

Meeting of:	Environment and Regeneration Scrutiny Committee
Date of Meeting:	Tuesday, 15 December 2020
Relevant Scrutiny Committee:	Environment and Regeneration
Report Title:	Initial Revenue Budget Proposals 2021/22
Purpose of Report:	To submit for consultation the initial revenue budget proposals for 2021/22.
Report Owner:	Report of the Director of Environment and Housing
Responsible Officer:	Carys Lord, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	The Corporate Management Team has been consulted on this report. The initial budget proposals will be the subject of consultation with Scrutiny Committees. The Trade Unions and Schools Forum will also be consulted.
Policy Framework:	This report is for executive decision by the Cabinet
Executive Summary:	<ul style="list-style-type: none"> • The Council is required under statute to fix the level of council tax for 2021/22 by 11th March 2021 and in order to do so, will have to agree a balanced revenue budget by that date. • The Council's provisional settlement has not yet been announced by Welsh Government and is expected this year on 22nd December 2020 with the final settlement being due on 2nd March 2021. Even though this crucial information has not been received, the budget setting and consultation process has to commence in order to meet statutory deadlines.

Recommendations

It is recommended that:

1. The Initial Revenue Budget Proposals for 2021/22 be considered and any recommendations, including those related to cost pressures and savings, be passed to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee.

Reasons for Recommendations

1. In order that Cabinet can consider the comments of Scrutiny Committees and other consultees before making a final proposal on the budget.

1. Background

- 1.1 The Council's budget is determined largely by the settlement provided by the Welsh Government (WG). The Council's provisional settlement has not yet been announced by WG. In previous years, the provisional settlement was received during October with the final settlement being received in December. The provisional settlement is expected this year on 22nd December 2020 with the final settlement due to be received on 2nd March 2021.
- 1.2 The Council is required under statute to fix the level of council tax for 2021/22 by 11th March 2021 and in order to do so, will have to agree a balanced revenue budget by the same date. To be in a position to meet the statutory deadlines and the requirements for consultation set out in the Council's Constitution, much of the work on quantifying the resource requirements of individual services needs to be carried out before the settlement is notified to the Council.
- 1.3 The Council normally produces the Medium Term Financial Plan during September/October. However, it was considered beneficial to review the timing of the production of the Plan and to include it as part of the Initial Budget Proposals report, as it sets the context for the budget setting process and links the Council's strategic planning process with the budget process ensuring consistency between them.

2. Key Issues for Consideration

Medium Term Financial Plan

- 2.1** There are a number of factors both internal and external that impact on the Council's financial position going forward. This year the country has found itself in an unprecedented position as a result of the COVID-19 pandemic. This has meant additional challenges for the Council both operationally and financially as a result of incurring additional expenditure but also from a loss of income. The lockdown in the early part of the financial year and a firebreak lockdown in place for 2 weeks during October/November 2020 has led to the Council having to refocus its priorities to provide services in a different way, moving a large number of staff to home working and also to providing some additional services and temporarily ceasing others. There is huge uncertainty as to how the picture will develop over the coming months and therefore it is even more difficult than usual to provide predications for the coming year and beyond. Funding has been received from WG to help support not only the additional expenditure incurred due to the pandemic but also the loss of income.
- 2.2** Due to the considerable uncertainty and the financial pressures on government, the Plan has been based on three different scenarios with regards to funding from Welsh Government for the coming three financial years - a cash neutral settlement, a 1% reduction each year and a 1% increase each year. It may be the case that grant funding is provided going forward targeting specific service areas or initiatives.
- 2.3** As part of the development of the Plan departments were asked to identify cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council. An updated list relating to this Committee is shown in Appendix 1. These are not shown in any order of priority.
- 2.4** The currently identified savings targets identified for this Committee for 2021/22 are shown in Appendix 2.
- 2.5** For the purposes of the Plan, options for the level of council tax have been highlighted. With the current level of cost pressures facing the Council and without a corresponding increase in funding from the Welsh Government, it is predicted that in order to balance the budget an increase in council tax of at least a similar level to 2020/21 will be required.
- 2.6** The scenarios that have been modelled relating to Council Tax are a 4.9% increase each year, which is the same level as in 2020/21 and increasing the level to the welsh average which would be 8.4% in 2021/22 and an increase thereafter of 4.6% to maintain the average, assuming the same increase as the welsh average for 2020/21.

