

Meeting of:	<b>Environment and Regeneration Scrutiny Committee</b>
Date of Meeting:	<b>Tuesday, 14 December 2021</b>
Relevant Scrutiny Committee:	Environment and Regeneration
Report Title:	Initial Revenue Budget Proposals 2022/23
Purpose of Report:	To submit for consultation the initial revenue budget proposals for 2022/23.
Report Owner:	Report of the Director of Environment and Housing
Responsible Officer:	Carolyn Michael Deputy S151 Officer
Elected Member and Officer Consultation:	Corporate Management Team
Policy Framework:	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.
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The Council is required under statute to fix the level of council tax for 2022/23 by 11th March 2022 and in order to do so, will have to agree a balanced revenue budget by that date.</li> <li>• The Council's provisional settlement has not yet been announced by Welsh Government and is expected this year on 21st December 2021 with the final settlement due to be published on 1st March 2022. Even though this crucial information has not been received, the budget setting and consultation process has to commence in order to meet statutory deadlines.</li> </ul>	

## **Recommendation**

It is recommended that:

1. The Initial Revenue Budget Proposals for 2022/23 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.

## **Reason for Recommendation**

1. In order that Cabinet be informed of the recommendations of Scrutiny Committees 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 21st December 2021 with the final settlement due to be received on 1st March 2022.
- 1.2 The Council is required under statute to fix the level of council tax for 2022/23 by 11th March 2022 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.

### **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 continued to be impacted by the ongoing 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 Council continues to provide services in a different way, a large number of staff continue

to work from home as much as possible and the Council continues to provide some additional services. 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 however this support has started to reduce and is not expected to continue into 2022/23. There continues to be uncertainty and therefore, it is difficult to provide predications for the coming year and beyond.

- 2.2** The Council is also seeing the impact of inflationary pressures as CPI in August was reported at 3.2%. This increase is currently expected to be transitory by many market commentators due to the projected temporary nature of issues associated with reopening effects, energy prices and the supply chain. Taking this into account it is currently proposed that no standard price inflation will be allocated although specific cost pressures in respect of contractual inflation have been submitted. What must be considered, however, is that there could be longer term drivers such as the change in patterns of consumer consumption and tightening of the labour market so this approach will need to be kept under review.
- 2.3** 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 for the period of this Plan and a 1% increase each year. It may be the case that grant funding is provided going forward targeting specific service areas or initiatives. As the Council has seen positive settlements in the past year that in part reflects the increasing population of the County, a fourth scenario has been included that considers a scenario where the settlement for 2022/23 is at the same level as the 2021/22 settlement (4.42%).
- 2.4** 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 and is not shown in any order of priority.
- 2.5** There are currently no approved savings for 2022/23 or 2023/24 however given the high levels of costs pressures shown in this report it is likely that savings will be required to reflect the changing approach to delivery of services and emerging pressures due to changing priorities, demographic pressures and potential options for alternative delivery models.
- 2.6** 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 2021/22 will be required.

**2.7** The scenarios that have been modelled relating to Council Tax are at the latest reported CPI rate which is 3.2% each year, a 3.9% increase each year in line with the increase in 2021/22 and increasing the level to the Welsh average which would be 7.05% in 2022/23 and an increase thereafter of 3.58% to maintain the average, assuming the same increase as the Welsh average for 2021/22.

