

SUBJECT:	DRAFT REVENUE BUDGET PROPOSALS 2021/22
MEETING:	CABINET
DATE:	20th January 2021
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

- 1.1 To set out draft revenue budget proposals for financial year 2021/22.
- 1.2 To commence a period of consultation on the draft budget proposals for a four-week period to 17th February 2021.
- 1.3 To consider the 2021/22 draft budget proposals within the context of the 4 year Medium Term Financial Plan (MTFP) and the Corporate Plan.

2. RECOMMENDATIONS:

- 2.1 That Cabinet approves the release of its draft budget proposals for 2021/22 for consultation purposes.
- 2.2 That Cabinet approves that the consultation period, including the opportunity to present alternative proposals that have been assessed for Future Generations and equality implications, commences for a four-week period ending on 17th February 2021.
- 2.3 To update Cabinet on the implications arising out of the provisional settlement announcement of Welsh Government and to agree its proposed response as outlined in the letter shown in appendix 5.
- 2.4 That Cabinet recognises unavoidable pressures of some £10.070 million that need to be provided for within the 2021/22 budget.
- 2.5 That Cabinet confirms its intention to fully fund all pay related pressures insofar as they impact schools and to accommodate significant demand pressures caused in particular by increasing numbers of looked after children and pupils with additional learning needs.
- 2.6 That Cabinet proposes a Council Tax rise of 4.95% for financial year 2021/22.
- 2.7 That Cabinet recognises that whilst the draft budget proposals are presenting a balanced budget this includes a one-off contribution of £749k from the Council's limited general reserve balances (Council Fund). Efforts are to continue to mitigate as much as possible the level of reserve contribution supporting the budget proposals for 2021/22.

3. KEY ISSUES:

Overview

- 3.1 The last year has been a truly unprecedented one, on the county and its residents, and also on the Council and where its finances have been put under significant strain. The severe flooding that impacted the county in early 2020 was soon followed by the pandemic and that has remained with us since. And its impacts will continue through the current financial year and 2021/22 and beyond. As communities, businesses and the wider economy and society looks to move from the current emergency response, through mass vaccination of the population and towards recovery.
- 3.2 It is well trailed nationally that local government funding has been challenged for a number of years. Monmouthshire, in keeping with all other Councils in Wales has had to accommodate significant service pressures into its cost base to ensure that the service offer has remained relevant and appropriate for the citizens of the county.
- 3.3 For some years now the Council has successfully accommodated the ongoing and significant financial, demographic and demand-led pressures. This alongside its commitments to deliver the goals and objectives set out in its Corporate Plan. The Corporate Plan and the Council's coronavirus strategic aims outline the priorities of the Administration and these, in summary, are illustrated later in the report.
- 3.4 This budget proposals continue to support the priorities of the Administration. Specifically it seeks to recognise:
- a) All pay and pension related spending pressures in our schooling system
 - b) The increasing demand on schools and the Local Education Authority of pupils with additional learning needs
 - c) The increasing demand being placed on our children's social services in respect of looked after children and for whom the Council acts as corporate parent
 - d) The growing impact of an ageing population on adult social services
 - e) Responding to the needs of the homelessness with housing related support
 - f) Sustaining locally accessible services in the most effective and efficient way possible
- 3.5 Despite the pandemic the budget proposals see a continuation of our preparedness to challenge all services to sustain themselves rather than to see the closure of services that matter to citizens. There is an acknowledgement that when things close they never return and it is better to scale back rather than absolutely withdraw. This remains a key feature of the proposals as a whole.
- 3.6 Despite the above average provisional settlement from Welsh Government this only enables some of the pressures needing to be accommodated in the budget proposals to be offset. Furthermore, a significant question mark still arises over the pressures that will arise for pay awards.
- 3.7 Welsh Government have also confirmed that funding of COVID pressures, in the form of increased costs and income losses, will be separately announced in the coming weeks. This is positive news and provides clarity that the settlement does not contain therein any provision for such pressures which are expected to be significant as the pandemic impacts into 2021/22.