2.7 The following table shows the shortfall in funding for each of these scenarios.

Shortfall in Funding	2021/22 £000	2022/23 £000	2023/24 £000	3 Year Total £000
Cash Neutral Settlement				
Notional Council Tax Increase 4.9%	11,203	6,200	4,252	21,655
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter	8,423	6,305	4,373	19,101
1% Reduction in Settlement				
Notional Council Tax Increase 4.9%	12,813	7,794	5,830	26,437
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter	10,033	7,899	5,951	23,883
1% Increase in Settlement				
Notional Council Tax Increase of 4.9%	9,593	4,574	2,609	16,776
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter	6,813	4,679	2,730	14,222

2.8 A 1% increase in Council Tax at the 2020/21 Council Tax base equates to £794k. The level of increase in Council Tax will need to be carefully considered in parallel with the other options available to the Council in order to reduce the funding gap and to consider the impact on the residents of the Vale. As the number of households in the Vale of Glamorgan has increased from the previous year there may also be additional funding from the change in the Council Tax base.

2.9 In the Plan, consideration has also been given to changes in the Council Tax Collection rate due to the reduction as a result of the COVID-19 pandemic. If this rate was to reduce by 1% the impact in 2021/22 would be a potential shortfall ranging from £7.696m with a 1% increase in WG settlement and a Council Tax increase at the Welsh average to £13.667m with a 1% reduction in WG settlement and a 4.9% Council Tax increase across the period.

2021/22 Initial Budget Proposals

2.10 Cabinet approved the Budget Strategy for 2021/22 on the 27th July 2020, min no.C309 which outlined the timetable, methodology and the principles to be used in producing the base budget for 2021/22.

- 2.11** Given the timescales set out in the Budget Strategy this means a significant amount of the preparation for the budget will need to be completed prior to receiving the provisional settlement.
- 2.12** The late timescale for receiving the settlement also delays the notifications that the Council receives regarding continuation of grant funding. In line with the Budget Strategy, the withdrawal or reduction in grant funding should not give rise to committed growth within the budget. The service area should give consideration to the exit strategy that has been put in place in respect of the funding stream.
- 2.13** A summary of the overall base budget for 2021/22 for this Committee is attached at Appendix 3. This has been derived by adjusting the 2020/21 budget for items such as pay inflation and committed growth but does not include identified cost pressures or savings. These are shown as a note to the table. Adjustments shown include the following.
- Asset Rents, International Accounting Standard (IAS) 19 - Relates to accounting items outside the control of services. They reflect charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
 - Recharges/Transfers - Relates to changes in inter-service and inter Directorate recharges
 - Pay Inflation - This makes provision for pay awards in 2021/22.
- 2.14** In view of the deficit highlighted in the Medium Term Financial Plan, further work needs to be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2021/22. This will include the following
- Consideration of the results of the consultation process;
 - A review of the use of reserves to fund the deficit in the short term;
 - A review of the level of individual reserves and potential reclassification;
 - A review of the increase in council tax;
 - A review of all cost pressures;
 - Possible changes to the approved saving targets; and
 - Consideration of the inflation assumptions

Next Steps

- 2.15** The next stage is for the outline of the financial position for 2021/22 to be submitted to Scrutiny Committees for consultation. Committees are asked to review the level of cost pressures with a view to suggesting ways in which these

could be managed downwards and/or mitigated and to consider proposals for savings. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Revenue Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committee must be made no later than the 16th December 2020.

- 2.16** The BWG will hold a series of meetings in November and December 2020ⁱ with the relevant Cabinet Members and officers to consider the budget proposals and they will submit their recommendations so that the Cabinet may make its final budget proposal. Before making its recommendation, the BWG will consider the comments made by Scrutiny, together with the results of consultation. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 8th February 2021 and that Cabinet's final budget proposals will be considered by Council at a meeting to be held 1st March 2021 to enable the Council Tax to be set by 11th March 2021. Due to the late announcement of the final settlement it is proposed that the approved timetable is reviewed to ensure decisions regarding the budgets for 2021/2022 can be fully informed by the funding levels available.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The BWG will ensure that budget proposals consider the requirements of the Well-being of Future Generations Act and the Council's 4 well-being outcomes as detailed in the Corporate Plan.

- 3.2** The Budget Working Group will also ensure that the budget proposals reflect the 5 ways of working which are;

o Looking to the long term - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.

o Taking an integrated approach - The budget proposals highlight and encourages ways of working with partners.

o Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.

o Working in a collaborative way – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.

o Understanding the root cause of issues and preventing them – The budget process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

4. Resources and Legal Considerations

Financial

- 4.1** Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. Funds no longer required may be transferred to the Council Fund and then set aside for other purposes or used to reduce council tax.
- 4.2** Appendix 4 sets out the actual reserves as at 31st March 2020 for this Committee and shows the estimated reserves balance for each year up to 31st March 2024.

Employment

- 4.3** Not all the savings required to meet the shortfall in funding will result in a reduction in staffing. Although the impact on individuals is likely to be mitigated as a result of natural wastage and the deletion of vacant posts, it is, nevertheless, expected that there will be a number of redundancies. The trade unions will be consulted on the details of any possible redundancies once known. Staffing implications relating to budget pressures within schools will need to be considered by individual governing bodies.