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

<b>Shortfall in Funding</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>3 Year Total £000</b>
<b>Cash Neutral Settlement</b>				
<b>Notional Council Tax Increase 3.2%</b>	24,297	7,061	7,318	38,676
<b>Notional Council Tax Increase 3.9%</b>	23,714	6,436	6,649	36,799
<b>Notional Council Tax Increase to Welsh Average (7.05% 22/23 &amp; 3.58% thereafter)</b>	21,089	6,619	6,850	34,558
<b>1% Reduction in Settlement</b>				
<b>Notional Council Tax Increase 3.2%</b>	25,980	8,727	8,968	43,675
<b>Notional Council Tax Increase 3.9%</b>	25,397	8,102	8,299	41,798
<b>Notional Council Tax Increase to Welsh Average (7.05% 22/23 &amp; 3.58% thereafter)</b>	22,772	8,285	8,500	39,557
<b>1% Increase in Settlement</b>				
<b>Notional Council Tax Increase 3.2%</b>	22,614	5,361	5,601	33,576
<b>Notional Council Tax Increase of 3.9%</b>	22,031	4,736	4,932	31,699
<b>Notional Council Tax Increase to Welsh Average (7.05% 22/23 &amp; 3.58% thereafter)</b>	19,406	4,919	5,133	29,458
<b>4.42% Increase in Settlement</b>				
<b>Notional Council Tax Increase 3.2%</b>	16,858	5,303	5,543	27,704
<b>Notional Council Tax Increase of 3.9%</b>	16,275	4,678	4,874	25,827
<b>Notional Council Tax Increase to Welsh Average (7.05% 22/23 &amp; 3.58% thereafter)</b>	13,650	4,861	5,075	23,586

**2.9** A 1% increase in Council Tax at the 2021/22 Council Tax base equates to £833k. 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.

## **2022/23 Initial Budget Proposals**

- 2.10** Cabinet approved the Budget Strategy for 2022/23 on the 19th July 2021, min no.C632 which outlined the timetable, methodology and the principles to be used in producing the base budget for 2022/23.
- 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 2022/23 for this Committee is attached at Appendix 2. This has been derived by adjusting the 2021/22 budget for items such as pay inflation 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/Budget Adjustments - Relates to changes in inter-service and inter Directorate recharges
  - Pay Inflation - This makes provision for pay awards in 2022/23.
- 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 2022/23. 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 identification of new savings targets; and
- Consideration of the inflation assumptions.

## **Next Steps**

- 2.15** The next stage is for the outline of the financial position for 2022/23 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 22nd December 2021.
- 2.16** The BWG will hold a series of meetings in November and December 2021 with the relevant Cabinet Members and officers to consider the budget proposals and they will submit their recommendations so that 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 14th February 2022 and that Cabinet's final budget proposals will be considered by Council at a meeting to be held 7th March 2022 to enable the Council Tax to be set by 11th March 2022.
- 2.17** Due to the late announcement of the final settlement it is proposed that the above timeline is changed to and a report detailing updated initial budget proposals informed by the settlement is taken to Cabinet on 14th February and Corporate Performance and Resources Scrutiny Committee on 17th February 2022. The Final budget proposals would then be reported to Cabinet on 28th February with that Cabinet's final budget proposals will be considered by Council at a meeting to be held 7th March 2022 to enable the Council Tax to be set by 11th March 2022. This proposed amended timetable will ensure decisions regarding the budgets for 2022/23 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-objectives as detailed in the Corporate Plan. These are discussed as part of the Medium Term Financial 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 3 sets out the actual reserves as at 31st March 2021 for this Committee and shows the estimated reserves balance for each year up to 31st March 2027.

## **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 2022 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 2022/23

**COST PRESSURES 2022/23****APPENDIX 1**

No.	Description	2022/23	2023/24	2024/25
		£'000	£'000	£'000
<b>Neighbourhood Services</b>				
1	<b>Waste</b> - Pressures due to demographic growth and rollout of source separated recycling. A 10 year business plan is currently being established for the Waste service and it is estimated that there is a shortfall in budget of around £1.15m	1,150	0	0
2	<b>Highways - Maintain Highway and footway Network</b> -Due to the reduction in the level of Resurfacing anticipated on the carriageway and footway for 2022/23 onwards it is anticipated that the amount of patching required will increase significantly.	400	0	0
3	<b>Highways - Reduction in Big Fill budget</b> - Reduction in Big Fill budget planned for 2022/23 will lead to faster deterioration of the highway network and increased levels of insurance claims.	400	0	0
4	<b>Waste</b> - Reduction in grant funding - Sustainable waste management grant is being reduced by approximately 3.5% year on year. The grant for 21/22 is £618k therefore it is estimated the reduction for 22/23 onward is around £22k	22	21	20
5	<b>Coastal Resorts</b> - Due to the upsurge in demand for coastal resorts the resource that is required to maintain standards at these sites has increased significantly. Increased numbers of staff are required to maintain cleanliness at these sites especially during the summer months.	100	0	0
6	<b>SUDs - Sustainable Drainage</b> - Insufficient staffing to comply with statutory function under SAB. Additional funding required for staffing.	80	0	0
7	<b>Traffic Operational Budget</b> - Traffic revenue budget cost pressures, to address factors such as disabled bay parking currently waiting list 3 to 4 years, no budget to progress future resident parking controls and insufficient budget to address backlog of minor highway safety improvement schemes.	50	0	0
<b>Total Neighbourhood Services</b>		<b>2,202</b>	<b>21</b>	<b>20</b>

