

## ISLE OF ANGLESEY COUNTY COUNCIL

|                      |   |
|----------------------|---|
| REPORT TO:           | EXECUTIVE COMMITTEE                               |
| DATE:                | 2 MARCH 2020                                      |
| SUBJECT:             | MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2020/21 |
| PORTFOLIO HOLDER(S): | COUNCILLOR R WILLIAMS                             |
| HEAD OF SERVICE:     | MARC JONES  |
| REPORT AUTHOR:       | MARC JONES  |
| TEL:                 | 01248 752601                                      |
| E-MAIL:              | rmjfi@ynysmon.gov.uk                              |
| LOCAL MEMBERS:       | n/a   |

### A - Recommendation/s and reason/s

#### 1. MEDIUM TERM FINANCIAL STRATEGY AND 2020/21 REVENUE BUDGET

##### 1.1 Purpose

The Executive is required to agree a number of key matters in respect of the 2020/21 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 10 March 2020. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2020/21;
- The Council's updated Medium Term Financial Strategy;
- The use of any one off funds to support the budget.

##### 1.2 Summary

This paper shows the detailed revenue budget proposals requiring final review and agreement for 2020/21 and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree and the Executive is asked to make final recommendations to the Council.

The paper also updates the Medium Term Financial Strategy which provides a context for work on the Council's future budgets. However, it should be noted that a further report on the Council's Medium Term Financial Strategy will be presented to the Executive later in the year when further information on the economy and the proposed future local government financial settlement may be clearer.

#### 2. 2020/21 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To note the formal consultation meetings on the budget and consider the resulting feedback as outlined in Section 2 of Appendix 1 and Appendix 2;
- To agree the final details of the Council's proposed budget, including the revised funding in response to budget pressures and the proposed savings as shown in Section 8 of Appendix 1 and Appendix 3;

- To note the Section 151 Officer's recommendation that the Council should be working towards achieving a minimum of £7.1m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made as set out in Section 6 of Appendix 1;
- To recommend a net budget for the County Council of £142.146m and resulting increase in the level of Council Tax of 4.5% (£56.16 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Community Council precepts, will be presented to the Council on the 10 March 2020;
- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;
- To confirm that the level of Council Tax Premium for second homes remains at 35% and to for empty homes remains at 100%.

**B - What other options did you consider and why did you reject them and/or opt for this option?**

A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee

**C - Why is this a decision for the Executive?**

The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.

**CH - Is this decision consistent with policy approved by the full Council?**

N/A

**D - Is this decision within the budget approved by the Council?**

N/A

**DD - Who did you consult?**

**What did they say?**

|   |  |  |
|---|--|--|
| 1 | <b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory) | The Chief Executive and Senior Leadership Team have been part of the budget setting process throughout and are in agreement with the report and support the final budget proposal. |
| 2 | <b>Finance / Section 151</b> (mandatory)                             | N/A – this is the Section 151 Officer's report.  |
| 3 | <b>Legal / Monitoring Officer</b> (mandatory)                        | The Monitoring Officer is part of the SLT and, as such, the Officer's comments have been taken into account.   |
| 4 | <b>Human Resources (HR)</b>  | -  |
| 5 | <b>Property</b>  | -  |

