

Meeting of:	<b>Learning and Culture Scrutiny Committee</b>
Date of Meeting:	<b>Thursday, 09 December 2021</b>
Relevant Scrutiny Committee:	Learning and Culture
Report Title:	<b>Initial Revenue Budget Proposals 2022/23</b>
Purpose of Report:	To submit for consultation the initial revenue budget proposals for 2022/23.
Report Owner:	<b>Report of the Director of Learning and Skills</b>
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

No.	Description	2022/23	2023/24	2024/25
		£'000	£'000	£'000
<b>Directorate: Learning and Skills</b>				
<b>Learning and Skills Incl Schools</b>				
1	<b>Demographic increase in mainstream schools</b> - Demographic increase in mainstream pupils	1,128	1,000	1,000
2	<b>Autism Special Resource Base at Whitmore High School</b> - In order to reduce demand for places at Ysgol Y Deri, a Specialist Resource Base (SRB) has been established which is attached to the mainstream secondary school at Whitmore High School to provide additional support for pupils with ASD ensuring that they can access mainstream secondary education. The SRB opened in September 2021 for a cohort of 10 pupils and it is estimated that numbers will increase to 20 in September 2022.	108	77	0
3	<b>Demographic increase in pupils requiring placement in special school Ysgol Y Deri</b> - Numbers of pupils requiring placement at Ysgol Y Deri is increasing year on year creating pressure on capacity which is exacerbated by a small cohorts of school leavers. At September 2021 there were 342 pupils within Y Deri, it is estimated that there will be 380 pupils in September 2022 and 420 pupils in September 2023.	1,051	1,016	464
4	<b>Additional Learning Needs Support in Mainstream Schools</b> - A large increase has occurred in the number of pupils with ALN, particularly early years pupils presenting with social and emotional behavioural needs. Schools are now accommodating pupils with much higher additional learning needs due to an increasing numbers of pupils with complex needs and capacity issues within Ysgol Y Deri. This has resulted in mainstream schools being asked to meet the needs of more complex children requiring higher levels of support.	500	0	0
6	<b>Early Years Provision</b> - The ALN reform extends the age range of children that local authorities have a duty to support if they have ALN. As a consequence very young children in pre-school settings will now be eligible for additional support.	100	0	0
7	<b>Reduction in Out Of County income</b> - The ALN and complex needs budget is partly funded through charges to other counties for pupils in placement at Ysgol Y Deri. Due to the demographic increase in Vale pupils requiring specialist placements within Ysgol Y Deri, there is no capacity to offer placements to pupils from other authorities. As a consequence, as pupils previously placed from other local authorities leave Ysgol Y Deri, they are not replaced by other out of county pupils and income reduces year on year.	294	267	204