<b>Transportation</b>				
1	<b>Supported Bus Service</b> - Estimated increase in costs due to the current price increases expected in the transport sector especially with regard the cost of drivers wages and the cost of fuel. It is estimated that costs could increase by as much as 20%.	80	0	0
<b>Total Transportation</b>		<b>80</b>	<b>0</b>	<b>0</b>

No.	Description	2022/23	2023/24	2024/25
		£'000	£'000	£'000
<b>Regeneration</b>				
1	<b>Project Management Unit Reorganisation</b> - Reorganise the Project Management Unit, this team will seek to build upon its existing cost recovery, with a view to becoming self-funding in the future. This will also ensure that we minimise leakage to external consultants and ensure that the Council is able to deliver major projects with an in-house team building on internal knowledge and expertise.	160	0	0
2	<b>New Structure External Funding, Community Development and Innovation Team</b> - To fund the evolution of the Creative Rural Communities team into an External Funding, Community Development and Innovation team. The purpose of this team is to support the Council and third party bidding to external funding including UK & other major funding streams. The team will act as a capacity building and engagement team to expand	334	0	0
3	<b>Place Making</b> - Further develop the capacity to support the placemaking work of the Barry Place board project across the Council and all areas of the Vale, with a particular focus on the Welsh Government Transforming Towns initiatives.	46	0	0
4	<b>Local Nature Partnership Coordinator</b> - To make the current grant funded post of Local Nature Partnership Co-ordinator into a permanent position.	0	40	0
<b>Total Regeneration</b>		<b>540</b>	<b>40</b>	<b>0</b>
<b>COMMITTEE TOTAL</b>		<b>2,822</b>	<b>61</b>	<b>20</b>

**BASE BUDGET 2022/23****APPENDIX 2**

	<b>Original Budget 2021/22 £000</b>	<b>Asset Rents/ IAS 19 £000</b>	<b>Base Estimate 2021/22 £'000</b>	<b>Rechgs/ Transfs £'000</b>	<b>Budget Adjustment £'000</b>	<b>Pay Inflation £'000</b>	<b>Base Estimate 2022/23 £'000</b>	<b>Savings Applied £'000</b>	<b>Cost Pressures £'000</b>
<b>Learning and Skills</b>									
Neighbourhood and Transport Services	24,113	-	24,113	82	0	309	24,504	0	2,282
Building Services	0	46	46	(37)	0	37	46	0	0
Regeneration	1,869	-	1,869	63	36	48	2,016	0	540
Development Management	1,209	-	1,209	(20)	(99)	56	1,146	0	0
<b>TOTAL</b>	<b>27,191</b>	<b>46</b>	<b>27,237</b>	<b>88</b>	<b>-63</b>	<b>450</b>	<b>27,712</b>	<b>0</b>	<b>2,822</b>

