

## REPORT

<b>SUBJECT:</b>	<b>Revenue and Capital Budget 2021/22 – Final proposals following scrutiny and public consultation</b>
<b>MEETING:</b>	<b>Cabinet</b>
<b>DATE:</b>	<b>3<sup>rd</sup> March 2021</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>ALL</b>

### 1. PURPOSE:

- 1.1 To update Cabinet with the consultation responses to the draft budget proposals issued by them on the 20<sup>th</sup> January in respect of the Capital and Revenue budgets for 2021/22.
- 1.2 To update members with implications arising from the Provisional Local Government Settlement announcement of the Welsh Government as well as providing update with regards to the awaited Final Settlement announcement.
- 1.3 To make recommendations to Council on the Capital and Revenue budgets and level of Council Tax for 2021/22.
- 1.4 To receive the Responsible Financial Officer's Prudential Indicator calculations for capital financing.
- 1.5 To receive the statutory report of the Responsible Financial Officer on the budget process and the adequacy of reserves.

### 2. RECOMMENDATIONS:

- 2.1 That Cabinet considers the responses to consultation and recommends to Council:
  - a) The 2021/22 revenue budget as attached in **Appendix I1**.
  - b) The 2021/22 to 2024/25 capital programme as attached in **Appendix J1**.
- 2.2 That Cabinet acknowledges that the final budget proposals proposed look to support the priorities of the council and specifically seek to recognise:
  - a) In full, all pay and pension-related spending pressures in our schooling system;
  - b) The increasing demand placed on children's social care services, adult social care and our children with additional learning needs budgets;
  - c) Significant service pressures within the passenger transport unit and within recycling and waste and that look to ensure that the Council supports and sustains key service delivery;
  - d) Investment that ensures that homeless people are provided adequate support, advice and accommodation in their time of need;
  - e) An ongoing commitment to recognise and value the contribution made by the workforce and ensuring that local government staff are paid no less than the minimum

wage set by the Living Wage Foundation. And that as a result of the Cabinet decision in January is also extended to apprenticeship roles within the Council.

- 2.3 That a 3.89% increase in the Band “D” equivalent Council Tax is used as the planning assumption in the budget model and to apply for County purposes in 2021/22, reduced from the previous proposed increase of 4.95% and as a result of public consultation.
- 2.4 That Cabinet approves the revised saving and pressure proposals, updated following public consultation, scrutiny and more up to date information being made available since the draft proposals were released on consultation on 20<sup>th</sup> January 2021.
- 2.5 That Cabinet approves the changes and additional investment in the draft capital budget proposals and programme for 2021/22 and indicative capital budgets from 2022/23 to 2024/25.
- 2.6 That Cabinet recommends Council to dispose of assets identified in the exempt background paper at best value.
- 2.7 That Cabinet considers the Responsible Financial Officer’s report on the robustness of the budget process and the adequacy of reserves issued under the provisions of the Local Government Act, 2003, together with an assessment of the current and future financial risks facing the Council.
- 2.8 That Cabinet adopts the Responsible Financial Officer’s report on Prudential Indicators.
- 2.9 That Cabinet approves that:
  - a) Further work is undertaken to develop a balanced Medium Term Financial Plan.
  - b) Regular review is undertaken of the MTFP to ensure it remains up to date, and that includes an assessment of evidence based pressures and risks, underlying modelling assumptions and the ongoing affordability implications of the Corporate Plan.

### **3. KEY ISSUES:**

#### **BUDGET CONSULTATION**

- 3.1 Cabinet issued its budget consultation proposals on 20<sup>th</sup> January 2021 thereby allowing a period for public consultation and scrutiny.
- 3.2 The pandemic and the current lockdown restrictions placed an additional challenge on being able to adequately consult with residents. As a result the Council:
  - a) Launched 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) Made 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.
- 3.3 There was an opportunity for the community to provide consultation responses via virtual online meetings with various consultative fora undertaken and via the website and social media where details of the proposals and consultation events were published.