- 3.8 The Council is grateful to Welsh Government for the significant level of funding it has provided through its COVID Hardship Fund to meet additional costs and income losses and that have resulted from the pandemic. The Council calls for Welsh Government to continue its support in meeting such one-off costs and impacts through 2020/21 and 2021/22. The pandemic aside the challenges facing the authority now and into the future should not be underestimated. The latest 2020/21 in-year forecast exhibits significant pressures within and across services. A recovery plan is in place and is looking to arrest the current non-COVID over spend on services.
- 3.9 For 2021/22 and in overall terms there are some £10.07 million of new unavoidable service pressures that need to be accommodated as part of the 2021/22 budget and these are summarised in appendix 1 and detailed in appendix 2. The pressures significantly present themselves in:
- a) Adult and children's social care (£3.0m)
 - b) Children with additional learning needs (£1.5m)
 - c) Recycling and waste (£1.4m)
 - d) Passenger transport unit (£0.9m)
 - e) Homelessness support (£0.9m)
- 3.10 We have had to fundamentally review our income budgets as a consequence of the pandemic and where compensating Welsh Government funding is unlikely to be received pressures have been accommodated into the budget proposals. It is never popular to charge for services but the reality is that we need to do so. However, we have limited any increases in charges as much as possible. Likewise increasing Council Tax is never popular but with national funding not keeping pace with demands on local authorities, local taxation is by default having to shoulder a greater proportion of our overall funding.
- 3.11 This budget proposal assumes a council tax rise of 4.95% for 2021/22. For a current Band D property of £1,381 (Council only element excluding community council or Police levy), this would illustratively be an additional £68.35 a year or £1.31 a week for 2021/22.
- 3.12 The budget proposals are supported by a one-off contribution of £746k from the Council's limited general reserves (Council Fund balance) and from headroom that was created from the 2019/20 outturn position. Efforts are to continue to mitigate as much as possible the level of reserve contribution supporting the budget proposals for 2021/22. The Council Fund balance provides limited cover for unforeseen future eventualities and where mitigating budgetary recovery action is unable to manage such pressures on the Council's budget.
- 3.13 The Council is also making a continued use of Welsh Government guidance and that allows local authorities in Wales to fund one-off revenue costs associated with service reform from useable capital receipts held. This in turn will impact on useable capital receipts available to fund future capital programmes.

Purpose and Priorities

- 3.14 Monmouthshire County Council's Corporate Plan sets out the things we will be working on in the medium term. Our organisational purpose set in our Corporate Plan remains one of *building sustainable and resilient communities that can support the wellbeing of current and future generations*. We share this core purpose with our Public Service Board and it is our guiding force in working towards the seven national Well-being Goals.

3.15 The five organisational goals described in the Corporate Plan incorporate the council's well-being objectives but go further in reflecting the need for a deeper organisational and council business focus. Setting our goals in this plan and the actions necessary to deliver on them enables us to identify the future we want.

3.16 The Plan is underpinned by a clear policy framework that sets out in more detail our work to enable the delivery of the plan. The plan is supported by the 22 commitments to action we will make and the ways in which they will be measured. A mid-term refresh of the Corporate plan was approved by Council in March 2020 an update of the ambitious programme that will continue to be delivered during the course of the current Council, which runs until the local elections in May 2022.

3.17 The aspiration and objectives set for Monmouthshire by the PSB and Council are:

<i>Public Service Board Well-being Objectives</i>	<i>Monmouthshire County Council Goals & Well-being Objectives</i>
Provide children and young people with the best possible start in life	Giving people the best possible start in life
Respond to the challenges associated with demographic change	Lifelong well-being
Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change	Maximising the potential of the natural and built environment
Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county	Enable a thriving and well-connected county
	A future focussed Council

3.18 The council's strong record of delivery within a robust budget framework has enabled us to keep frontline services operating. We are clear that money should follow our core purpose of building sustainable and resilient communities and delivering the well-being objectives in the Corporate Plan.

3.19 At the outset of the Coronavirus pandemic Cabinet introduced a revised purpose and new strategic aims for the Council to provide clarity and ensure accountability through this period. The latest iteration was agreed in December 2020 in the [Winter Strategy](#). Delivery of the strategic aims will continue to have significant resource implications, including increased costs to maintain current service delivery and demands in setting up new or amended services. Close financial and budget monitoring continues. A specific action has been set in the strategy on setting a budget for the financial year 2021/22 capable of delivering these priorities.