|   |   |   |
|---|---|---|
| <b>6</b>  | <b>Information Communication Technology (ICT)</b> | -   |
| <b>7</b>  | <b>Scrutiny</b>                                   | Final budget proposals were considered by the Scrutiny Committee at its meeting on 27 February 2019. A verbal update on the outcome of the meeting will be provided to the Executive          |
| <b>8</b>  | <b>Local Members</b>                              | The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting Process  |
| <b>9</b>  | <b>Any external bodies / other/s</b>              | See Section 2 of the report   |
| <b>E - Risks and any mitigation (if relevant)</b>   |   |   |
| <b>1</b>  | <b>Economic</b>                                   |   |
| <b>2</b>  | <b>Anti-poverty</b>                               | Increasing Council Tax will impact on the levels of disposable income for Taxpayers. The Council Tax Reduction Scheme assists low income taxpayers by reducing the sum due in part or in full |
| <b>3</b>  | <b>Crime and Disorder</b>                         | -   |
| <b>4</b>  | <b>Environmental</b>                              | -   |
| <b>5</b>  | <b>Equalities</b>                                 | See Section 11 of Appendix 1  |
| <b>6</b>  | <b>Outcome Agreements</b>                         | -   |
| <b>7</b>  | <b>Other</b>                                      | -   |
| <b>F - Appendices:</b>  |   |   |
| <ul style="list-style-type: none"> <li>Appendix 1 – Detailed report on the Budget Proposals</li> <li>Appendix 2 – Summary of the Results of the Consultation Process</li> <li>Appendix 3 – Summary of the Proposed Revenue Budget 2020/21 by Service</li> </ul> |   |   |
| <b>FF - Background papers (please contact the author of the Report for any further information):</b>  |   |   |
|   |   |   |

## 1. INTRODUCTION AND BACKGROUND

- 1.1. The following report sets out the 2020/21 revenue budget proposals and is one of a set of reports, which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy, Fees and Charges and the Use of Council Reserves.
- 1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan as approved by the Executive Committee in September 2019 and can be summarised as follows:-

**Table 1**  
**Medium Term Financial Plan 2020/21 to 2022/23**

|                                  | 2020/21<br>£'m | 2021/22<br>£'m | 2022/23<br>£'m |
|----------------------------------|----------------|----------------|----------------|
| Net Revenue Budget B/F           | 135.21         | 139.60         | 141.67         |
| Budget Pressures and Inflation   | 6.16           | 4.84           | 3.65           |
| <b>Revised Budget</b>            | <b>141.37</b>  | <b>144.44</b>  | <b>145.32</b>  |
| Aggregate External Finance (AEF) | 98.21          | 98.21          | 98.21          |
| Council Tax                      | 41.39          | 43.46          | 45.63          |
| <b>Total Funding</b>             | <b>139.60</b>  | <b>141.67</b>  | <b>143.84</b>  |
|                                  |                |                |                |
| <b>Savings Required</b>          | <b>1.77</b>    | <b>2.77</b>    | <b>1.48</b>    |
|                                  |                |                |                |
| <b>Main Assumptions</b>          |                |                |                |
| Pay Awards – Non Teaching        | 2.0%           | 2.0%           | 2.0%           |
| Pay Awards - Teaching            | 2.3%           | 2.0%           | 2.0%           |
| Teachers' Pension                | 14.4%          | 0.0%           | 0.0%           |
| General Inflation                | 2.1%           | 2.1%           | 2.0%           |
| Change in AEF                    | 2.5%           | 0.0%           | 0.0%           |
| Increase in Council Tax          | 5.0%           | 5.0%           | 5.0%           |

- 1.3. The table above shows that despite a continuing 5% increase in Council Tax, this would not be sufficient to meet the additional cost arising from service demands and inflation. The assumptions relating to the AEF allowed for grants transferring into the settlement in 2020/21 but no additional funding would be available. The outcome of the plan was that the Council would be looking to identify £6m of revenue budget savings over the next 3 years.

- 1.4. The Executive considered its initial budget proposals at its meeting on 13 January 2020 and approved the initial Standstill Budget at £142.203m. The provisional revenue settlement published by Welsh Government was better than anticipated with £1.533m of grants and adjustments coming into the settlement (1.6%) and a further £3.68m of additional funding (3.78%). This increased the provisional AEF to £101.005m, which was £2.795m higher than the assumed figure in the Medium Term Financial Plan.
- 1.5. Based on the standstill budget and the provisional settlement, it would be possible to balance the budget with a 4.64% increase in Council Tax and no requirement to implement budget savings. However £0.343m of savings had been identified as being possible, with no impact on services. The Executive decided at the meeting on 13 January 2020, to consult on a Council Tax rise of between 4.5% and 5.0% and on the implementation of the savings identified

## **2. THE COUNCIL'S CONSULTATION**

- 2.1. The Council published its budget proposals on 14 January 2020 and the consultation period closed on 7 February 2020. Citizens, partners, stakeholders and staff were asked to respond to the consultation by various means, including:-
  - Social Media;
  - Responding via the Council's website;
  - Responding directly by letter or e-mail.
- 2.2. In addition, the Council also undertook :-
  - Focus groups for people under the age of 25;
  - Older People's Forum;
  - Session with Headteachers and Senior School Managers;
  - Town and Community Council Forum;
  - Partnership Forum (Police, Fire, Health, Town & Community Forums, Third Sector).
- 2.3. The results of the consultation process are attached as Appendix 2.