- 3.4 The proposals were scrutinised by the Children's and Young People Select Committee, Strong Communities Select Committee, Adult Select Committee, and Economy and Development Select Committee, the Schools Budget Forum and the Joint Advisory Group (JAG).
- 3.5 Furthermore, budget consultation was undertaken through a Countywide virtual budget livestream event, and virtual meetings with MyMates, the Friday Friendly (young people), Head Teachers and Town and Community Councils.
- 3.6 Extracts of the draft minutes from the Committees are included as **Appendices A1 to A6** respectively and a summary or notes of the engagement events together with feedback received are included in **Appendices A7 to A11**.
- 3.7 In terms of public engagement the use of the website and social media as a mechanism for sharing information and getting feedback has continued with active engagement and responses received. An overview of the Council's budget engagement is included in **Appendix A12**.
- 3.8 As might be expected, responses to consultation varied. However, there was a broad acceptance and understanding of the overall shape of the budget proposals and set against the backdrop of significant financial and demand driven challenges faced. Residents understood that the Council continued to look to protect frontline services and in particular those most vulnerable in our communities. And they also recognized the strain on the Council at this time of responding to the pandemic and how this also influenced the nature of the budget proposals.
- 3.9 There were a number of questions clarified via the Select Committee meetings and other consultation meetings. Clarification was provided at meetings and via responses to pre-submitted questions made available on the Council's website. The budget presentation delivered at the consultation events was made widely available via the Council's website. And the Cabinet Member for Resources delivered a video message to explain the challenges being facing in 2020/21 and how the Council was looking to respond to them.
- 3.10 The process in general has worked well, with thorough debate having taken place through scrutiny and public consultation events. Attendance was improved generally from the previous year's consultation events and a number of residents commented that they benefitted from the ability to access the meetings virtually. Constructive feedback was again also provided on how the budget consultation could be improved and this will be taken on board as part of ongoing improvement in the process.
- 3.11 In respect of the capital budget proposals, general support was expressed about the need to continue to invest in schools whilst recognising that there are future pressures to be managed. Concerns were also raised with regards to overstretched infrastructure, flooding and the impact of ash dieback disease.
- 3.12 In terms of the key issues and concerns raised as part of the consultation, engagement and scrutiny process and which concern the revenue budget proposals specifically, these principally revolved around:
- A significant number of residents raising concern about the level of council tax increase proposed, and reassurance was asked for about the assumptions around council tax collection. However, there was a recognition that the choices available to the Council were limited in the face of significant pressures and inadequate funding being received from Welsh Government.

- Reassurances around the risks and uncertainties that the Council was facing at this time and into the future. With particular concern around income losses and the impact on the Council's commercial investment portfolio.
- Concerns raised around continued pressure on services such as in social care, operational frontline services and with children with additional learning needs.
- Feedback via select committees, consultation events and online forms from residents questioning the level of funding that Monmouthshire receives from the Welsh Government and the fairness in the formula distribution.
- Reassurances in particular from Select Committees around the approach the Council was taking to draw on limited reserve balances to support the budget at this time. And that included members wanting to better understand the flexible use of capital receipts to support the budget.
- Interest in the mechanisms and thresholds in place around fees and charges in social care and to ensure those without sufficient means were not being adversely impacted by the increases.
- Overriding support for the investment in homelessness support and prevention, alongside calls for Welsh Government to provide further specific funding to sit behind its own policy commitments.
- Support from the School Budget Forum and Head Teachers that all pay and pension increases will be funded, including a commitment to fund any increase above the 1% modelling assumption in the budget.
- Clarification from Teaching Unions on how Welsh Government funding to raise standards and increase the level of teaching support during the pandemic was being allocated to schools and used.

3.13 As stated above there was a general consensus reached by respondents that the funding formula used by Welsh Government to allocate funding to Welsh authorities disproportionately disadvantaged Monmouthshire and failed to recognise both the areas of deprivation within the County and its rurality. There was overriding support that the Council should challenge Welsh Government on the need for a funding floor to be introduced in order to protect vital services. Select committees again asked for the funding formula to be reviewed and for evidence to be provided to the WLGA and Welsh Government such that Monmouthshire could benefit from a fairer settlement in future.

3.14 As a result of the consultation and upon subsequent reflection of concerns raised it is recommended that the following revisions are made to the savings proposals:

- a) That the proposed council tax increase of 4.95% is reduced to 3.89%.
- b) Further investment in the capital programme, and that will result in additional investment in flood alleviation and match funding that enables grant funded schemes to be delivered.
- c) An ongoing commitment to recognise and value the contribution made by the workforce and ensuring that local government staff are paid no less than the minimum wage set by the Living Wage Foundation of £9.50 per hour and that will take effect from April 2021. And that as a result of the Cabinet decision in January that this also be extended to apprenticeship roles within the Council.