Legal (Including Equalities)

- 4.4** The Council is required under statute to fix its council tax by 11th March 2021 and in order to do so will have to agree a balanced revenue budget by the same date.
- 4.5** These initial budget proposals have due regard to the requirements of the Council's Strategic Equality Plan including the Equalities Act 2010 and Public Sector Equality Duty for Wales. The subsequent development of individual strategies for achieving savings will require the completion of Equality Impact Assessments. This involves systematically assessing the likely (or actual) effects of policies on individuals who have a range of protected characteristics under the Act.

5. Background Papers

5.1 Budget Strategy 2021/22

No.	Description	2021/22	2022/23	2023/24
		£'000	£'000	£'000
Directorate: Environment and Housing				
Neighbourhood Services				
1	Waste Grant Funding - Estimated reduction in the Sustainable waste management grant.	50	45	45
2	Highways and Footways - Due to the reduction in the level of resurfacing anticipated on the carriageway and footway for 2020/21 onwards it is anticipated that the amount of patching required will increase.	350	0	0
3	Big Fill - Reduction in Big Fill budget planned for 2021/22 will lead to faster deterioration of the highway network and increased levels of insurance claims. The current programme is being funded from reserves at a value of around £500k per annum	100	400	0
4	Highways Structures Inspections - There is currently a backlog of inspections.	100	0	0
	Total Neighbourhood Services	600	445	45
Transportation				
1	Education Transport - There has been pressure on this provision of service due to an increase in cost and number of pupils, the estimated overspend for 21/22 is £412k.	412	0	0
	Total Transportation	412	0	0
COMMITTEE TOTAL		1,012	445	45

**PROPOSED EFFICIENCIES THROUGH SAVINGS AND INCOME GENERATION
2021/22**

APPENDIX 2

Service

2021/22

ENVIRONMENT AND HOUSING

Neighbourhood Services and Transport

Traffic Surveys	10
Neighbourhood Services and Transport Efficiencies and Collaboration	56
Total Neighbourhood Services and Transport	66

BASE BUDGET 2021/22**APPENDIX 3**

	Original Budget 2020/21 £'000	Asset Rents/ IAS 19 £'000	Base Budget 2020/21 £'000	Rechgs/ Transfs £'000	Pay Inflation £'000	Base Estimate 2021/22 £'000	Savings Applied £'000	Cost Pressures £'000
Environment and Housing								
Neighbourhood and Transport Services	27,158	(3,608)	23,550	7	190	23,747	66	1,012
Building Services	0	46	46	(17)	18	47	0	0
Managing Director								
Regeneration	2,024	(24)	2,000	36	30	2,066	0	0
Development Management	1,016	(7)	1,009	(67)	25	967	0	0
TOTAL	30,198	(3,593)	26,605	(41)	263	26,827	66	1,012

ANALYSIS OF RESERVES**APPENDIX 4**

Name	Bal 01/04/20 £000	In £000	Out £000	Est Bal 31/03/21 £000	Comments	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000	Est Bal 31/03/24 £000
Environment and Housing								
Neighbourhood Services	3,723	0	-1,510	2,213	To be used for initiatives to improve Neighbourhood Services, including Parks and Highway services plus any potential costs of waste disposal initiatives.	506	206	0
Bad Weather	269	0	-150	119	To fund necessary works during periods of severe weather conditions.	0	0	0
Building Services Improvement	297	0	-50	247	Monies set aside for improvements to the Building Services department.	197	147	97
Regeneration and Planning								
Local Development Plan	349	40	0	389	Set aside for costs relating to the production of the Local Development Plan.	239	139	89
Regeneration Fund	305	0	-73	232	To fund various regeneration schemes in the Vale.	192	152	112
Holton Road Surplus	11	10	0	21	Ringfenced sum for Holton Road regeneration.	21	21	21
Regeneration & Planning	693	0	-262	431	Monies set aside to cover various commitments within the service.	264	205	202
Planning Fees	100	0	0	100	To provide for reduction in planning fees income.	100	100	100
Building Control	249	0	-50	199	Reserve set aside to fund future deficits on the ringfenced Building Control Trading Account.	149	99	49
Donations	28	0	0	28	Income received from visitors which is used to fund general projects and to match-fund expenditure incurred by the Friends of the Heritage Coast.	28	28	28
Capital								
Coastal Works	487	0	-202	285	To assist in funding the ongoing liabilities that will arise following the coastal developments in the Vale, maintaining the impact of the significant investment made.	175	65	65
Waste Transfer Station	1,498	0	-1,498	0	Establishment of a Waste Transfer Station.	0	0	0
Capital Economic Regeneration Fund	489	0	-156	333	To finance capital economic regeneration schemes.	333	333	333
Carbon Vehicles Reserve	0	215	0	215	New reserve for electric pool cars	215	215	215
COMMITTEE TOTAL	8,498	265	-3,951	4,812		2,419	1,710	1,311