3.20 We continue to develop our Medium Term Financial Plan to support us as far as possible to continue to deliver the aims and aspirations set out in this Corporate Plan and our purpose. While the Council's medium term financial planning has been severely disrupted by the pandemic, we continue to aim to ensure our focus is not only on short-term response, but medium-term recovery and long term sustainability.

- 3.21 We recognise this is not without challenges and uncertainty. However, it will enable us to focus our finite resources on the areas that matter most to people and enable us to build a sustainable service offer for current residents and businesses as well as future generations.
- 3.22 Our Corporate Plan and strategic aims give us the framework to focus on the big challenges but we can never lose sight of the need to spend every pound wisely, nor the reality that the cumulative impact of many small changes can add up to a significant impact on some people within our communities and the need to ensure that there is some degree of mitigation against this for the most vulnerable.
- 3.23 Chief Officers in considering the proposals and strategy above have also been mindful of the whole authority strategic risk assessment.
- 3.24 The following table demonstrates the links at a summary level that have been made with the 5 priorities, Corporate Plan and the strategic risks:

Proposal	Link to Goals and Well Being Objectives in the Corporate Plan	Link to Whole Authority Risk assessment
<p>Schools budgets will see a cash increase and with all pay and pension increases being fully funded.</p> <p>Education and school budgets will see additional resources going into the budget for children with additional learning needs.</p>	<p>Best possible start in life Thriving and well connected County</p>	<p>Budget proposals are mindful of the risk in the register around children not achieving their full potential</p>
<p>Social care budgets will see additional resources going into the budget for Children's and adults social services to meet the pressures in these areas.</p>	<p>Lifelong well being</p>	<p>These proposals seeks to address the risks around more people becoming vulnerable and in need and the needs of children with additional learning needs not being met</p>
<p>The drive for service efficiencies savings has continued and a few focused service reviews have enabled savings to be identified e.g. Continuance of household recycling and waste collection review,</p>	<p>Further reviews have enabled frontline services to transform the way they do things whilst still delivering the goals of the Corporate plan and therefore contributing to the creation of sustainable and resilient communities.</p>	<p>Addresses risks around the ability to sustain our priorities within the current financial climate</p>

implementation of ALN review.		
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Budget Process so far

- 3.25 Cabinet received a report on the MTFP and budget process at their meeting of 21st October 2020. The report outlined the assumptions that were being used in the construction of the budget for 2020/21 and the MTFP.
- 3.26 As a reminder the following assumptions had been used initially and at that time for the 2020/21 budget:
- 2.75% pay award for non-teaching staff
 - 3.1% pay award for teaching staff
 - 0% non-pay expenditure inflation
 - 0% income inflation – price increased to be considered by service managers through the through the budget process
 - 2% staff vacancy factor for services and a 0% staff vacancy factor for schools
 - A freeze in the employer's superannuation contribution rate (23.1%) for 2021/22 followed by 1% increases for the remainder of the MTFP period
 - 0% cash flat-line in Welsh Government settlement (AEF)
 - 4.95% increase in Council tax receipts
- 3.27 The above assumptions and modelling at that time led to a gap of £5.29 million in 2021/22 rising to a gap of £22.52 million over the medium term. Further work was then being undertaken to assess service based pressures both in the current year budget and any new pressures arising. Savings and income generation proposals were also being worked up and reviewed in order to close the gap between available resources and demand for resources.
- 3.28 The Welsh Government published its draft budget on 21st December. The overall increase in the Welsh Government draft revenue budget was £1.5bn (7.8%). Revenue spending will increase by £848m (5.0%) and spending on capital will increase by £671m (24.9%). There are no indicative revenue figures for future years as a result of the UK Government and Chancellor's one year spending review. Whilst understandable given the current level of uncertainty with the UK economy and public finances it does not assist the Council in financial planning for the future.
- 3.29 On 22nd December the Minister for Housing and Local Government published the provisional local government finance settlement. There is an increase in the revenue settlement (Aggregate External Finance) of 3.8% for 2021/22 on a like-for-like basis and including transfers that for Monmouthshire only related to specific teacher's pay grant transferring into the AEF. The Welsh Government has increased AEF by £172m.
- 3.30 Whilst a substantial proportion of pressures have been funded by this settlement there is a question mark over the actual pressures that will arise for pay in the context of the Chancellors Spending Review Statement on the 25 November. The Council has revised its budget assumption for pay (local government and teaching staff) down to 1%. However it recognises the budgetary risk if pay awards are subsequently confirmed in excess of this. One-off reserve cover is in place to mitigate this potential impact.