## PROVISIONAL AND FINAL SETTLEMENT

- 3.15 The Welsh Government published its draft budget on 21<sup>st</sup> 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 were 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.
- 3.16 On 22<sup>nd</sup> 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.
- 3.17 Whilst a proportion of pressures faced by the Council 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.
- 3.18 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 has enabled 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).
- 3.19 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 and will be informed and influenced by the Chancellor's Spring budget announcement on the 3<sup>rd</sup> March. The budget assumption for next year remains that Welsh Government will fund such COVID pressures. Clearly, any resultant shortfall will be identified through in-year budget monitoring with budget recovery action being taken as required.
- 3.20 The provisional settlement also only included the notifications of specific grants at an all Wales level. There are still a number of grant announcements to be made and this position is extremely disappointing as it makes planning for next year's budget even more difficult. It is hoped that the final settlement on 2<sup>nd</sup> March will provide further clarification. The current position on Welsh Government specific grants (all Wales) is included in **Appendix C**. There are a number of significant grants where the Authority remains unclear as to the amount to be received and resultant terms and conditions attached.
- 3.21 A table showing each authorities position resulting from the provisional settlement is included at **Appendix B1** to this report. Monmouthshire again remains at the bottom of the table in terms of AEF per head of population. A response to Welsh Government regarding the Provisional Settlement is attached at **Appendix B2**.
- 3.22 Whilst no further changes to funding levels are anticipated as a result of the final settlement announcement by Welsh Government on 2<sup>nd</sup> March any further changes to the budget will need be considered as part of the Council Tax resolution when it is considered by Full Council on 11<sup>th</sup> March 2021.

- 3.23 The medium term prognosis is still of concern, there are no indicative settlement figures published and which significantly impedes and impacts on forward planning of budgets over the medium term. At this stage and with uncertainties remaining as to future levels of local government funding the MTFP for 2021/22 onwards factors in no cash increase in funding (0.0%), so that planning can be undertaken on a prudent basis.
- 3.24 There is still a need to think differently about the even greater challenges of the medium term and this work and engagement will continue in the coming months, and notably with other local authorities, Welsh Government and the Welsh Local Government Association (WLGA) and where funding distribution and projections are concerned. Specifically, the Leader continues to garner support with the WLGA rural forum for an evidence based review of the funding formula to be undertaken to demonstrate how rural authorities are disadvantaged in the formula distribution.

### **BUDGET PROCESS CONTEXT AND CHANGES**

- 3.25 Subsequent to Cabinet's budget consideration on 20<sup>th</sup> January 2020, proposals went on consultation and which looked to accommodate £10.07m of pressures by way of savings proposals of £3.682m and a one-off contribution from the Council's general reserves of £748k. Work has continued to review and revise existing and new savings and pressures in the light of further engagement and scrutiny. All the original proposals are available as part of the draft budget proposals. Details of revised savings and pressures and the movement from draft to final proposals are included in **Appendix D** and **E**.
- 3.26 The table below illustrates the movements that have been seen as a result of the budget proposals being finalized and subsequent to public consultation, scrutiny and more up to date information being made available since the draft proposals were released on consultation on 20th January 2021.

<b>Budget Reconciliation</b>	<b>Amount £'000</b>
Draft budget proposals – budget shortfall	0
Revisions and additions to pressures	240
Revisions and additions to savings	(1,052)
Update to treasury and appropriation budgets	(442)
Adjustment to transfers from settlement	(102)
Reduction in council tax increase	608
Removal of one-off contribution from Council Fund	748
<b>Final budget proposals – budget shortfall</b>	<b>0</b>

- 3.27 The revisions and additions to pressures are summarised as follows:
- A £651,000 reduction in the homelessness pressure from £875,000 to £224,000 as a result of recent confirmation of specific grant funding from Welsh Government

together with the continued expectation that Welsh Government will continue to meet COVID related costs next year.