## **3. REVISED STANDSTILL BUDGET 2019/20 AND THE BUDGET GAP**

- 3.1. Since the completion of the initial budget proposals, further work has been undertaken to review and revise the standstill budget for 2020/21. This has resulted in a small number of changes which are detailed in Table 2 below:-

**Table 2**  
**Adjustments to Standstill Budget**

|   | £m      | £m             |
|---|---------|----------------|
| Standstill Budget as at 13 January 2020   |         | 142.203        |
| Proposed Budget Savings   |         | (0.343)        |
| Increase in Service Demand Contingency  |         | 0.287          |
| <b>Initial 2020/21 Budget Proposal as at 13 January 2020 (assumes 4.5% increase in Council Tax)</b>         |         | <b>142.147</b> |
| <b>Final Adjustments</b>  |         |                |
| Correction of NNDR budgets following confirmation of the final multiplier                                   | (0.003) |                |
| Correction of Insurance Premium Budget  | 0.004   |                |
| Correction of Housing Benefit Administration Grant Budget following confirmation of grant award for 2020/21 | 0.027   |                |
| <b>Total of Budget Adjustments</b>  |         | <b>0.028</b>   |
| <b>Revised Standstill Budget Requirement as at 2 March 2020</b>   |         | <b>142.175</b> |

- 3.2.** On 25 February 2020, the Welsh Government published their final settlement for Welsh Councils. The published figures showed no change from the provisional settlement and therefore Anglesey will receive £101.005m as AEF for 2020/21.
- 3.3.** As part of the final settlement, the Welsh Government announced an additional £10m grant in addition to the £30m grant allocated in 2019/20, to help local authorities deal with the increased demand for Social Care services. Anglesey's share of these grants is £932k.

#### **4. COUNCIL TAX**

- 4.1.** The Council's Band D Council Tax charge for 2019/20 was £1,248.57, which was 16<sup>th</sup> from the 22 Authorities in Wales and is lower than the Welsh Average of £1,319. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 3 below:-

**Table 3**  
**Comparison of Council Tax Band Charges for North Wales Authorities**

| <b>Authority</b> | <b>Band D Charge<br/>2019/20<br/>£</b> | <b>Amount Above /<br/>Below Anglesey<br/>£</b> | <b>Percentage Above /<br/>Below Anglesey<br/>%</b> |
|------------------|--|--|--|
| Anglesey         | 1,249                                  |  |  |
| Gwynedd          | 1,376                                  | + 127  | + 10.2%  |
| Conwy            | 1,281                                  | + 32   | + 2.6%   |
| Denbighshire     | 1,327                                  | + 78   | + 6.2%   |
| Flintshire       | 1,281                                  | + 32   | + 2.6%   |
| Wrexham          | 1,153                                  | - 96   | - 7.7%   |

- 4.2.** The Council Tax budget for 2019/20 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £39.370m. Therefore, each 1% increase generates an additional £393k.

After taking into account the final settlement figure of £101.005m, the revised budget requirement of £142.177m (see Table 2) would require £41.172m in Council Tax funding. To fund the revised budget requirement, the minimum increase in the level of Council Tax would be 4.58%, taking the Band D charge to £1,305.72, an increase of £57.15 or £1.10 per week.

- 4.3.** Any increase in Council Tax would provide more funding than is required to fund the Revised Standstill budget of £142.177m. An increase of 5% would provide an additional £156k in funding. The surplus funding can be utilised to as follows:-

- To fund the budget pressures identified in paragraph 8 above;
- To allow some of the £0.343m of proposed savings to be deferred;
- To increase contingency budgets, thereby reducing the risk of overspending in 2020/21.

