


THE CABINET

AGENDA – ITEM 12

Tuesday 11 January 2022 at 10.00 am

Part I

ITEM		PAGE
12. 	Revenue Budget 2022/2023 to 2025/2026 Update and Provisional Local Government Finance Settlement	1
	Report of the Executive Director of Corporate Services (copy attached).	

 **Denotes Key Decision.**

*** Denotes Regulation 10 Notice issued – item which is a key decision which is not included in the 28 Day Notice of Key Decisions.**

ELAINE WAUGH
Assistant Director of Law and Governance

Civic Centre
SUNDERLAND

5 January 2022

CABINET MEETING – 11 JANUARY 2022

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Revenue Budget 2022/2023 to 2025/2026 – Update and Provisional Local Government Finance Settlement 2022/2023

Author(s):

Executive Director of Corporate Services

Purpose of Report:

This report provides an update on the budget position for 2022/2023 to 2025/2026 including the impact of the Provisional Local Government Finance Settlement, prior to the receipt of the Final Local Government Finance Settlement 2022/2023.

Description of Decision:

Cabinet is requested to

- Note the update to the Government funding position, including the outcome of the Provisional Local Government Finance Settlement set out at section 4 of the report;
- Note the update on the 2022/2023 to 2025/2026 budget planning as set out at sections 5 to 11 of the report; and
- In relation to the Sunderland Schools' local funding formula, the Sunderland Schools' Forum recommended Cabinet be requested to approve the following in principle, subject to final modelling and verifying affordability, to be implemented for the 2022/2023 Sunderland local funding formula:
 - The National Funding Formula (NFF), made up of fifteen different funding elements, to be implemented with the following local adjustments, which were modelled in detail so as to give the most equitable settlement possible to all Sunderland schools whilst moving towards the NFF:
 - The Minimum Funding Guarantee applied at 2.0% in line with the NFF value;
 - A transfer of 0.5% (£950,582) to the High Needs Block in recognition of ongoing pressures; and
 - The Low Prior Attainment Indicator set at reduced rates of £920 per Primary pupil (NFF £1,130) and £1,500 per secondary pupil (NFF £1,710). It should be noted that alongside the Minimum Funding Guarantee, this proxy indicator does not reduce the funds available to schools for low prior attainment.

Is the decision consistent with the Budget/Policy Framework? Yes – it is seeking to inform a future decision to set the Budget for 2022/2023.

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To provide an update on the Government funding position, including the impact of Provisional Local Government Finance Settlement on the budget planning for 2022/2023 to 2025/2026.

To update the Medium Term Financial Plan and Budget Planning in light of the latest information.

Alternative options to be considered and recommended to be rejected:

There are no alternative options recommended for approval.

Impacts analysed:

Equality ☒ Privacy ☒ Sustainability ☒ Crime and Disorder ☒

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes

**REVENUE BUDGET 2022/2023 TO 2025/2026 - UPDATE AND
PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/2023****Report of the Executive Director of Corporate Services****1. Purpose of Report**

- 1.1 This report provides an update on the budget planning position for 2022/2023 to 2025/2026, including the impact of the Provisional Local Government Finance Settlement, prior to the receipt of the Final Local Government Finance Settlement 2022/2023.

2. Description of Decision

- 2.1 Cabinet is requested to:
- Note the update to the Government funding position, including the outcome of the Provisional Local Government Finance Settlement set out at section 4 of the report;
 - Note the update on the 2022/2023 to 2025/2026 budget planning as set out at sections 5 to 11 of the report; and
 - In relation to the Sunderland Schools' local funding formula, the Sunderland Schools' Forum recommended Cabinet be requested to approve the following in principle, subject to final modelling and verifying affordability, to be implemented for the 2022/2023 Sunderland local funding formula:
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3. Budget Context

- 3.1 The Budget Planning Framework and Medium Term Financial Plan report to Cabinet in December 2021 provided details of the budget planning assumptions and medium term budget forecast position at that time. It reflected a backdrop of uncertainty, given the Government's continued delay in both the fair funding review and changes to the business rates system. The Government's Spending Review in October 2021 provided departmental budgets for a 3-year period, with Local Government spending power to increase by £8.5bn over this period, funded by £4.8bn new grant funding and £3.7bn from assumed

additional council tax income. Although 3-year national figures were reported, it was considered unlikely local authorities would be provided with detailed budget allocations beyond 2022/2023.