- 3.31 The Council in fact saw an increase in its AEF of 3.9%, above the all-Wales average of 3.8%. On the one hand this was welcome news as it enables some of the pressures needing to be accommodated in the budget proposals to be offset. And was significantly ahead of the original and prudent modelling assumption factored into the MTFP. However, the Council still remains rooted to the bottom of the table for funding per capita (£1,067 per capita).
- 3.32 Welsh Government have also confirmed that funding of COVID pressures, in the form of increased costs and income losses, will be separately announced in the coming weeks. This is positive news and provides clarity that the settlement does not continue therein any provision for such pressures which are expected to be significant as the pandemic impacts into 2021/22.
- 3.33 Specific grant funding still remains an evolving picture with many grant notifications still to be received. However, at an all-Wales level and based on most recent information supplied by Welsh Government, there appears to be a generally positive picture with grants at least cash flatlined at current year levels. One specific announcement is the increase from £40m to £50m in the Social Care Workforce Development grant from which the Council expects will benefit by an extra £247k and that will assist in meeting existing and relevant pressures within social services.
- 3.34 A response to Welsh Government regarding the Provisional Settlement is attached at Appendix 5.
- 3.35 A high level summary of the draft proposals and the resultant budget shortfall to be funded by a one-off contribution from the Council's general reserves (Council Fund balance) of £748k is shown below. Pressures of £10.070m and savings of £3.682m are summarised in appendix 1 and each is supported by a detailed mandate in appendix 2.

BUDGET PROGRESS TO DATE	£'000	£'000
Gross Expenditure		247,247
Full cost Pressures	1,423	
Specific service Pressures	10,070	
	11,493	11,493
Sub Total Expenditure		258,739
Gross Income		(247,247)
<u>Savings Proposals</u>		
Service efficiencies	(3,268)	
Welsh Government settlement funding implications	(3,723)	
Income generation increase	(415)	
Council tax additionality	(3,339)	
	(10,744)	(10,744)
Sub Total Income		(257,991)
Net Expenditure		748
Council Fund contribution		(748)
Net Expenditure		0

Pressures

3.36 The work on pressures has highlighted that a number of significant pressures (£10.07m) need to be taken into account in next year's budget. A summary table of pressures is provided below and further information on the individual pressures is provided in summary in Appendix 1 and in detail in appendix 2. The main pressures principally relate to areas outside of the control of the Authority, and most notably:

- Children with additional learning needs – £1.47m pressure resulting from demand for support for pupils and that includes requirements to support pupils from an earlier age and pupils that are continuing their education into post-16.
- Funding Children's Services looked after children pressures (LAC) – £1.46m that includes placement costs, legal costs and staffing pressures
- Sustaining the model of delivery within adult social care – £0.79m and that includes required uplifts to fees for external care providers (£536k) and £250k to deliver a bespoke contract to address a shortfall in commissioned care in the Usk area.
- Recycling and Waste – £1.435m of pressures resulting from increased cost of treatment and disposal, contract inflation, reduced grant funding and costs associated with new service provision. Council decisions in-year for service changes and rationalisation have led to a level of offsetting and compensating savings (see savings below).
- Passenger Transport Unit – £917k pressures resulting from catchment changes and increases, increased staffing costs resulting from an increase in-house provision required and a loss of private hire income.
- Homelessness – £874k of pressures that results from a fundamental review of the homelessness provision and aligns with Welsh Government's revised policy position. Note that early indications suggest a level of specific grant funding might be forthcoming from Welsh Government and that might mitigate some of the pressures needing to be accommodated.
- Pressures of £918k relating to the unbudgeted element of the 2020/21 pay award and staff efficiency savings that cannot be absorbed due to service demand pressures, most notably in social services (£688k).
- Income shortfalls – £777k of pressures that result from income losses that are either forecast as an indirect consequence of the pandemic and not met by Welsh Government's COVID Hardship Fund or that have been deemed not achievable in 2021/22.
- Corporate costs – £474k of pressures resulting from increases in precepts and levies from the South Wales Fire and Rescue Authority and Coroner's service, increased insurance premiums and pension strain costs.

