

Financial affordability considerations

1. In setting the 2022/23 budget, a sum of £2.695, was earmarked to address an increase in the Standard Fees of Independent Residential and Nursing Homes. When taking this decision, it was noted in the report to full Council:

"We'll need an opportunity to consider the implications for service users, providers and other stakeholders before coming to a final conclusion on the fees for the coming year. The sum is an estimate of the additional cost we would need as an authority if we increased our standard fees to the levels suggested by the latest Toolkit and the evidence from our local providers. The estimate also takes into account the income collected by individuals who can contribute / pay for their care."

2. The additional costs of the increase in fees agreed in March 2022 have been financed from this additional budget and out of general provision for inflation. As the report notes, this means that there is around £1.6m remaining.
3. When publishing the 2022/23 draft settlement in December 2021, Welsh Government confirmed that Welsh Local Authorities will on the whole receive +3.5% in 2023/24 and then +2.4% in 2024/25. Historically, the increase for Gwynedd has been lower than the national average.
4. This means that the increase in the Government grant for the following two years will be significantly less than the amount we have received for 2022/23, and this is the context where we have to evaluate any long-term sustainability of financial commitments.
5. In addition to this, the CPI rates during the period since establishing the budget have been significantly higher than what was previously anticipated, mostly as a result of geopolitical factors.
6. The Council's willingness to take difficult decisions over a number of years has placed it in a strong position to cope with these economic shocks in the short term. For example, it will be possible to cope with possible overspend as a result of inflation that is higher than planned for in 2022/23 by making use of some of the funds which have been established to deal with such a situation.
7. The Council's budget is very sensitive to relatively small changes, and although the settlement for 2022/23 places the Council in a firm financial situation for the year, there are a number of factors which are beyond the Council's control which could lead to a much more fragile budgetary scenario in subsequent years.

8. The table below demonstrates the most likely situation at present, where inflation continues to be relatively high, and an increase in Government Grant lower than forecast, i.e. 2.8% in 2023/24 and 2.0% in 2024/25. In that situation, an increase of 3.5% in the Council Tax in 2023/23 would be needed, but of 5.0% in 2024/25. It would also be necessary to realise savings of £1.2m in 2023/24 and a further £1m in 2024/25. The first step would be to assess those savings schemes which have already been identified, and have been able to be delayed this year.

	2022/23 £m	2023/24 £m	2024/25 £m
Salary inflation -	8.5	3.2	4.5
Price inflation	4.3	5.0	4.0
Levies	0.5	0.5	0.5
Adjustments etc	-1.2		-1.4
Pressures/Demand -			
Services	6.7	1.3	2.0
Covid	1.4		
Total pressures	20.2	10.0	9.6
Funding changes -			
- Council tax	1.2	2.9	4.2
- Grant settlement	18.4	6.0	4.4
Total funding changes	19.6	8.8	8.6
Savings to be realised	0.6	1.2	1.0

9. The Council was aware that the financial settlement for 2022/23 was higher than usual, and that has enabled it to strengthen the sustainability of a range of services across the Council, particularly in the field of social care.
10. It is not realistic, therefore, to expect that the Council will be able to fund permanent bids in 2023/24 and 2024/25 to the same extent as in 2022/23. However, the relatively healthy situation of the Council's funds mean that it will be possible to fund "one-off" bids where there is real need, but that there is a shortage of budget on a permanent basis, e.g. should it be necessary to create new posts, it would be possible that we will be in a situation where we can guarantee funding for only a limited number of years.
11. Considering the current uncertainty, the affordability analysis of this increase demonstrates that it would not be possible from a basic financial stewardship point of view to commit to additional costs over and above what has been budgeted for.

Funding 2023/24 and 2024/25 bids

12. The above modelling suggests that the Council £1.3m to fund permanent bids in 2023/24 and £2.0m in the following year. It should be noted unequivocally that this is significantly lower than the amount granted in 2022/23, namely £6.7m (as well as a further £1.4m to fund requirements as a result of Covid19).

13. In previous years, the value of permanent bids granted were as follows:

2020/21	£4,336,690
2019/20	£2,513,390
2018/19	£1,550,520
2017/18	£2,463,000

14. In comparison to this, therefore, bids of £1.3m and £2.0m would be historically low, but should the Cabinet decide not to increase the fees of independent homes further (maintaining the fees agreed in March 2022) another £1.6m would be available to fund permanent bids in 2023/24 (resulting in £3m in 2023/24 and £2m in 2024/25).

Savings

15. The bids discussed above are dependent on realising £1.2m of savings in 2023/24 and a further £1.0 in 2024/25.

16. At its meeting on 18 January 2022, the Cabinet agreed for slippage on the delivery of £1.09m savings plans which had been programmed for 2022/23 to 2023/24 (£935,250 of them relating to the Adults, Health and Well-being Department), and the 'Care Housing project development' (savings of £200,000) until at least 2025/26. In addition to this, savings plans from previous years which have also been budgeted for, have not been realised. A total of £1.7m savings plans have delayed in this manner, including £855k by the Adults, Health and Well-being Department (58% of the total).

17. In order to secure a balanced financial plan, it would not be possible to have further slippage on these savings plans, and it would be necessary to identify further savings in 2024/25.

18. Historically, the savings plans which have demonstrated slippages are those which have proved to be very difficult to realise, and where the enormous changes as a result of Covid19 have made the situation even more difficult.

19. It would be necessary to use some of our funds to delay one or two of these savings plans and bridge the financial gap, but using funds is not a permanent solution.

20. It is noted above that it would be possible to increase the funding available for permanent bids by £1.6m in 2023/24 should the fees for homes not be increased further. An alternative use could be found for this money, namely writing off some of the savings plans which have experienced slippages and have no likelihood of being realised.