- £300,000 earmarked investment and that looks to enhance the Council's digital design and innovation and data analytics capabilities. This will be funded through flexible use of capital receipts and in relation to costs associated with service reform. It will also be subject to a subsequent report to Cabinet for consideration and approval and that will outline the detailed proposals.
- £207,500 investment in the Council's procurement capability, achieved through a proposal to collaborate with Cardiff Council. This will be also funded through flexible use of capital receipts and in relation to costs associated with service reform.
- As approved by Cabinet in January, £103,000 investment to ensure that apprenticeship roles are paid as a minimum in line with the Council's pay scales and therefore in line with the ongoing commitment to pay in line with the Real Living Wage set by the Living Wage Foundation each year.
- A £91,000 investment and that contributes towards the need for further resilience around COVID recovery.
- £84,000 investment to develop local outreach advisory and direct support which would align and link with the Pupil Referral Service "In-reach" in place in Secondary Schools. This would work closely with other services to provide a multi-agency response to school's requests for support where a child is displaying extreme challenging behavior, thus supporting the maintenance of pupils in their local communities.
- An additional budget pressure of £60,000 to recognise the need for the sleep-in allowance to be included in holiday pay calculations in social services.
- Recognition of a £31,000 pressure to ensure that the existing in-house developed social care case management system is maintained ahead of a subsequent future move to the all Wales care package system (WCCIS).
- A further increase in the budget for the South Wales Fire Authority precept of £14k and resulting from update in population estimates used.

3.28 The revisions and additions to savings are summarised as follows:

- The revision and additions to savings principally concern a delay in the county-wide rollout of the *Turning the World Upside Down* commissioning strategy. This results in a saving of £548k consistent with the investment that was made as part of the current year (2020/21) budget proposals. The Council had already paused progress during the current year, as a consequence of the impact and response to the pandemic, and to also assist in the in-year budget recovery plan. The implementation strategy is being reviewed during 2021/22 with a view to revised proposals being brought back for future consideration in the coming months.
- As noted above an increase in the flexible use of capital receipts in 2021/22 and each of the subsequent years of the capital MTFP of £507,500 to support investment in procurement, digital design and data analytics.

3.29 Further changes to the budget proposals for 2021/22 include:

- As is the case ahead of the final budget proposals being prepared a full and further update is undertaken, based on most recent forecasts, of treasury budgets. This aligns with the work done in parallel in producing the Council's treasury strategy for 2021/22. As a result of the significant work undertaken by officers and treasury advisors the Council will be looking to make more continued use of short-term borrowing during 2021/22 and resulting from the continued low interest rate environment. The consequence of this has been a net reduction in anticipated treasury costs of £472,000.
- An analysis of the potential capital receipts forecast over the medium term has identified some consequential costs of disposal that are required in 2021/22 in relation to items such as survey's and professional fees.
- A sum of £102,000 was included in the provisional settlement in respect of transfers into the settlement and to meet costs that had been previously grant funded by Welsh Government (teachers' pay for 2020/21). This sum was identified as already having been incorporated into the existing 2020/21 base budget and therefore the further transfer has been reversed.

3.30 The increase in the Band "D" equivalent Council Tax for the County has been reduced from 4.95% to 3.89% and resulting from resident feedback and the budget consultation and scrutiny process. The consequence of this will be a reduction in council tax income of £608,000 in 2021/22 and has a continued impact on the MTFP going forward.

3.31 The consequence of the adjustments results in the originally proposed one-off contribution from general reserves of £748,000 now no longer being required. This is welcomed and allows for the retained headroom within the Council Fund above minimum 4% thresholds to be reserved as cover against future financial risks and challenges.

3.32 Whilst no further changes to funding levels are anticipated as a result of the final settlement announcement by Welsh Government on 2<sup>nd</sup> March any further proposed changes to the budget proposals will be considered as part of the Council Tax resolution when it is considered by Full Council on 11<sup>th</sup> March 2021.

3.33 It is worth noting that the ongoing financial challenges remain as always a dynamic situation. As stated in recommendation 2.9 further work will be undertaken to develop the MTFP and that will include an ongoing assessment of pressures, risks and modelling assumptions. Notably key risks remaining to be assessed and managed in 2021/22 and as yet unknown are:

- The fact that neither the Teacher's pay award for the next academic year or the LGE pay award are known. The current modelling assumption for pay award for non-teaching staff is currently 1%.
- A 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 and through reserve cover in place as required.

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).



Pay budgets have been built on a modelling assumption and pay award of 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 will now extend into 2021/22 and where pay awards are subject to consultation with trade unions.