3.37 It is noticeable that there are a limited number of pressures identified for years 2 to 4 of the MTFP against service directorates, however it is common for them to be recognised closer to the year in question and through the budget process. This needs to be borne in mind when considering the remaining gap in the MTFP. Provision of £5m is however made in the MTFP, for modelling purposes, for "unidentified pressures" in each of the remaining years of the MTFP based on the level of pressures that have historically presented themselves and been accommodated as part of the budget process. However, most recent years have seen a level of net pressures needing to be accommodated in excess of £5m, For 2021/22 this amounted to £7.811m.

Pressures by Directorate	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Children & Young People	1,469	0	0	0
Social Care & Health	2,979	382	342	342
Enterprise	3,754	0	(200)	0
Monlife	353	0	0	0
Resources	756	0	0	0
Chief Executives Unit	195	(33)	0	0
Corporate Costs & Levies	520	4,725	5,100	4,900
Appropriations	44	106	0	0
Core Funding	10,070	5,180	5,242	5,242

3.38 Previously agreed savings that have been identified as not achievable have also been recognised as pressures in the model together with significant current year budget overspends that look set to continue into 2021/22 and to the extent that they can't be mitigated. As a result of the pandemic and given the in-year challenges with savings being delivered by some service areas these significant demand-led pressures have been recognised in the budget for 2021/22 to mitigate this risk.

Saving Proposals for 2021/22

3.39 After several years of taking significant resource out of the budget the means of achieving further savings becomes increasingly more challenging. This has been exacerbated by the pandemic and where officer time has had to be diverted to the emergency response and ensuring vital services are delivered. The in-year over spend, whilst being managed via a recovery plan, sees significant service pressures carried through into 21/22 and with this already challenging backdrop has made the budget challenge even more acute.

3.40 The draft proposals in total bring forward savings of £3.682m. The notable savings proposals include:

- Savings of £1.258m from the full release of the individual school budget for Mounton House special school following its closure.
- Opportunity to continue to make use of guidance from Welsh Government that allows the Authority to make flexible use of capital receipts to capitalise revenue costs relating to service reform (£1.0m).
- Recycling and waste – £685k of savings notably resulting from in-year decisions by the Council (garden waste collection, introduction of polypropylene bags and HWRC changes) and reduced tonnages to landfill
- Income generation resulting from anticipated increased income, new charges and increases in existing fees and charges (£415k) – and that includes £252k from additional recoupment income from mainstream ALN provision in our schools.
- Additional specific grant funding – an increase in the social care workforce development grant from Welsh Government from £40m to £50m in 2021/22 will provide an additional £247k grant income that will offset existing and relevant pressures in adult social care.
- Targeted accommodation and mileage savings and that look to ensure that efficiencies realised from new ways of working in response to the pandemic are embedded (£121k)

3.41 Work continues in parallel to develop ideas and proposals such that they can be brought into the budget once they are sufficiently progressed.

3.42 All proposals have been considered and tested through an initial process of independent challenge by officers and Cabinet Members. A summary of all the proposals are shown in the table below. The savings proposals are contained in summary in appendix 1 and in detail in appendix 2.

Disinvestment by Directorate	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Children & Young People	(1,510)	0	0	0
Social Care & Health	(326)	(105)	0	0
Enterprise	(821)	0	50	0
Monlife	(104)	0	0	0
Resources	(165)	0	44	0
Chief Executives Units	(32)	0	0	0
Corporate Costs & Levies	(1,000)	0	1,700	0
Appropriations	275	111	(241)	0
Totals	(3,682)	6	1,553	0

Treasury Impact

3.43 The draft capital budget proposals and MTFP are being considered as a separate report on this agenda and for the purposes of establishing the revenue impact of the capital MTFP, the current summary position in the capital report has been taken.

3.44 The Treasury budgets continue to be closely monitored throughout the year, and any changes in the following will be considered at final budget stage:

- A review of the current year underspend;
- The profile of capital expenditure and potential slippage;
- A review of maturing debt over the medium term; and
- The balance between the level of fixed and variable rate debt in the Council's portfolio.

3.45 The balance of risk is an important consideration in this review as are the principles of security, liquidity and yield when considering any investment strategies.

Council Tax

3.46 The Council Tax increase in the budget has been modelled as 4.95% for 2021/22, 3.95% per annum for 2022/23 and 4.95% for the remaining two years of the MTFP as a planning assumption.