- 3.2 Given the short passage of time since the last update to Cabinet the budget planning expenditure assumptions are largely unchanged apart the areas noted in section 7, therefore this report will primarily focus on the budgetary impact of the Provisional Local Government Finance Settlement for 2022/2023 and the implications on the budget of the proposed council tax base for 2022/2023.

4. Provisional Local Government Settlement for 2022/2023

- 4.1 The provisional settlement announced on 16th December 2021 is a one year settlement and is largely in keeping with the Chancellor's October Spending Review. Allocations were front loaded within the three year spending review period leading to an average 6.88% increase in Core Spending Power (CSP) for councils nationally in 2022/2023. It is important to note that a significant proportion of this increase in spending power would be derived through local Council Tax rises rather than through national funding. Nationally, based on the Government's assumptions, 40% of the 6.88% increase would be funded through a Council Tax increase of 2% for core Council Tax and a further 1% for the Social Care Precept element, i.e. Government in its assumptions for local government expects that councils will increase council tax by 3% in 2022/2023 to provide the necessary funding to deliver services.
- 4.2 Further information has also been released in the Provisional Settlement in relation to non-core funding for 2022/2023. These grants are detailed further below from paragraph 4.12.

Core Spending Power

- 4.3 The Government uses a measure known as the CSP to indicate the impact of changes in funding. For 2022/2023, this measure includes:
- Settlement Funding Assessment (SFA) comprising:
 - Revenue Support Grant (RSG);
 - Baseline Funding (Top Up Grant); and
 - Assumed Retained Business Rates.
 - Compensation for the under-indexing of the Business Rates Multiplier;
 - Council Tax Income, which as detailed above the Government assumes a 3% increase is applied in addition to additional income from growth in the Council Tax base;
 - Local Government element of the Improved Better Care Fund;
 - Social Care Grant;
 - New Homes Bonus;
 - Lower Tier Services Grant;
 - Market Sustainability and Fair Cost of Care Fund (newly added for 2022/2023); and
 - 2022/2023 Services Grant (newly added for 2022/2023).

- 4.4 CSP will increase by an average 6.88% nationally in 2022/2023. For Sunderland the increase is 7.5% as shown in the table below. As noted, nationally 40% of this increased spending power is assumed from Council Tax rises. Given Sunderland's relatively lower Council Tax base this proportion is lower, at 18%.

	2021/22 £m	2022/23 £m	change £m	change %
Settlement Funding Assessment	113.980	114.844	0.864	0.76%
Compensation for under-indexing Business Rates Multiplier (Section 31 Grant)	4.474	7.055	2.581	57.69%
Council Tax Requirement excluding parish precepts	108.110	111.610	3.500	3.24%
Improved Better Care Fund	18.134	18.683	0.549	3.03%
Social Care Grant	13.861	18.586	4.725	34.09%
New Homes Bonus	1.517	1.842	0.325	21.42%
Lower Tier Services Grant	0.499	0.525	0.026	5.21%
Market Sustainability and Fair Cost of Care Fund	0.000	1.058	1.058	100.00%
2022/23 Services Grant	0.000	5.920	5.920	100.00%
Sunderland Total Core Spending Power	260.575	280.123	19.548	7.50%
<i>Memorandum National Position</i>				6.88%

Settlement Funding Assessment (SFA)

- 4.5 For Sunderland there is a 0.76% increase in SFA for 2022/2023. The low percentage increase is as a result of the continued business rates multiplier freeze for 2022/2023 for which councils are compensated through Section 31 grant funding. Although the Section 31 grant compensation is part of the Council's CSP, it is outside of the SFA element of funding. It should be noted that actual business rates received will be dependent on the Council's own position which will be confirmed within the National Non-Domestic Rates ('NNDR') statistical collection Form 1 (budget forecast) to be submitted to Government by 31 January 2022. The increase in Revenue Support Grant is in line with inflation.