**ANALYSIS OF RESERVES****APPENDIX 3**

<b>Name</b>	<b>Est Bal 01/04/21 £000</b>	<b>In £000</b>	<b>Out £000</b>	<b>Est Bal 31/03/22 £000</b>	<b>Comments</b>	<b>Est Bal 31/03/23 £000</b>	<b>Est Bal 31/03/24 £000</b>	<b>Est Bal 31/03/25 £000</b>	<b>Est Bal 31/03/26 £000</b>	<b>Est Bal 31/03/27 £000</b>
<b>Specific Reserves</b>										
<b>Neighbourhood Services</b>										
Neighbourhood Services	<b>3,390</b>	<b>0</b>	<b>-2,997</b>	<b>393</b>	To be used for initiatives to improve Neighbourhood Services, including Parks and Highway services plus any potential costs of waste disposal initiatives.	0	0	0	0	0
Bad Weather	<b>470</b>	<b>0</b>	<b>-200</b>	<b>270</b>	To fund necessary works during periods of severe weather conditions.	70	0	0	0	0
Building Services Improvement	<b>355</b>	<b>0</b>	<b>-50</b>	<b>305</b>	Monies set aside for improvements to the Building Services department.	255	205	155	105	55
<b>Regeneration and Planning</b>										
Local Development Plan	<b>368</b>	<b>0</b>	<b>-40</b>	<b>328</b>	Set aside for costs relating to the production of the Local Development Plan.	178	78	78	78	78
Regeneration Fund	<b>465</b>	<b>0</b>	<b>-180</b>	<b>285</b>	To fund various regeneration schemes in the Vale.	245	205	205	205	205
Holton Road Surplus	<b>23</b>	<b>10</b>	<b>0</b>	<b>33</b>	Ringfenced sum for Holton Road regeneration.	33	33	33	33	33
Regeneration & Planning	<b>996</b>	<b>125</b>	<b>-388</b>	<b>733</b>	Monies set aside to cover various commitments within the service.	456	351	351	346	346
Planning Fees	<b>100</b>	<b>0</b>	<b>0</b>	<b>100</b>	To provide for reduction in planning fees income.	100	100	100	100	100
Building Control	<b>212</b>	<b>0</b>	<b>-50</b>	<b>162</b>	Reserve set aside to fund future deficits on the ringfenced Building Control Trading Account.	112	72	42	22	22
Donations	<b>37</b>	<b>0</b>	<b>0</b>	<b>37</b>	Income received from visitors which is used to fund general projects and to match-fund expenditure incurred by the Friends of the Heritage Coast.	37	37	37	37	37
Cwm Ciddy	<b>16</b>	<b>0</b>	<b>-3</b>	<b>13</b>	Ringfenced funds for Porthkerry	10	7	4	0	0
Events	<b>180</b>	<b>0</b>	<b>0</b>	<b>180</b>	To provide funds to promote the Vale of Glamorgan particularly in respect of tourism and economic development.	180	180	180	180	180

**ANALYSIS OF RESERVES****APPENDIX 3**

Name	Est	In	Out	Est	Comments	Est	Est	Est	Est	Est
	Bal			Bal		Bal	Bal	Bal	Bal	Bal
	01/04/21			31/03/22		31/03/23	31/03/24	31/03/25	31/03/26	31/03/27
	£000	£000	£000	£000		£000	£000	£000	£000	£000
<b>Capital</b>										
Coastal Works	607	0	-282	325	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.	215	215	215	215	215
Waste Transfer Station	1,498	0	-1,498	0	Establishment of a Waste Transfer Station.	0	0	0	0	0
Capital Economic Regeneration Fund	456	0	-69	387	To finance capital economic regeneration schemes.	387	387	387	387	387
Repairs and Renewals Vehicle	1,744	800	-1,400	1,144	This fund is primarily for the replacement of plant and vehicles. Vehicles are purchased from the fund and the transfer in represents the equivalent "rental" amount reimbursing the fund.	0	0	0	0	0
Carbon Vehicles Reserve	215	0	0	215	For electric pool cars established with a transfer from the Repairs and Renewals Vehicle Fund	215	215	215	215	215
<b>COMMITTEE TOTAL</b>	<b>11,132</b>	<b>935</b>	<b>-7,157</b>	<b>4,910</b>		<b>2,493</b>	<b>2,085</b>	<b>2,002</b>	<b>1,923</b>	<b>1,873</b>