3.47 The Council tax base report was approved via Individual Cabinet Member decision on 9th December 2020 and concluded an assessment of collection rates and growth in properties. Despite the impact of the pandemic the collection rate in the current year the collection rate has been retained at 99.0%. Overall, the Council Tax base calculated for 2021/22 has risen by 0.82% compared to 2020/21. This increase takes into account the anticipated changes in dwellings and more recent forecasts have determined a further increase. The estimated total additional income, net of changes to CTRS (Council Tax Reduction Scheme), is £500,000 and these latest projections have been incorporated within the MTFP as part of the budget process.

Summary position

- 3.48 In summary, the 2021/22 budget proposed are balanced but rely on a one-off contribution from the Council's general reserves (Council Fund balance) of £749k, if all the pressure and savings proposals summarised in appendix 1 and detailed in Appendix 2 are approved. Efforts are to continue to mitigate as much as possible the level of reserve contribution supporting the budget proposals for 2021/22.

Services	Adjusted Base 2020/21 £000	Indicative Base 2021/22 £000	Indicative Base 2022/23 £000	Indicative Base 2023/24 £000	Indicative Base 2024/25 £000
Children & Young People	56,072	56,544	57,062	57,535	58,014
Social Care & Health	50,515	53,282	53,951	54,690	55,435
Enterprise	22,602	26,414	26,859	27,191	27,710
Resources	7,682	8,361	8,482	8,660	8,795
Chief Executive's Unit	4,749	4,957	5,129	5,075	5,152
Corporate Costs & Levies	22,972	22,492	27,217	34,017	38,917
Sub Total	164,592	172,051	178,698	187,168	194,023
Transfers to reserves	143	195	188	63	63
Transfers from reserves	(657)	(588)	(294)	(139)	(139)
Treasury	6,628	6,859	7,317	7,424	7,423
Appropriations Total	6,114	6,466	7,211	7,348	7,347
Total Expenditure Budget	170,706	178,517	185,909	194,516	201,371
Aggregate External Financing (AEF)	(97,760)	(101,483)	(101,483)	(101,483)	(101,483)
Council Tax (MCC)	(57,347)	(60,686)	(63,083)	(66,205)	(69,482)
Council Tax (Gwent Police)	(12,647)	(12,647)	(12,647)	(12,647)	(12,647)
Council Tax (Community Councils)	(2,952)	(2,952)	(2,952)	(2,952)	(2,952)
Contribution to/(from) Council Fund	0	(749)	0	0	0
Sub Total Financing	(170,706)	(178,517)	(180,165)	(183,287)	(186,564)
(Headroom)/Shortfall	0	0	5,744	11,228	14,806

MTFP Risks and Considerations

- 3.49 The last year has been a truly unprecedented one, on the the county and its residents, and also on the Council and where its finances have been put under significant strain. The severe flooding that impacted the county in early 2020 was soon followed by the pandemic and that has remained with us since. And its impacts will continue through the current financial year and 2021/22 and beyond. As communities, businesses and the wider economy and society looks to move from the current emergency response, through mass vaccination of the population and towards recovery.
- 3.50 The Council is grateful to Welsh Government for the continued funding provided to local authorities via its COVID Hardship Fund to offset significant COVID related expenditure and income losses. A risk still remains that Welsh Government funding will be inadequate to cover COVID related expenditure and income losses for the remainder of this financial year and through 2021/22. However, increased levels of comfort have been provided by Welsh Government recently and that look to cause the risk level to be reduced,
- 3.51 Beyond the pandemic the Council is still facing significant demand led service pressures as is demonstrated by the £10.07m of pressures being accommodated in the draft budget proposals. Clearly these pressures are based on the latest estimates and forecasts and further increases in demand can cause rise to further financial pressure on the Council.