	2021/22 £m	2022/23 £m	change £m	change %
Revenue Support Grant	28.110	28.974	0.864	3.07%
Baseline Funding (Top Up Grant)	43.724	43.724	0.000	0.00%
Assumed Business Rates	42.146	42.146	0.000	0.00%
Sunderland Total SFA	113.980	114.844	0.864	0.76%

Improved Better Care Fund

- 4.6 The Improved Better Care Fund (IBCF) 2022/2023 allocation has increased by Consumer Price Index (CPI) inflation. Prior forecasts assumed a freeze in the grant, budget planning has been updated to reflect the increase.

New Homes Bonus (NHB) Grant

- 4.7 There were no announcements in the Chancellor's Spending Review regarding the ongoing NHB reform plans. The subsequent provisional settlement confirmed a further one year extension of NHB payments. The national quantum of funding available for redistribution from the NHB has again been reduced as part of the Provisional Settlement announcement, due to allocation increases elsewhere in the Provisional Settlement being taken from this funding source. In total the grant funding to be received through NHB or through its redistribution is £0.530m below previous forecasts. Budget planning has been updated accordingly.

Social Care Grant

- 4.8 As anticipated, existing Social Care Grant funding has been maintained. In addition to this, a significant proportion of the increased investment in local government announced in the Chancellor's Spending Review has been directed towards Social Care. Nationally £636m of additional grant funding has been allocated through the Provisional Settlement with Sunderland awarded £4.725m. This grant will support the specific rising cost pressures on adult social care noted in paragraph 7.1 and the overall budget gap.

Lower Tier Services Grant

- 4.9 The Lower Tier Services unringfenced grant was introduced in 2021/2022 with £111m allocated to councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services. The national allocation for this grant remains at £111m for 2022/2023. Sunderland's allocation has increased by £0.027m to £0.525m for 2022/2023. Previous planning assumptions assumed a freeze in the grant level.

Market Sustainability and Fair Cost of Care Fund

- 4.10 As part of the Spending Review, it was indicated social care reform funding would be part of Core Spending Power. This additional funding has started to be introduced in 2022/2023. The Market Sustainability & Fair Cost of Care Fund totals £162 million nationally, with Sunderland's allocation for 2022/2023 £1.058m. The funding is provided to support local authorities as they prepare their markets for adult social care reform and to help move towards paying a fair cost of care. Further funding to deliver the Government's Social Care Reform will be announced as part of future settlements.

2022/2023 Services Grant

- 4.11 In recognition of the service delivery cost pressures facing councils, a one-off Services Grant totalling £822m nationally has been announced, with Sunderland's allocation totalling £5.920m for 2022/2023. Whilst this funding remains allocated for local government in future years, the methodology for determining the allocations and distribution to individual councils is to be reviewed by the Government in consultation with councils thereby creating uncertainty for financial planning purposes, especially as many of the costs that this grant is intended to fund will be incurred on a recurrent basis.

Funding Outside Core Spending Power

Public Health Grant

- 4.12 At the time of writing, the allocation for the Public Health grant remains outstanding. The Spending review in October did indicate Public Health grant funding will be maintained in real terms, indicating an inflationary based increase for 2022/2023. The budget planning will be updated as required when the final grant allocation for 2022/2023 is known.

Housing Benefit and Council Tax Administration Grant

- 4.13 Similarly, the allocation for the Housing Benefit and Council Tax Administration Grants have yet to be notified. Financial planning assumes a freeze in this funding stream. The budget planning will be updated as required when the final grant allocation for 2022/2023 is known.

Supporting Families Programme

- 4.14 As part of the additional investment into Local Government announced in the spending review, a new Supporting Families programme (formerly Troubled Families) has been established with "£500 million over the next three years to transform 'Start for Life' and family help services in half of the council areas across England". Funding allocations for 2022/2023 are yet to be confirmed.

Cyber Security Grant

- 4.15 Funding of £37.8m over the 3-year spending review period was previously announced to tackle cyber security challenges facing councils and to invest in local authority cyber resilience, protecting vital services and data. Funding allocations for 2022/2023 are yet to be confirmed.

Strengthening Local Delivery and Transparency

- 4.16 Funding of £34.5m over the 3-year spending review period was previously announced to further strengthen local delivery and transparency. This funding is to be directed towards strengthening procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and to help local councils meet new transparency requirements. Funding allocations for 2022/2023 are yet to be confirmed.

