

Meeting of:	Healthy Living and Social Care Scrutiny Committee
Date of Meeting:	Tuesday, 08 December 2020
Relevant Scrutiny Committee:	Healthy Living and Social Care
Report Title:	Initial Revenue Budget Proposals 2021/22
Purpose of Report:	To submit for consultation the initial revenue budget proposals for 2021/22.
Report Owner:	Report of the Director of Social Services
Responsible Officer:	Carys Lord, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	The Corporate Management Team has been consulted on this report. The initial budget proposals will be the subject of consultation with Scrutiny Committees. The Trade Unions and Schools Forum will also be consulted.
Policy Framework:	This report is for executive decision by the Cabinet
Executive Summary:	
<ul style="list-style-type: none"> • The Council is required under statute to fix the level of council tax for 2021/22 by 11th March 2021 and in order to do so, will have to agree a balanced revenue budget by that date. • The Council's provisional settlement has not yet been announced by Welsh Government and is expected this year on 22nd December 2020 with the final settlement being due on 2nd March 2021. Even though this crucial information has not been received, the budget setting and consultation process has to commence in order to meet statutory deadlines. 	

Recommendations

It is recommended that:

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

Reasons for Recommendations

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

1. Background

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

2. Key Issues for Consideration

Medium Term Financial Plan

- 2.1** There are a number of factors both internal and external that impact on the Council's financial position going forward. This year the country has found itself in an unprecedented position as a result of the COVID-19 pandemic. This has meant additional challenges for the Council both operationally and financially as a result of incurring additional expenditure but also from a loss of income. The lockdown in the early part of the financial year and a firebreak lockdown in place for 2 weeks during October/November 2020 has led to the Council having to refocus its priorities to provide services in a different way, moving a large number of staff to home working and also to providing some additional services and temporarily ceasing others. There is huge uncertainty as to how the picture will develop over the coming months and therefore it is even more difficult than usual to provide predications for the coming year and beyond. Funding has been received from WG to help support not only the additional expenditure incurred due to the pandemic but also the loss of income.
- 2.2** Due to the considerable uncertainty and the financial pressures on government, the Plan has been based on three different scenarios with regards to funding from Welsh Government for the coming three financial years - a cash neutral settlement, a 1% reduction each year and a 1% increase each year. It may be the case that grant funding is provided going forward targeting specific service areas or initiatives.
- 2.3** As part of the development of the Plan departments were asked to identify cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council. An updated list relating to this Committee is shown in Appendix 1. These are not shown in any order of priority.
- 2.4** There are currently no savings targets identified for this Committee for 2021/22.
- 2.5** For the purposes of the Plan, options for the level of council tax have been highlighted. With the current level of cost pressures facing the Council and without a corresponding increase in funding from the Welsh Government, it is predicted that in order to balance the budget an increase in council tax of at least a similar level to 2020/21 will be required.
- 2.6** The scenarios that have been modelled relating to Council Tax are a 4.9% increase each year, which is the same level as in 2020/21 and increasing the level to the welsh average which would be 8.4% in 2021/22 and an increase thereafter of 4.6% to maintain the average, assuming the same increase as the welsh average for 2020/21.

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

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

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

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

2021/22 Initial Budget Proposals

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

- 2.11** Given the timescales set out in the Budget Strategy this means a significant amount of the preparation for the budget will need to be completed prior to receiving the provisional settlement.
- 2.12** The late timescale for receiving the settlement also delays the notifications that the Council receives regarding continuation of grant funding. In line with the Budget Strategy, the withdrawal or reduction in grant funding should not give rise to committed growth within the budget. The service area should give consideration to the exit strategy that has been put in place in respect of the funding stream.
- 2.13** A summary of the overall base budget for 2021/22 for this Committee is attached at Appendix 2. This has been derived by adjusting the 2020/21 budget for items such as pay inflation and committed growth but does not include identified cost pressures or savings. These are shown as a note to the table. Adjustments shown include the following.
- Asset Rents, International Accounting Standard (IAS) 19 - Relates to accounting items outside the control of services. They reflect charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
 - Recharges/Transfers - Relates to changes in inter-service and inter Directorate recharges
 - Pay Inflation - This makes provision for pay awards in 2021/22.
- 2.14** In view of the deficit highlighted in the Medium Term Financial Plan, further work needs to be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2021/22. This will include the following
- Consideration of the results of the consultation process;
 - A review of the use of reserves to fund the deficit in the short term;
 - A review of the level of individual reserves and potential reclassification;
 - A review of the increase in council tax;
 - A review of all cost pressures;
 - Possible changes to the approved saving targets; and
 - Consideration of the inflation assumptions

Next Steps

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

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

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

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

- 3.1** The BWG will ensure that budget proposals consider the requirements of the Well-being of Future Generations Act and the Council's 4 well-being outcomes as detailed in the Corporate Plan.
- 3.2** The Budget Working Group will also ensure that the budget proposals reflect the 5 ways of working which are;
- o Looking to the long term - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
 - o Taking an integrated approach - The budget proposals highlight and encourages ways of working with partners.
 - o Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
 - o Working in a collaborative way – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.