- 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. Whilst comfort is held around all such pressures being funded by Welsh Government in this financial year a risk still remains that Welsh Government funding will be inadequate to cover COVID related expenditure and income losses through 2021/22. This will be significantly influenced by UK Government's further announcements, and notably via the Chancellor's Spring budget announcement on 3<sup>rd</sup> March.
- Clarification is still being sought on levels of specific grant funding for next year. It is hoped that further detail will be provided when Welsh Government released the final settlement on 2<sup>nd</sup> March. This will be closely monitored in the coming weeks and any material impacts will be considered as part of in-year budget monitoring with recovery action being taken as required.
- Demand-led pressures remain, as evidenced by the extent and level of pressures needing to be accommodated within these budget proposals. Ongoing budget monitoring and review of pressures will identify whether any further pressures need to be managed. As stated this is a dynamic situation to which the Authority will respond as any situation evolves.

### **Council Tax**

- 3.34 The increase in the Band "D" equivalent Council Tax for the County has been reduced from 4.95% to 3.89% and resulting from resident feedback and the budget consultation and scrutiny process. The revised increase of 3.89% is now being used as the planning assumption in the budget model and to apply for County purposes in 2021/22, reverting to a 3.95% increase 2022/23 and 4.95% in each of the subsequent 2 years.

### **OVERALL REVENUE BUDGET POSITION**

- 3.35 The current revenue position for each of the next 4 years is included in **Appendix I2**. The proposed position for 2021-22 specifically is,

Services	Indicative Base 2021/22 £000	Indicative Base 2022/23 £000	Indicative Base 2023/24 £000	Indicative Base 2024/25 £000
Children & Young People	56,527	57,044	57,518	57,996
Social Care & Health	52,825	53,494	54,233	54,978
Enterprise	25,767	26,212	26,544	27,063
Resources	8,361	8,482	8,660	8,795
Chief Executive's Unit	5,048	5,220	5,166	5,243
Corporate Costs & Levies	23,414	28,139	34,939	39,839
<b>Sub Total</b>	<b>171,942</b>	<b>178,590</b>	<b>187,060</b>	<b>193,915</b>
Transfers to reserves	195	188	63	63
Transfers from reserves	(588)	(294)	(139)	(139)
Treasury	6,417	6,853	7,055	7,536
<b>Appropriations Total</b>	<b>6,024</b>	<b>6,747</b>	<b>6,979</b>	<b>7,460</b>
<b>Total Expenditure Budget</b>	<b>177,966</b>	<b>185,337</b>	<b>194,039</b>	<b>201,375</b>
Aggregate External Financing (AEF)	(101,483)	(101,483)	(101,483)	(101,483)
Council Tax (MCC)	(60,078)	(62,451)	(65,542)	(68,786)
Council Tax (Gwent Police)	(13,451)	(13,451)	(13,451)	(13,451)
Council Tax (Community Councils)	(2,954)	(2,954)	(2,954)	(2,954)
Contribution to/(from) Council Fund	0	0	0	0
Disinvestment	0	0	0	0
<b>Sub Total Financing</b>	<b>(177,966)</b>	<b>(180,339)</b>	<b>(183,431)</b>	<b>(186,675)</b>
<b>(Headroom)/Shortfall</b>	<b>0</b>	<b>4,998</b>	<b>10,608</b>	<b>14,700</b>

Note: An explanation of how services are grouped is included in **Appendix L**

## CAPITAL BUDGET

- 3.36 On September 19<sup>th</sup> 2019 Council approved the first full Capital Strategy, an annual requirement of the Prudential Code for Capital Finance that was updated in 2017. The Authority's Capital Strategy is required to define at a high level how the Authority ensures its capital plans:
- Contribute to the provision of local public services;
  - Are affordable, prudent and sustainable;
  - Demonstrate that existing assets are adequately maintained;
  - Are developed with a full understanding of the risks involved;
  - Are appropriate for the Authority and suit local circumstances; and
  - Have due regard for the long term financing implications and risks to the Authority.
- 3.37 In preparing the draft capital budget proposals for 2021/22 and the subsequent three years of the capital MTFP regard has been given to underlying principles of the current strategy and that remained fit for purpose.
- 3.38 An updated capital strategy for 2021/22 will be considered by Council alongside the treasury strategy at its meeting on 11th March 2021. A draft revised strategy is appended for information at **appendix M**.
- 3.39 The capital MTFP and capital strategy seek to work towards a financially sustainable core capital programme, whilst balancing the need to deliver capital investment plans in line with policy commitment and need. The draft capital budget proposals were prepared on this basis and were issued by Cabinet for consultation purposes at its meeting on 20<sup>th</sup> January 2021.
- 3.40 During the financial year, any new schemes volunteered can only be added to the programme if the business case demonstrates either:
- That they are self-financing;
  - The scheme is deemed a higher priority than current schemes in the programme and therefore displaces it;
  - They do not compromise the core principles of affordability, sustainability or prudence
- 3.41 When considering the relative merits of projects and potential displacement, the priority matrix in the capital strategy will be applied, either endorsing or amending it for onward consideration by full Council.
- 3.42 The provisional settlement announced on 22<sup>nd</sup> December 2020 maintains effectively a standstill funding position in respect of core general capital grant and supported borrowing for 2021/22. This is assumed to continue at current levels through the latter 3 years of the capital MTFP. However, the current levels of general capital grant include an additional level of capital grant maintained from 2020/21. Any reduction or removal of this additional sum in future years would have consequences on both capital and revenue budgets.