- 4.4.** In the final settlement, the standard tax element for the Council i.e. the standard Council Tax figure across Wales, which is used to determine the AEF for each Council, was set at £1,335.76, which is 7.1% higher than the 2019/20 figure.

## **5. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK**

- 5.1.** The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below:-

- Any projected overspend in 2019/20 has direct implications for the 2020/21 budget, i.e. will services which are currently overspending face the same budget pressures in 2020/21 and, as a result, will they be able to deliver services within the proposed budget in 2020/21. In addition, any overspend in 2019/20 will impact on the Council's level of general reserves moving forward. A net overspend on Service budgets (excluding corporate budgets and capital financing costs) of £1.10m is currently being forecast for 2019/20 and this is an important factor to take into consideration. This figure is after receiving £363k of additional grant funding from Welsh Government to meet additional demand for social care during the winter months. No announcement has been made as to whether this funding will be received again in 2020/21 and without this funding the underlying overspend on services is £1.46m. An additional £1.43m has been included into the standstill budget, to cover this potential overspend.

- The demand for Adult Services, Children's Services and additional specialist educational services and associated costs has increased over the past two to three years. The standstill budget is based on the current level of demand but there is still a significant risk that the demand for these services will continue to grow given that we have an ageing population and the improvement in processes within Children's Services which may identify further children which require intervention by the Authority.
  - The teachers' pay award up to September 2020 has been agreed and the required sum included in the budget proposal. However, the pay award for the period September 2021 onwards has not. A 2% increase has been allowed for, but it is unclear at this stage if this will be sufficient.
  - The non-teaching pay award which is effective from 1 April 2020 has not been agreed. The Employers have offered a 2% increase but the Unions are seeking a 10% increase. Additional funding has been included in the budget to cover a 2% pay rise. Each 1% above this rate increase the annual cost by approximately £450k.
  - An inflationary increase of 2.0% has been allowed for across all of the non-pay expenditure (unless the contractual inflationary increase is known). Although most forecasts suggest that inflation will remain on or around 2% for the foreseeable future, the uncertainty over Brexit and its impact on the UK economy may result in inflation rising above the figure allowed for in the budget;
  - Non statutory fees and charges have been raised by an average of 3% in each service. No adjustment has been made for a change in the demand for the services and, should the increase in fees and charges result in a reduction in demand, then there is a risk that income budgets will not be achieved.
- 5.2.** In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view where needed and should take into account key developments that may impact on the need and use of one off resources.
- 5.3.** A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic/transformational changes as opposed to funding significant overspends on the base budget itself.
- 5.4.** Account has been taken of the need to keep the immediate reductions in spending and the resulting impact on services to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.
- 5.5.** As at 31 March 2019, the Council's general reserves stood at £5.912m, which is equivalent to 4.4% of the Council's net revenue budget for 2019/20, 6.1% if the delegated schools' budget is excluded. The level of general reserves held is a matter for the Council to decide based on a recommendation from the Section 151 Officer but, as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level. Based on the 2020/21 standstill revenue budget, this would require a level of general reserves of approximately £7.1m. This takes into account that the majority of secondary schools no longer have any reserves to fall back on and that primary schools are increasingly relying on their service reserves to balance their budgets. If the delegated schools budget is taken out of the calculation, the general level of reserves required would be £5.0m.



**5.6.** During 2019/20, a number of items have changed the level of the general reserves or the Executive have agreed to fund the cost from the general reserves. These include:-

- Crediting 50% of the value of the Teacher's Pension Grant back to the General Reserve. This increased the reserve by £479k.
- Funding the additional cost of backdated holiday pay payments to supply teachers. This reduced the reserve by £110k.

In addition, it is currently projected that the revenue budget will overspend by £1.25m in 2019/20. After adjusting for the sum that will be credited to individual Service Reserves, the general fund will reduce by £1.67m taking the projected balance as at 31 March 2020 to £4.61m, which is equivalent to 3.2% of the 2020/21 proposed revenue budget.