No.	Description	2022/23	2023/24	2024/25
		£'000	£'000	£'000
8	<b>Learning and Wellbeing Class</b> - As a result of Covid, we have seen a significant increase in the number of children and young people suffering with significant social emotional and mental health difficulties and high levels of anxiety which prevents them from attending a mainstream school. From September 2021, a class (Learning & Wellbeing Class) of 8 pupils is being piloted at Ysgol y Deri where the young people are able to access YYD's therapeutic facilities and specialist support.	120	0	0
9	<b>Learning and Wellbeing class revenue costs - to rent a demountable classroom</b> - The specialist Learning and Wellbeing class at Ysgol y Deri will be based in a demountable for which a corresponding capital bid has been submitted.	211	-161	-50
10	<b>Post 16 ALN Provision</b> - The ALN reform extends the age range of young people that local authorities have a duty to support. As a consequence funding is required to employ a 0.5 FTE teacher to support the ALN post 16 provision, this post is shared with Cardiff and currently funded by grant in 2021/22.	35	0	0
11	<b>Health provision - tracheotomy support for mainstream schools</b> - Due to an increase in the number of children who require tracheotomy care and regular suctioning within the school day in mainstream schools, it is essential that school staff involved in providing these interventions have skills to deliver them effectively and safely.	39	0	0
12	<b>Increase in pupils eligible for free school meals</b> - As a result of the Covid pandemic and the WG transitional protection, the number of pupils eligible for free school meals has increased.	359	0	0
13	<b>Penarth Pavilion</b> - Start up funding to bring the building back into community use following the dissolution of Penarth Arts & Crafts Ltd (PACL) and for the venue to generate income to offset its costs.	49	-49	0
14	<b>Secondary transport</b> - Additional 70 seater coach required due to change in catchment area for Cowbridge Comprehensive resulting in increased transport for year 7 pupils from September 2022	32	0	0
15	<b>ALN transport - Ysgol Y Deri</b> - Increasing pupil numbers at Ysgol Y Deri is resulting in additional transport costs.	137	152	0
16	<b>Primary/Secondary transport</b> - This is an on-going issue with current spend (21/22) of around £165,000 for catchment area problem transport. Forecasting this spend is difficult as we do not know about catchment area problems until parents apply for schools.	165	0	0
17	<b>21st Century Schools</b> - This is the revenue cost of additional borrowing required as part of the 21st Century Schools Band B Programme.	100	100	50
	<b>Total Learning and Skills Incl Schools</b>	<b>4,428</b>	<b>2,402</b>	<b>1,668</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>									
<b>Schools</b>	<b>97,982</b>	-	<b>97,982</b>	0	885	2,685	<b>101,552</b>	0	<b>3,479</b>
Strategy, Culture, Community Learning and Resources	<b>8,149</b>	-	<b>8,149</b>	343	18	103	<b>8,613</b>	0	<b>583</b>
Additional Learning Needs and Wellbeing	<b>3,079</b>	-	<b>3,079</b>	(0)	8	72	<b>3,159</b>	0	<b>366</b>
Standards and Provision	<b>4,379</b>	-	<b>4,379</b>	29	(912)	54	<b>3,550</b>	0	<b>0</b>
Directors Office	<b>232</b>	-	<b>232</b>	0	1	7	<b>240</b>	0	<b>0</b>
<b>Total Learning &amp; Skills (Excluding Schools)</b>	<b>15,839</b>	-	<b>15,839</b>	<b>372</b>	<b>(885)</b>	<b>236</b>	<b>15,562</b>	0	<b>949</b>
<b>COMMITTEE TOTAL</b>	<b>113,821</b>	0	<b>113,821</b>	<b>372</b>	<b>0</b>	<b>2,921</b>	<b>117,114</b>	0	<b>4,428</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><u>Specific Reserves</u></b>										
<b>Learning and Skills</b>										
Schools Rationalisation and Improvements	<b>1,167</b>	<b>0</b>	<b>0</b>	<b>1,167</b>	This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities including the transition of Barry Secondary schools.	639	0	0	0	0
Education Pressures	<b>452</b>	<b>0</b>	<b>-106</b>	<b>346</b>	To fund pressures faced by Learning and Skills.	0	0	0	0	0
School Deferred Pensions	<b>335</b>	<b>0</b>	<b>-34</b>	<b>301</b>	To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years.	301	301	301	301	301
Schools invest to save reserve ER/VR	<b>62</b>	<b>0</b>	<b>0</b>	<b>62</b>	To assist with the cost of redundancies in schools	0	0	0	0	0
Additional Learning Needs	<b>375</b>	<b>0</b>	<b>0</b>	<b>375</b>	To assist in future pressures for ALN services	0	0	0	0	0
Sports Facilities	<b>6</b>	<b>0</b>	<b>0</b>	<b>6</b>	Funding transferred from Pen y Garth Primary School in order to provide a budget to fund ad hoc repairs and maintenance required to sports hall.	0	0	0	0	0
Cultural Reserve	<b>290</b>	<b>0</b>	<b>-42</b>	<b>248</b>	To cover future costs in relation to Arts Central, the Pier Pavilion and Library improvements	0	0	0	0	0
Adult Community Learning	<b>118</b>	<b>0</b>	<b>0</b>	<b>118</b>	To finance initial reshaping costs as a result of the anticipated changes in the way adult learning is funded across Wales.	0	0	0	0	0
Community For Work Exit Strategy	<b>67</b>	<b>0</b>	<b>0</b>	<b>67</b>	To pay potential redundancy costs if Welsh Government grants were discontinued.	67	67	67	67	67
Youth Service	<b>52</b>	<b>0</b>	<b>0</b>	<b>52</b>	To assist with the implementation of the Youth Engagement & Provision Framework in schools as well as initial costs in relation to the reshaping of the Youth service and matchfunding for the Inspire to Work ESF project.	0	0	0	0	0

**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
Catering	117	0	0	117	To support any issues relating to the Catering trading company.	117	117	117	117	117
Catering Equipment Renewals	88	0	0	88	Repairs and renewal fund for catering equipment in Schools. Lease income charged to Big Fresh Catering Company is used to top up this reserve	88	88	88	88	88
<b>Capital</b>										
School Investment Strategy	8,564	43	-7,994	613	To be used to fund schemes identified as part of the Schools Investment Programme including the Band B 21st Century School programme.	225	0	0	0	0
WG Schools Capital Grant	2,312	0	-2,312	0	Used to carry forward displaced existing capital funding as a result of receiving WG grant and to be spent on capital expenditure in schools.	0	0	0	0	0
<b>COMMITTEE TOTAL</b>	<b>14,005</b>	<b>43</b>	<b>-10,488</b>	<b>3,560</b>		<b>1,437</b>	<b>573</b>	<b>573</b>	<b>573</b>	<b>573</b>