Council Tax

- 4.17 The Government has confirmed the anticipated Council Tax principles for 2022/2023, being that the core element is subject to a maximum increase of up to 2%. Social Care authorities can levy an additional 1% in respect of the Social Care Precept. Further detail in relation to Council Tax is provided in section 6.

5. Schools' Funding

- 5.1 On 16th December 2021 the Department for Education (DfE) set out the arrangements for school funding for 2022/2023.
- 5.2 In light of the significant progress made in relation to the National Funding Formula (NFF), and in order to continue to support a smooth transition, the DfE confirmed that local authorities would continue to determine local formulae during 2022/2023.
- 5.3 In line with the approach and commitments set out last year, some small technical improvements and policy changes are being made to the formula for 2022/2023. Illustrative local authority and school level allocations for the Schools Block, High Needs Block and Central School Services Block were published earlier in the year for planning purposes.
- 5.4 The ESFA will pay business rates directly to billing authorities on behalf of state funded schools from 2022/2023 onwards. This replaces the existing system which currently sees schools receive the funding for their business rates through the NFF, which they then pay to billing authorities. The teachers' pay grant (TPG) and teachers' pension employer contribution grants (TPECG) are now included in schools' baselines.
- 5.5 School funding through the NFF is increasing by 3% overall in 2022/2023. The NFF distributes this funding based on schools' and pupils' needs and characteristics.
- 5.6 Local budget flexibility arrangements associated with the Schools Block ring-fence are set to continue, which allows for local Schools' Forums to agree the transfer of up to 0.5% of their Schools Block funding to the High Needs Block. Sunderland Schools Forum has agreed to the transfer of £0.951m (0.5%) from the Schools Block to the High Needs

Block for 2022/2023. This is in recognition of the ongoing demand on the High Needs Block due to increasing numbers of pupils receiving an Education, Health and Care Plan and the movement of pupils to specialist settings, the increase to top-up values and the increased cost of placements in non-maintained residential provision.

- 5.7 Sunderland Schools' Forum met on 9 December 2021 and recommended Cabinet be requested to approve the following in principle, subject to final modelling and verifying affordability, to be implemented for the 2022/2023 Sunderland local funding formula:

- The NFF to be implemented with the following local adjustments:
 - Minimum Funding Guarantee MFG applied at 2.0% in line with NFF value; and
 - The Low Prior Attainment Indicator set at reduced rates of £920 per Primary pupil (NFF £1,130) and £1,500 per secondary pupil (NFF £1,710). It should be noted that alongside the Minimum Funding Guarantee, this proxy indicator does not reduce the funds available to schools for low prior attainment.

All other factors are in line with the NFF.

- 5.8 The School Funding announcement on 16th December 2021 confirmed the following information based on the October 2021 Schools' Census data. The change from the provisional funding allocation to the settlement information reflects changes in pupil numbers from October 2020 to October 2021 and also includes growth funding whereas the provisional allocations do not.

The Early Years Block comprises funding for the free early education entitlements for 3 and 4-year-olds and disadvantaged 2-year-olds. The figures are initial allocations for this block as early years funding is based on the January 2022 census data.

	Provisional Allocations 2022/23	16-Dec Settlement 2022/23	Change in Funding 2022/23
	£m	£m	£m
Schools	188.944*	189.328	0.384
Schools Growth	N/A **	0.788	0.788
Central Services	1.352	1.353	0.001
High Needs	35.995	36.508	0.513
Total	226.291	227.977	1.686
Early Years	N/A	19.529	N/A
Total	226.291	247.506	

* Excludes NNDR

**Provisional Schools Block allocation excludes Growth Funding

Other grant funding

- 5.9 Further details will be made available in 2022 for the following grants that will continue into the next financial year: Universal Infant Free School Meals, Year 7 catch-up premium, Primary PE and Sport Premium, School Improvement Monitoring and Brokering Grant and extended rights to home to school travel.

Next Steps - Schools

- 5.10 The Schools Forum will consider all the information on 13 January 2022 prior to the submission of the Local Funding Formula proforma to the DfE on 21st January 2022.

