which would not be covered by the existing budgets.
 - **Grant Income** – In addition to the funding received through the Aggregate External Finance, the Council receives significant levels of additional funding in the form of specific grants from the Welsh Government and others. When the level of specific grant funding falls, it is not always possible to react quickly to the change as the service funded by the grant is integrated into the service funded from the Council's core budget. There is, therefore, a delay between the reduction in funding and the Council's ability to reduce the associated cost through the reconfiguration of the service.
 - **Port Health Authority** – The Council will be required to undertake new duties as the Port Health Authority for Holyhead. The additional duties will require the Council to recruit staff and create additional capacity with no certainty as to whether the income generated would cover the cost of the service. Discussions are ongoing with the Welsh Government and HMRC as to whether the risk can be underwritten by them. If those discussions are unsuccessful, there may be an additional cost for the Council in 2022/23 which is not funded in the proposed budget.
- 6.6. Given the risks noted above, which are greater than in any normal year, it is prudent for the Council to carry a level of general balance that is higher than 5% of the net revenue budget.

7. REVISED MEDIUM TERM FINANCIAL PLAN

- 7.1. The Medium Term Financial Plan estimates that the Council's net revenue budget will need to increase by £3.3m in 2023/24 and £3.6m in 2024/25, simply to meet the costs of pay and price inflation, increased costs on tendered contracts and the continued increase in demand for services.

- 7.2.** The 2022/23 provisional settlement indicates an indicative rise in the AEF for Wales as 3.5% in 2023/24 and 2.4% in 2024/25. If this rise was replicated for Anglesey, then it would generate an additional £4.1m in 2023/24 and £2.8m in 2024/25. Although it should be noted that the funding is dependent on the anticipated income from Non Domestic Rates being achieved across Wales and how the changes to the datasets impact on Anglesey allocation through the distribution formula.
- 7.3.** Based on the above, it would be possible to continue to invest in services in 2023/24, with the level of investment depending on the Council Tax rise but the position begins to worsen again in 2024/25, with a 2% rise in Council Tax required merely to maintain the existing level of service. However, it should be noted that the figures are based on a number of assumptions which can change significantly over the next two years.

8. MATTERS FOR DECISION

- 8.1.** The final budget will not be approved by the full Council until 10 March 2022, however, at this point, the Executive is recommended to approve the following:-
- The initial proposed budget for 2022/23 of £158.365m;
 - A proposed increase in Council Tax of 2%, taking the Band D charge to £1,367.46;
 - That the Executive seek the opinion of the public on the initial budget proposal and Council Tax rise for 2022/23.

PROPOSED BUDGET 2022/23 BY SERVICE				
Budget	2021/22 Budget	2022/23 Proposed Budget	Movement	% Change
	£'m	£'m	£'m	%
Lifelong Learning				
Schools	42.628	45.245	+ 2.617	+ 6.14
Central Education	10.974	10.889	- 0.085	- 0.78
Culture	1.208	1.270	+ 0.062	+ 5.13
Total Lifelong Learning	54.810	57.404	+ 2.594	+ 4.73
Highways, Waste & Property				
Highways	6.384	6.907	+ 0.523	+ 8.19
Property	0.922	1.404	+ 0.482	+ 52.25
Waste	8.825	9.257	+ 0.432	+ 4.89
Total Highways, Waste & Property	16.131	17.568	+ 1.437	+ 8.91
Regulation & Economic Development				
Economic Development & Maritime	1.955	2.221	+ 0.266	+ 13.63
Planning & Public Protection	2.247	2.386	+ 0.139	+6.18
Total Reg & Economic Development	4.202	4.607	+ 0.405	+9.65
Adult Services	27.733	29.732	+ 1.999	+ 7.21
Children Services	11.188	12.115	+ 0.927	+ 8.29
Corporate Transformation				
Human Resources	1.368	1.480	+ 0.112	+ 8.16
ICT	3.200	3.708	+ 0.508	+ 15.88
Transformation	0.869	0.999	+ 0.130	+15.02
Total Corporate Transformation	5.437	6.187	+ 0.750	+ 13.80
Housing	1.247	1.914	+ 0.667	+ 53.48
Resources	3.236	3.484	+ 0.248	+ 7.67
Council Business	1.708	1.857	+ 0.149	+ 8.71
Total Service Budgets	125.692	134.868	+ 9.176	+ 7.30
Corporate Budgets				
Corporate Management	0.636	0.736	+ 0.100	+ 15.67
Levies	3.695	3.921	+ 0.226	+ 6.12
Corporate & Democratic	3.010	3.305	+ 0.295	+ 9.80
Capital Financing Costs	7.393	7.210	- 0.183	- 2.48
Benefits Granted	0.109	0.109	0.000	0.00
HRA Recharges	(0.700)	(0.800)	- 0.100	- 14.28
Council Tax Reduction Scheme	6.181	6.304	+ 0.123	+ 2.00
Contingencies	1.333	2.640	+ 1.307	+ 98.05
Discretionary Rate Relief	0.071	0.072	+ 0.001	+ 1.41
Total Corporate Budgets	21.728	23.497	+ 1.769	+ 9.44
TOTAL BUDGET	147.420	158.365	10.945	+ 7.42