- 3.52 The Welsh Government provisional settlement has provided some welcome reprieve and exceeded the Council's earlier MTFP modelling assumption. However, and as is the case at this stage of the budget process, clarification is still being sought on levels of specific grant funding. This will be closely monitored in the coming weeks and any known material impacts will be factored into the final budget proposals.
- 3.53 The key remaining and potentially significant financial risk relates to the pay awards for local government staff and teaching staff. The reality is that Welsh Government did not receive any additional funding through the Barnett formula to provide for public sector wide pay awards next year given the UK Government's decision to pause public sector pay rises, with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within the Council's budget planning in the light of the Provisional Settlement.
- 3.54 Local government pay is nationally set by Local Government Employers (LGE) and Teachers pay in Wales is set by the IWPRB (Independent Welsh Pay Review Body). As stated earlier in the report the modelling assumption for pay is set at 1%. Any increase in pay award above this will draw further on the Council's finances and therefore this remains a key risk. The Council awaits subsequent notification on pay from awarding bodies and that is likely to extend into 2021/22 before being finalised and where pay awards are subject to consultation with trade unions.

Reserves and Capital Receipts strategy

- 3.55 Earmarked reserve usage, established for specific use and purpose, is projected over the MTFP period to decrease the balance on earmarked reserves from £5.53 million in 2020/21 to £4.91 million at the end of 2023/24. Taking into account that some of these reserves are specific, for example relating to joint arrangements, this brings the usable balance down to £3.17 million at the end of 2023/24.
- 3.56 The Council's general reserve (Council Fund balance) was increased £1.8m as a consequence of an opportunity at the end of the 2019/20 financial year to fund costs associated with service reform from capital receipts and aided by a one-off VAT recovery that offset in-year service pressures. This created £1.8m headroom in the Council Fund balance above advised de minimus levels.
- 3.57 The Council is proposing to utilise £749k of this headroom to make a one-off contribution to support the draft budget proposals. The remaining balance is being reserved and if required to cover the following and where mitigating budgetary recovery action is unable to manage such pressures on the Council's budget:
- Any deficit at revenue outturn for the 2020/21 financial year – The M7 forecast reported to Cabinet in January highlighted a £518k non-COVID forecast deficit – with a risk around any COVID related deficit not being funded by WG
 - Any budget pressure in 21/22 resulting from pay award announcements in excess of the 1% modelling assumption and as noted above
 - Any COVID related pressure caused by a shortfall in WG funding in 21/22
 - Any deficit at revenue outturn for the 2021/22 financial year
 - Any one-off contribution to support the 2022/23 budget proposals
 - To allow for future reserve cover across MTFP and beyond
- 3.58 As part of its MTFP budget strategy the Council is continuing to make use of Welsh Government guidance and that allows local authorities in Wales to fund one-off revenue

costs associated with service reform from useable capital receipts held. The Council is proposing to draw £1.7m from capital receipts as part of the budget proposals for 2021/22 and has modelled a similar level of contribution for 2022/23. Whilst the Council will have sufficient capital receipts to maintain this short-term approach it should be noted that it has two consequences. Firstly that it draws on limited useable capital receipts meaning that any significant capital expenditure needing to be funded from the Council's resources will have a direct impact on the level of borrowing needing to be considered. And secondly that this is a short term strategy and its removal as a funding source in future will have an impact on the level of budget shortfalls needing to be managed. As such the Council will need to move towards a more sustainable budget strategy over the medium and once the current unprecedented circumstances have passed.

- 3.59 It can be seen that despite the positive provisional settlement from Welsh Government and despite a continued funding of COVID related pressures the continued extent of pay and demand pressures from services place a significant financial burden on the Council and where it does not have significant recourse to rely on reserves.
- 3.60 Separate to this locally managed school budgets carried a collective net deficit balance of £435k at the beginning of the current financial year. The latest month 7 outturn statement indicates that school balances are forecast to decline further to £422k. However, all schools who are in a deficit position have agreed recovery plans and the number of schools in deficit is forecast to reduce from 17 at the beginning of this financial year to 13.
- 3.61 The previously approved Reserves strategy sought to ensure that earmarked reserves are not used to balance the budget for ongoing expenditure and that they are instead used to the best effect and impact on one off areas of spend to help the authority transform itself within the new resource levels available to it. The final budget report will contain an assessment of the adequacy of reserves.