6 Local Funding Elements for 2022/2023

- 6.1 The key local funding elements to support the revenue budget in 2022/2023 comprise:

Retained Business Rates

- 6.2 The forecast income from business rates for 2022/2023 which will be retained by the Council is reported in the NNDR 1 return. This must be submitted to the Government by 31st January 2022. The value of business rates, and any associated Section 31 compensation grants, to be taken into account in setting the 2022/2023 budget will only be confirmed upon completion and submission of the NNDR1 return.
- 6.3 The impact of the NNDR1 return on the budget position will be included in the February 2022 Budget report to Cabinet.

Council Tax

- 6.4 The Localism Act provides for the provision of referendums to veto excessive council tax increases. This places a limit on council tax increases and, if councils exceed Government limits, the public will be able to vote to agree or veto any increase considered 'excessive'. In the technical consultation the Government proposed the referendum threshold for 2022/2023, comprising 2% for the core council tax element and 1% in respect of Adult Social Care Precept.
- 6.5 At this stage the budget planning assumes an increase in core council tax of 1.99%. An increase to the Adult Social Care precept of 1%, in line with the Government's expectations, will result in a combined increase of 2.99% i.e. in accordance with the referendum limit permitted by Government. Proposals in respect of the budget including any council tax increase are currently being consulted upon. An increase at this level would still require the one-off use of reserves to balance the Council's budget in 2022/2023.

- 6.6 The final proposals in relation to increases to council tax for 2022/2023 will be considered as part of the February 2022 Budget report to Cabinet.
- 6.7 The council tax base position is reported elsewhere on today's agenda and has been taken into account in the latest budget planning assumptions. The council tax base assumptions have been reviewed to take account of the current local council tax support claimant numbers and trends and house building forecasts. This review has improved the proposed council tax base from previous budget planning assumptions.
- 6.8 Proposals for the Local Council Tax Support Scheme for 2022/2023 are set out elsewhere on today's agenda.
- 6.9 Cabinet at its meeting in February will receive a report setting out the estimated council tax collection fund position and the estimated business rates collection fund position. At this stage a net collection fund surplus of £1m has been included in the budget planning for 2022/23.

7 Spending Pressure Updates

Adult Social Care

- 7.1 The financial pressure on the care home sector continues to rise, linked to staff costs, staff retention, utilities, supplies and ongoing covid compliance arrangements. A high-level assessment has indicated further funding is likely to be needed to meet pressures in 2022/2023. Additional provision of £4.0m has been added to financial planning.
- 7.2 The home care sector is also experiencing some of the cost pressures noted in 7.1 above. Additional provision of £0.3m has been added to financial planning.

Transport Levy

- 7.3 Uncertainty remains about the Government's funding for local transport, notably the Metro system which is facing significant cost pressures due to reduced passenger numbers. At this stage a further £0.641m has been added contingencies for financial planning to meet a potential increase in the Council's Transport Levy contribution for 2022/2023, which is consistent with the Joint Transport Committee's budget proposals if the Department for Transport do not provide sufficient funding for the Metro cost pressures.

Other Inflationary Pressures

- 7.4 Provision for further inflationary pressures has been included within budget planning given the increasing inflation rates being experienced

within the economy, including the significant volatility and inflationary cost pressures in the energy sector. The latest published inflation figures in November 2021 recorded a ten-year high, with CPI reaching 5.1% and the Retail Price Index 7.1%. A sum of £3.5m will be held in contingencies to support any pay, transport, supplies and services or other contract costs which may rise beyond budgeted amounts.

8 Summary Budget Position Update 2022/2023 to 2025/2026

- 8.1 The Budget Planning Framework and Medium Term Plan update reported to Cabinet in December 2021 included savings proposals for 2022/2023 of £5.821m, use of reserves of £9.000m and a forecast remaining budget gap of £3.037m in 2022/2023. The overall budget gap over the period 2022/2023 to 2025/2026 totalled £40.890m. The table below summarises the position at that time:

	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m
Current MTFS Gap after assumed council tax increases	18.969	20.602	5.648	6.394	51.612
Revenue Savings Proposals 2022/2023	(5.821)	0.000	0.000	0.000	(5.821)
Assumed Adult Social Care (ASC) Precept Increase (1%)	(1.111)	(1.197)	(1.263)	(1.332)	(4.902)
Use of MTFP Smoothing Reserves	(9.000)	0.000	0.000	9.000	0.000
Current MTFS Gap after agreed savings proposals and assumed council tax increase	3.037	19.405	4.385	14.063	40.890