The proposed changes to the capital programme since the draft proposals were released on consultation by Cabinet on January 20<sup>th</sup>, based on feedback from public consultation and scrutiny, and more up to date information being made available have resulted in the following increases in the capital programme:

Financial Year	Draft proposals £'000	Final proposals £'000	Increase £'000
2021/22	24,271	26,514	2,243
2022/22	23,714	25,800	2,086
2023/24	8,656	10,538	1,882
2024/25	8,783	10,665	1,882

3.43 The specific additions to the capital budget proposals are:

- Recognition of the Council's share in the up-front capital investment of £361k in 2021/22 and resultant decommissioning costs of £203k in 2022/23 to enable the SRS data centre move from Blaenavon to NGD in Newport, approved by Council in October 2020;
- An increased level of capital investment of £375k in 2021/22 and each of the following years of the capital MTFP into flood alleviation work and that look to enhance existing infrastructure assets that become susceptible to flooding;
- The introduction of a £1m capital budget in 2021/22 and each of the following years of the capital MTFP to support capital bids that are submitted and successfully awarded by grant funding bodies and that require a match funding contribution. Such capital bids or awards will be reviewed by the Capital and Asset Management Working Group before being considered by Cabinet for approval and to ensure they align with the Council's priorities.
- A further flexible use of capital receipts in 2021/22 and each of the subsequent years of the capital MTFP of £507,500 to support:
  - i. £207,500 in recognition of additional investment in the Council's procurement capability, achieved through a proposal to collaborate with Cardiff Council;
  - ii. £300,000 earmarked investment and that looks to enhance the Council's digital design and innovation and data analytics capabilities. This will be subject to a subsequent report to Cabinet for consideration and approval.

3.44 The Summary Capital MTFP is shown in **Appendix J1**. There remain significant pressures and planned investments of a capital nature that cannot be afforded within the capital MTFP and these are outlined in **Appendix J6**. A review of the pressures and associated risks has been undertaken since the draft budget proposals were issued for consultation purposes. This has concluded that further feasibility studies and technical assessments will be undertaken on specific infrastructure assets during 20/21, funded from existing highways infrastructure capital budgets. The results of these studies and assessments will inform the capital MTFP and pressures that will need to be accommodated and funded therein in future financial years.

3.45 **Appendix J3**, the capital receipts summary shows the expected level of receipts and planned usage and highlights the balances available in the next couple of years. Future investment in capital schemes, is in part dependent on future success of achieving capital receipts and there are risks attached to some receipts materializing as shown in

**Appendix J4.** The revised forecast receipt schedule is provided as exempt background papers to this report for Members approval as **Appendix J5.**

## **THE PRUDENTIAL CODE**

- 3.46 Under the Prudential Code, local authorities are required to publish Prudential Indicators produced to demonstrate that capital programmes are prudent, sustainable and affordable in the longer term. The indicators for 2020/21 to 2023/24 are contained at **Appendix G** to this report, assuming eventual Council approval of Cabinet's budget and Council Tax recommendations.