Next Steps

- 3.62 The information contained in this report constitutes the draft budget proposals that are now made available for formal public consultation and member scrutiny, and that includes the formal requirement to consult businesses. The formal consultation period will run for a period of four weeks ending on 17th February 2021.
- 3.63 Cabinet are interested in consultation views on the draft proposals and the underlying budget strategy adopted. This is the opportunity for Members, the public and community groups to consider the budget proposals and make comments on them. Cabinet will not however, be prepared to recommend anything to Council on 11th March that has not been subject to a Future Generations Assessment and Equality Impact Assessment and therefore a deadline to receive alternative proposals has been set as 17th February 2021.
- 3.64 In the past extensive community engagement had been undertaken around the budget. However, such a large scale public engagement will not be undertaken as budget proposals that see substantive or material service developments will have undergone their own consultation process.
- 3.65 Furthermore, the pandemic and the current lockdown restrictions places an additional challenge on being able to adequately consult with residents. As a result the Council will be looking to:

- a) Launch a dedicated page on the Council's website containing the draft budget proposals, a video blog by the Cabinet Member for Resources and an online feedback form;
- b) Making use of social media linked to press releases, the website and online forms to ensure that there is optimal reach to allow residents to become aware of and respond to the draft budget proposals.

3.66 There will however be an opportunity for the community to provide consultation responses via virtual online meetings with various consultative fora outlined below and via the website and social media where details of the proposals and consultation events will be published.

School Budget forum – 21st January 2021
My Mates group – 21st January 2021
Unions Joint Advisory Group (JAG) – 25th January 2021
County wide budget engagement livestream – 27th January 2021
Head Teachers conference – 29th January 2021
Engage to Change (young people) – 29th January 2021
Access for All group – to be confirmed

Town and community council cluster meeting – 2nd February 2021

3.67 The scrutiny of the budget proposals are key areas of this part of the budget process. The following dates have been set for Select committees:

Children and Young People – 19th January 2021
Economy and Development – 21st January 2021
Adults – 26th January 2021
Strong Communities – 28th January 2021

3.68 Final budget proposals following consultation and receipt of the final settlement will go to the Cabinet meeting on 3rd March 2021 and approval of Council Tax and final budget proposals will then take place at Full council on 11th March 2021.

4 OPTIONS APPRAISAL:

4.1 Directorates are required to consider and outline the options that have been considered for each of the budget savings proposals and pressures identified in this report. The detail is contained in the budget mandates available under appendix 2.

5 EVALUATION CRITERIA:

5.1 The means of assessing whether the final budget proposals 2021/22 have been successfully implemented is undertaken throughout the year via regular budget monitoring and periodic reports to Cabinet and then to Select committees for scrutiny.

5.2 Since the start of the pandemic the Council has been reporting on both COVID and non-COVID budget deficits, with the former being funded by Welsh Government to date through the COVID Hardship Fund. Reporting will extend into 2021/22 on the same basis as the impact of the pandemic continues to impact on the Council's finances.

5.3 Alongside the Corporate plan the Council continues to iterate and develop its Coronavirus strategy, its third iteration (Winter Strategy) approved by Cabinet in December 2020. Regular monitoring of the performance of the Council against service business plans, the Corporate Plan and the Coronavirus strategy takes place. Taken together these arrangements enable the Council to evaluate its success and progress against its longer term plans within the resources available.

6 REASONS:

6.1 To agree the draft revenue budget proposals for 2021/22 for consultation purposes.

7. RESOURCE IMPLICATIONS:

7.1 As identified in the report and appendices.

8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING and CORPORATE PARENTING):

8.1 The future generation and equality impacts of the savings proposals have been initially assessed per budget saving mandate in appendix 3. An overall future generation and equality impact evaluation of the all the proposals has also been undertaken and is contained in appendix 4. This overall evaluation is an early one, applying to budget proposals only at this pre-consultation, pre-decision stage. This analysis will continue to evolve and be updated throughout public consultation and scrutiny.

8.2 The impact on services has been kept to a minimum. The assessment shows some proposals have identified a negative impact and mitigating actions have been considered, identified or are in place. Consultation requirements have been identified and are ongoing. The assessment also identifies some of the pressures to support services have potentially a mostly positive impact on equalities and Future Generations.

8.3 The actual future generations and equality impacts from the final budget report's recommendations will also be reviewed and monitored during and after implementation.

9. CONSULTEES:

SLT
Cabinet

10. BACKGROUND PAPERS:

Appendix 1: Summary of budget savings and pressures
Appendix 2: Directorate savings and pressure proposals
Appendix 3: Future Generations Evaluations
Appendix 4: Future Generations Evaluation for the overall budget
Appendix 5: Proposed letter responding to Welsh Government's Local Government provisional settlement

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