- 8.2 As noted in section 7, additional spending pressures have been identified since the December 2021 budget update, these total £8.441m and have been added into the financial planning position. The additional funding allocations announced as part of the Provisional Settlement alongside the impact of the proposed council tax base considered elsewhere on today's agenda and the potential collection fund surplus, provide an additional £15.002m in 2022/2023.
- 8.3 The table below which is predicated on an assumed total 3% council tax increase, subject to consultation, shows the revised budget planning MTFP position which is still reliant on £5.476m of reserves to balance the budget in 2022/2023.

	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m
Governement Grant Change	(15.755)	(1.613)	(0.892)	(0.910)	(19.170)
On-going Spending Pressures	37.111	28.389	13.095	12.277	90.872
Savings Proposals	(5.821)	0.000	0.000	0.000	(5.821)
Total Gross Funding Gap	15.535	26.776	12.203	11.367	65.881
Assumed Council Tax / Social Care Precept increase	(3.330)	(3.519)	(3.643)	(3.771)	(14.262)
Council Tax Base Impact	(3.266)	(2.982)	(0.624)	(0.643)	(7.515)
Council Tax Deficit Impact	(1.125)	0.160	(1.246)	0.000	(2.211)
Business Rates - Base and Inflationary impact	(3.626)	(1.183)	(1.890)	(1.490)	(8.189)
Collection Fund Forecast Surplus 2021/22	(1.000)	1.000	0.000	0.000	0.000
Current MTFP Gap after agreed savings proposals, council tax and business rates	3.188	20.252	4.800	5.464	33.704
Use of Reserves 2021/2022 (reversal)	2.288	0.000	0.000	0.000	2.288
Use of Smoothing Reserves	(5.476)	(3.524)	0.000	5.476	(3.524)
Current MTFS Gap after grant and local taxation changes	0.000	16.728	4.800	10.940	32.468

8.4 The Government have indicated that the new fair funding formula and revised system of retained business rates will be developed and consulted upon in the short to medium term. It should be noted that the MTFP position assumes that should the new fair funding formula and revised system of retained business rates be introduced that the impact on the Council will be neutral. Should the Council's funding reduce as a result of any changes, Government has in the past used damping to limit and smooth any detrimental impact on formula changes, and it is widely anticipated that some form of damping arrangements will continue under any new system. However, in respect of the Services Grant detailed within paragraph 4.11, the Government have confirmed that no transitional arrangements will apply in respect of any reductions in this allocation in future years.

8.5 The Council's response to addressing the MTFP funding gap needs to be through the delivery of ongoing sustainable savings. The Council's Chief Officer Group are to commence a savings planning process to develop the savings proposals required to meet the current MTFP gap, for implementation in 2022/2023 or before where possible to do so. These will be considered and approved by Cabinet and Council as appropriate.

Use of One-Off Reserves

8.6 The Council's strong financial management and creation of reserves to support the budget over the medium term provides the opportunity to utilise funding to support the budget position whilst developing and delivering savings via the Efficiency Strategy. The Council has previously created a MTFP Smoothing reserve and Service Reduction reserve to address these forecast pressures. It is expected that these reserves will be around £27m at the start of next financial year and the MTFP assumes it will be used over the four year period to 2025/26.

- 8.7 The current proposed budget for 2022/2023 relies on £5.476m use of reserves and takes into account the full 3% increase in council tax assumed by the Government. This will be further considered with full Council Tax and Budget proposals reported to Cabinet in February 2022.
- 8.8 In line with previous years, specific earmarked reserves will continue to be used for the purpose they were established in meeting one off funding pressures and to fund the capital programme.
- 8.9 Final decisions on any required use of one-off reserves to support the overall Council budget position will be considered in light of the outstanding uncertainties set out below.