## **THE ROBUSTNESS OF PROCESS AND RESERVES**

- 3.47 The level of the Council Fund, The Council's general reserve, is at £8.9 million, subject to 2020-21 year-end, but at present it is within the range of 4-6% of net revenue budget and considered to be at a prudent level. The final revenue budget proposals do not now include a requirement to use any of the general reserve to balance the budget in 2021/22.
- 3.48 The Council tactically created headroom in its general reserve at the end of 2019/20 and based on this current assessment the headroom above the de minimum 4% threshold in general reserves stands at £2.167m.
- 3.49 The focus therefore turns to the uncertain outlook and future financial challenges and where the headroom in the Council Fund balance is 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 budget pressure in 2021/22 resulting from pay award announcements in excess of the 1% modelling assumption in the final budget proposals;
  - Any COVID related pressure caused by a shortfall in Welsh Government funding in 2021/22;
  - Any one-off contribution to support the 2022/23 budget proposals;
  - To allow for future reserve cover across the MTFP and beyond
- 3.50 Net school balances have remained at low levels and have reduced in recent years to a net deficit balance of £435k. As at month 9, school balances were however forecast to increase to a net deficit of £166k. The improvement has resulted from positive recovery action being taken by schools together with Welsh Government grants that have looked to ensure that the costs that schools have had to bear during the pandemic have been met.
- 3.51 Continued emphasis is placed by LEA finance colleagues to agree budgets with schools that are sustainable to the resources available rather than passporting additional deficits to their school reserve. Recovery plans are in place for all schools in deficit and are being closely monitored by the LEA and relevant Cabinet members.
- 3.52 The total planned net earmarked reserve utilization in support of the 2021/22 revenue and capital budget is £0.41m. **Appendix H1** shows the call on and contributions to reserves for the 2021/22 budget and **Appendix H2** shows the reserve balances projected for the medium term. Total planned reserve utilization in support of current year revenue and capital budgets means that by the end of 2020-21 the balance of

earmarked reserves is likely to be £5.5 million. The further call in 2020/21 means that the earmarked reserves will fall to £5.1 million, with the useable balance down to £3.4m.

- 3.53 Useable capital receipts also provide a limited one-off resource to support financing of the capital programme. In recent years the Council has also made use of Welsh Government's guidance allowing flexible use of capital receipts to meet one-off costs associated with service reform. The Council has had to make use of this flexibility in 2019/20 and 2020/21 and plans to do similarly in 2021/22 and over the remaining three years of the MTFP. Useable capital receipts are forecast to reduce to £4.9m by the end of 2024/25 based on the capital MTFP. The continued use of capital receipts for this purpose is recognized as a necessary but unsustainable approach and has the added consequence of requiring the Council to fund any further and future capital investment through prudential borrowing where it cannot be met from other sources.
- 3.54 Under the provisions of the 2003 Local Government Act, the Responsible Financial Officer has to provide conclusions on the robustness of the budget process and the adequacy of reserves. Those conclusions certify are shown at **Appendix F**. The RFO opinion also includes an acknowledgement of the risks taken into account in producing the budget proposals for 2021/22 as well as those budgetary risks that will need to be managed going forward in the MTFP.
- 3.55 The effect of Cabinets revenue budget recommendations is shown at **Appendix I**. The effect of Cabinet's capital recommendations is shown at **Appendix J**. Final Council Tax setting is reserved for decision of Full Council on 11<sup>th</sup> March 2021.

#### **4. OPTIONS APPRAISAL:**

- 4.1 Chief Officers and Directorates are required to consider and outline the options that have been considered for each of the budget savings proposals and pressures accommodated within the final budget proposals presented in this report.
- 4.2 The detail is contained in the original budget mandates that supported the drafted budget proposals. Where new or amended proposals have been considered as part of the final budget proposals these are available under **appendix E1**.

#### **5. EVALUATION CRITERIA:**

- 5.1 The means of assessing whether the final budget proposals for 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 make appropriate recommendations to Council on the revenue and capital budgets for 2021/22, and the resultant Council Tax recommended to be set for County purposes, taking into account the public consultation and scrutiny in January and February.
- 6.2 To sustain the capital programme and establish capital resources to support the programme by the sale of surplus assets where this is deemed necessary and appropriate.
- 6.3 As required by statute, to consider the Responsible Financial Officer's conclusions on the robustness on the budget process and the adequacy of reserves going forward.
- 6.4 To approve the Prudential Capital Indicators calculated by the Responsible Financial Officer.

## **7. RESOURCE IMPLICATIONS:**

As identified within the report and appendices.