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

4. Resources and Legal Considerations

Financial

- 4.1** Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. Funds no longer required may be transferred to the Council Fund and then set aside for other purposes or used to reduce council tax.
- 4.2** Appendix 3 sets out the actual reserves as at 31st March 2020 for this Committee and shows the estimated reserves balance for each year up to 31st March 2024.

Employment

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

Legal (Including Equalities)

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

5. Background Papers

5.1 Budget Strategy 2021/22

No.	Description	2021/22	2022/23	2023/24
		£'000	£'000	£'000
Directorate: Social Services				
Children and Young People's Services				
1	External Placements - This demand for this budget is highly fluid and the pressure reflects an assumed level of inflation. The £500k Welsh Government Social Care Workforce grant that was received last year and this year and which was allocated to the External Placements budget is not guaranteed each year and this pressure would increase if it were to cease.	82	84	86
2	Recruitment and Retention of Foster Carers (Payment for Skills) - This pressure reflects the need to increase the payment for skills for our current population of carers. The pressure in next year and the year after reflects an increasing number of carers. Being able to recruit and retain carers is a key part of our ability to support children looked after and to help to reduce our reliance on externally purchased care.	90	90	90
3	Recruitment and Retention of Foster Carers (Allowances Paid) - This pressure is linked to the 3% annual increase applied by WG that LAs are obliged to pay. The calculation is based on our current number of carers and allows for an increase of 10 carers each year.	142	150	158
4	Agency Social Workers Intake and Family Support Team and Care Planning and Proceedings Team - There are significant challenges in recruiting and retaining permanent qualified staff in both Intake and Family Support Team and Care Planning and Proceedings Team. Advertisements have not to date succeeded in recruiting to vacant posts and staff have left the service. Both situations require the commissioning of agency staff to ensure the LA is able to fulfil its statutory role which are more costly.	100	0	0
5	Additional Social Worker Post Special Guardianship Regulation - The Special Guardianship Regulations have changed and the LA is not complaint. These regulations require a dedicated officer to review Special Guardianship Order (SGO) support plans and the support offered to SGs on a yearly basis. The LA currently oversees 77 children on SGOs and subject to SGO allowances. We plan to increase the numbers by 5 this year and predict this trend increasing. This role requires a qualified social worker.	50	0	0
6	Legal Costs - The ongoing pressure reflects the costs associated within care proceedings, including the instruction of Counsel, and an increasing number of proceedings being issued in comparison to previous years	100	50	0
Total Children		564	374	334
Adults				
7	Demographic Changes - Due to Covid-19 it is difficult to predict the actual change this year which will continue into 2021/22 as citizens behaviour is fluctuating with some coping well within the pandemic and finding alternative solutions to access support, and others potentially delaying seeking support which may see an increase in complexity when they reach a crisis point. Figures shown are based on previous years increases in budget and correlating 'normal' increases in demand, and anticipated ongoing grant funding.	500	500	500
8	Provider Fees and Quality Assurance - Continuing challenge by providers to increase fees to meet provider costs. Additional capacity is required to manage contract monitoring arrangements as a result of a number of significant quality assurance issues with providers. Numerous historical pressures continue to impact the committed spend for commissioned services, including National Living Wage, Sleep-Ins, HMRC regulations re travel time, auto-enrolment of pensions and now the increased burden of registration costs for domiciliary care workers under Regulation and Inspection of Social Care (RISC) (Wales) Act 2016.	1,565	1,565	1,565
9	Increased Demand to Support Mental Health/Emotional Wellbeing - The Division continues to experience challenges with covering Approved Mental Health Practitioners rotas. There is increased demand for Mental health support and there are more complex cases. We need additional social work and hands-on support worker capacity to support this growing demand and support our qualified workforce to undertake assessments and interventions. We have also experienced an increase in request for lower level support for emotional wellbeing that would not meet the criteria for our Mental Health teams. We anticipate that this is the area that will see most significant pressure over the coming 18 months as a direct consequence of Covid. Additional staff required with Mental Health knowledge to join our Intake and Assessment team to appropriately triage referrals and signpost people to other services, and support our Intake and Assessment team in this area to prevent inappropriate referrals into Mental health teams and use resources effectively and signpost people correctly so they find early support. x 2 support workers plus 3 x Social workers	220	0	0
10	Accommodation - As a consequence of Covid we have accommodation issues within the Division. We are currently working with the UHB to try to negotiate alternative provision and shifting costs, but currently there are suggestions that the displaced teams from Ty Jenner should be accommodated elsewhere within the area - potentially attracting lease costs.	40	0	0
Total Adults		2,325	2,065	2,065
Resource Management				
11	Your Choice - To ensure that 'Your Choice' practices are embedded in our processes, it would be beneficial to have additional capacity within the RMS Commissioning team to support this roll-out and monitoring. 1 x Commissioning Officer (based on NE costs)	40	0	0
12	Reablement - The Vale Community Resource Service has benefitted from grant funding at the front line over several years, but due to the short term nature of the funding we have not developed the managerial and supervisory elements required to support the team of Reablement support workers, or consider how best to structure the service in regards to cluster/locality models. The review is currently being undertaken. At this time we cannot pre-empt the outcome of the review, but it is known that more management, co-ordinators and also a quality monitoring officer is required to support the service delivery of the current capacity. The current Service Review is phase A to ensure the structure is fit for purpose, and then in 2021/22 we wish to deliver the aims of the Vale Locality Plan that indicated that it would benefit citizens if all individuals assessed as requiring a POC access a period of reablement via the VCRS team. Based on deputy manager, 2 x co-ordinators, quality monitoring officer, social worker/OT	250	0	0
13	Residential - This will enable the council provided care homes to deal with a previously applied vacancy factor. The issues created by Covid 19 include a need to reduce dependence on agency staff (or maintain consistent agency staff for each home) and also to ensure that the service can cope should staff be absent. This would enable the homes to be fully staffed.	127	0	0