9. Outstanding Uncertainties

- 9.1 There remain some areas of uncertainty at this late stage in the budget process for 2022/2023. Issues yet to be resolved include:
- Specific grant announcements from some Government departments;
 - Confirmation of the 2021/2022 and 2022/2023 local government pay awards;
 - The ongoing impact of Covid-19 pandemic on Council costs and income and the wider economic uncertainty this creates;
 - Uncertainty about the Government's funding for local transport, notably the Metro system which is facing significant cost pressures due to reduced passenger numbers;
 - Ongoing pressures in relation to both Adult and Children's Social Care;
 - Delivery of approved savings plans;
 - Going forward the impact of capital priorities both in terms of debt charges and any associated operational (revenue) costs;
 - The Government's plans and timescales in relation to any Fair Funding Review and Business Rates reform;
 - The forecast income from business rates;
 - The final collection fund position for both council tax and business rates for 2021/2022; and
 - The general economic position and the direct impact on public sector finances.

In addition, it will be necessary to consider the feedback from the consultation which is taking place on the budget proposals as well as any changes confirmed in the Final Local Government Finance Settlement.

- 9.2 The outcome of the above issues together with the impact of the issues set out in sections 3 to 8 will be taken into account in finalising the budget proposals to be considered by Cabinet in February 2022.

10. Budget Consultation

- 10.1 The Budget and Policy Framework procedure rules contained within the constitution of the Council requires consultation on budget proposals to take place. Budget consultation arrangements were detailed in the October and December 2021 budget reports to Cabinet.
- 10.2 Consultation on the budget proposals including potential increases in council tax and the adult social care precept, commenced on 8th December 2021 and is running until 7th January 2022. Existing networks such as 'Let's Talk' and social media platforms will be utilised to communicate with both geographic communities and communities of interest.
- 10.3 In addition to residents, there are communications with a range of partners and stakeholders including Trades Unions, Chamber of Commerce, Sunderland Business Innovation District (BID), the wider business community, employees, the Change Council (via Together for Children) and the city's Equality Forums and Independent Advisory Groups. Communications with these groups will be tailored to their interests, for example, economic regeneration, neighbourhood services and adult services.
- 10.4 Any further detailed consultation carried out by services in relation to the savings proposals, as appropriate, will inform detailed reviews and, in turn, inform the Equality Analysis of the proposals.
- 10.5 Feedback from consultation with Scrutiny Coordinating Committee, Trade Unions and Business representatives will be considered in framing the final budget proposals to be submitted to Cabinet in February 2022.

11. Equality Analysis Assessment

- 11.1 In accordance with the approach followed in previous years the Council continues to fully consider the impact of its plans by following a robust approach to equalities analysis.
- 11.2 As the results of the consultation are analysed and proposals are further developed, equality impacts will continue to be considered and will, in turn, inform the final budget proposals to be considered by Cabinet in February 2022. Any additional equality impacts identified, along with mitigating actions or amendments to the proposals, will be reflected in the appendices to the report and the associated equality analyses.

12. General Fund Balances

- 12.1 A Statement of General Fund Balances is attached at Appendix 1.
- 12.2 The balances position will be updated / reviewed as the budget is progressed. A full risk analysis will be presented with the final budget proposals to the February 2022 meeting of Cabinet.

13. Suggested Reason for Decision

- 13.1 To provide an update on the Government funding position, including the impact of Provisional Local Government Finance Settlement on the budget planning for 2022/2023 to 2025/2026.
- 13.2 To update the MTFP and Budget Planning in light of the latest information.

14. Alternative options to be considered and recommended to be rejected

- 14.1 There are no alternative options recommended for approval.

Background Papers

[Revenue Budget and Proposed Council Tax for 2021/2022 and Medium Term Financial Plan 2021/2022 to 2024/2025](#) (3 March 2021 Council).

[Budget Planning Framework and Medium Term Financial Plan 2022/2023 - 2025/2026](#) (12 October 2021 Cabinet)

[Budget Planning Framework and Medium Term Financial Plan 2022/2023 - 2025/2026](#) (7 December 2021 Cabinet)

Statement of General Fund Balances

	£000
Balances 31st March 2021	12.000
Use of / Addition to Balances 2021/2022	
Contribution to Revenue Budget	0.000
Estimated Balances 31st March 2022	12.000

The above position will be reviewed and updated and reported to Cabinet in February 2022.