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

- 8.1 There is a requirement placed on Local Authorities to comply with the general equality duties set out in the Equality Act 2010 and the specific equality duties such as the statutory responsibilities to assess the equality impacts of their budgetary decisions. The Equality Act 2010 places a General Duty on Monmouthshire County Council to eliminate discrimination according to nine "protected characteristics" (age, belief and non-belief, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, and sexual orientation). Also we need to comply with the Welsh Language Act 1993 and the Welsh Language Measure 2011 through which the Welsh Language Commissioner has shaped the Welsh Standards which will come into force from 30<sup>th</sup> March 2016.
- 8.2 The Wellbeing of Future Generations Act requires public bodies to improve social, economic, environmental and cultural wellbeing, by taking action in accordance with the sustainable development principle aimed at achieving the Wellbeing Goals. The authority was an early adopter of The Act and re-shaped its pre-decision evaluation tool to reflect the well-being goals and the principles which it sets out.
- 8.3 The Council has continued to respond to these issues by building considerations of equality, diversity and sustainability into the planning and delivery of its 2021/22 budget. It has done this by:
  - Requiring Chief Officers to undertake a Future Generations evaluation of all savings proposals they offered for their service area to contribute towards the Council's overall savings target. Where necessary this evaluation has since been updated to reflect the final budget proposals and individual evaluations are linked to each budget proposal.
  - Producing an overall FGE assessment of the revenue budget proposals and publishing this as part of the revenue budget proposals for consultation. This is attached as **appendix K** and the assessment has been updated as a result of budget consultation and the final revenue budget proposals being presented to Cabinet for consideration.

- Undertaking a FGE assessment of the capital budget proposals and publishing this as part of the capital budget proposals for consultation.
- Enabling the Council's Cabinet Members to consider savings proposals with the benefit of the FGEs, and to make initial decisions based on this information. The budget proposals reflect Cabinet's key priorities and therefore key services that support equalities – such as social care and schools.
- Deciding that once the final shape of the budget is agreed by Council in March 2021, Council service areas carry out more detailed work to mitigate and manage any equalities or Future Generation issues that have been identified.
- Including the FGEs as part of this report and published on the Council's website so that residents can understand the factors that went into the planning of the 2021/22 budget.
- Ensuring that where proposals will be the subject of further reports it is expected that further FGEs will be undertaken at that time and where savings are being made from decisions already taken then those implementing those decisions should consider mitigating any negative impacts where necessary.

**9. CONSULTEES:** Cabinet, Strategic Leadership Teams

**10. BACKGROUND PAPERS:**

- a) Directorate Budget builds, detailed capital programme and associated papers
- b) Draft revenue budget proposals, draft capital budget proposals – released on consultation by Cabinet on 20<sup>th</sup> January 2021
- c) Provisional Local Government Settlement
- d) The CIPFA Prudential Code for Capital Expenditure

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## **Appendices:**

- A1 Extract of draft minutes of Children & Young People Select Committee – 19<sup>th</sup> Jan 2021
- A2 Extract of draft minutes of Economy & Development Select Committee – 21<sup>st</sup> Jan 2021
- A1 Extract of draft minutes of Adults Select committee – 26<sup>th</sup> January 2021
- A4 Extract of draft minutes of Strong Communities Select Committee – 28<sup>th</sup> January 2021
- A5 Draft minutes of Schools Budget Forum – 21<sup>st</sup> January 2021
- A6 Draft minutes of JAG (Joint Advisory Group) – 25<sup>th</sup> January 2021
  
- A7 Summary of MyMates livestream event – 21<sup>st</sup> January 2021
- A8 Summary of Budget livestream event – 27<sup>th</sup> January 2021
- A9 Summary of Head Teachers meeting – 29<sup>th</sup> January 2021
- A10 Summary of Friday Friendly Young People Group – 29<sup>th</sup> January 2021
- A11 Draft minutes of Town and Community Council Cluster meeting – 2<sup>nd</sup> February 2021
- A12 Overview of Monmouthshire County Council budget engagement
  
- B1 Provisional Settlement Data
- B2 Provisional Settlement – MCC response letter
- C Specific Grants 2021/22 (All Wales)
- D Summary of savings and pressures
- E1 New or revised Revenue budget mandates
- E2 Full cost briefing note
- F Responsible Financial Officers Opinion
- G Prudential Indicators
- H1 Use of reserves for Revenue Budget Purposes
- H2 Reserve Balances
- I1 Reconciliation through budget process
- I2 Revenue Budget Summary
- J1 Capital Budget Summary
- J2 Schools Capital Budget Summary
- J3 Capital Receipts Summary
- J4 Receipt Risk Factors
- J5 Capital Receipts (Exempt – supplied under separate cover)
- J6 Capital Pressures
- J7 Exemption form for appendix J5
- K Overall Wellbeing and Future Generations Evaluation
- L Explanation of Service Groupings
- M Draft Capital Strategy 2021/22 (to follow)