No.	Description	2021/22	2022/23	2023/24
		£'000	£'000	£'000
14	PPE - To enable the establishment of a PPE team in response to Covid 19 that operates across directorates	213	0	0
15	Increased demand to support the Community Care Finance Functions - With the increase in demand for services, the functions of the Community Care Finance Section are at the point where the workload cannot be managed within existing resources. Funding would allow for the maximisation of income for chargeable services within the Directorate.	73	75	0
Total RMS		703	75	0
Total Social Services		3,592	2,514	2,399

	Original Budget 2020/21 £'000	Asset Rents/ IAS 19 £'000	Base Budget 2020/21 £'000	Rechgs/ Transfs £'000	Budget Adjustment £'000	Pay Inflation £'000	Base Estimate 2021/22 £'000	Savings Applied £'000	Cost Pressures £'000
Social Services									
Children and Young People	17,255	(51)	17,204	(48)	135	79	17,370	0	564
Adult Services	50,526	(201)	50,325	666	(50)	126	51,067	0	2,325
Resource Management & Safeguarding	371	69	440	(174)	(85)	111	293	0	703
Leisure	1,151	(472)	679	55	0	9	743	0	0
Committee Total	69,303	(655)	68,648	500	0	325	69,473	0	3,592

ANALYSIS OF RESERVES**APPENDIX 3**

Name	Bal	In	Out	Est	Comments	Est	Est	Est
	01/04/20			Bal		31/03/22	31/03/23	31/03/24
	£000	£000	£000	£000		£000	£000	£000
Social Services								
Legislative Changes	7,923	0	-1,500	6,423	To cover additional burdens on the authority due to changes in legislation eg Social Services and Well-being (Wales) Act 2014 , Deprivation of Liberties Standards and other pressures on the service.	6,423	6,423	6,423
Social Services Pressures	1,913	0	0	1,913	To cover short term childrens placements which have a high cost e.g. remand, that cannot be accommodated within the current operational budget.	1,913	1,913	1,913
Social Services Development	350	0	0	350	To cover costs of implementing service development and contingency for premises maintenance	350	350	350
Grant Exit Strategy	630	0	0	630	To pay potential redundancy costs if Welsh Government grants were discontinued.	630	630	630
Capital								
Social Services Buildings	500	0	-10	490	To fund the update of Social Services premises to meet the future demands of the service.	490	490	490
Telecare	685	0	0	685	Replacement fund for Telecare equipment and other service costs.	685	685	685
COMMITTEE TOTAL	12,001	0	-1,510	10,491		10,491	10,491	10,491