**5.7.** In times of financial austerity, budgets are reduced and do not have the capacity to deal with increases in demands, particularly in those services which have less control over demand e.g. Social Services. There is, therefore, an argument that the need for general reserves is greater because the risk of budget overspending increases and the Council will require a greater level of financial resources to minimise the risk.

**5.8.** It is the professional opinion of the Section 151 Officer that the level of general reserves has now reached a critical point and should not be allowed to fall any further. Having as little as 3% of financial reserves is a financial risk to the Authority and this risk increases the longer the reserves remain at this low level. In the medium term, the Council's financial plan must include budgeting for a surplus which can be used to restore the level of the general reserves back to the minimum figure of £7m. It is accepted that this cannot be achieved in one financial year and it may take between 3 to 5 years for this to be achieved and this annual contribution to the reserves will have to take place during a period of continued austerity and the need to find further savings.

**5.9.** The Council also holds £9.9m as earmarked and restricted reserves (as at 31 March 2019). The majority of these reserves are necessary and are identified to fund specific projects, relate to the balance of unallocated grants or are available to fund potential risks should they materialise into an issue. These earmarked and restricted reserves continue to be used and it is estimated that the balance will have fallen to £8.4m by the end of the 2019/20 financial year. The majority of the £8.4m is to cover potential risks e.g. uninsured risks, to hold unallocated grants and to fund projects which are partly underway and will be completed during 2019/20.

**5.10.** There may be scope to release a small amount of the earmarked reserves back to the general reserves and a full report on General and Earmarked Reserves is included as a separate item on the Committee Agenda.

**5.11.** The standstill revenue budget for 2020/21 includes £1.183m of earmarked and general contingencies. Items included under this heading include a general contingency £404k, salary and grading contingency £150k, and £108k for time limited funding including, Regional Growth bid and the North Wales STEM project. The budget also includes a contingency of £235k to mitigate the risk noted above and £287k to contribute to any additional costs in Social Care budgets as a result of increased demand for services. Contingency budgets provide a level of mitigation against the risk of the Council experiencing unforeseen or increased costs during the year. Reducing the level of general contingency budgets would result in unforeseen or increased costs having to be funded from general balances.

## 6. ROBUSTNESS OF ESTIMATES

- 6.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.
- 6.2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
- 6.3. The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-
- **Inflation Risk** – This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2020/21, inflation has been included in the budget as follows: pay awards as per the Employer's pay offer for NJC staff and for Teachers, price inflation (2.0%). The latest forecasts do not show that inflation will rise significantly during 2020/21 and it is expected to be on or around the Government's target of 2%. Approximately £54m of the Council's budget is for supplies and services where the price will increase as inflation increases. A 1% rise in inflation may add £540k to the Council's costs (around 0.5% of the net budget). Although inflation is still a risk, the Council has sufficient reserves to fund a sudden and sharp rise in inflation.
  - **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates continue to be very low and, although they may begin to rise, they will not rise significantly during 2020/21. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases the other is likely to increase also.
  - **Grants Risk** - These are risks attached to the large number of specific grants from WG, Europe or other bodies which support a good proportion of Council spending. Some of these may be reduced substantially or cut altogether; we do not have a complete picture of all these and we will not even have one as the financial year begins. While the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own Priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.

- **Income Risks** – The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- **Optimum Risk** – In previous years probably the greatest risk in current circumstances is that the Authority, Members and Officers, have been over-optimistic in the savings that will be achieved or that demand for services, particularly social care, will not increase significantly. For 2020/21, the level of proposed savings are small and can be easily implemented, however the risk of increased demand for services still remains. The proposed budget does provide some mitigation to this risk, by holding some funding in a contingency but if demand rises sharply, significant overspending could occur.
- **Over-caution Risk** – This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid;
- **Staff Redundancy Costs** – Due to the level of savings required in previous years both teaching and non-teaching staff have been released through the redundancy process. The cost of redundancy has been funded from a central contingency. The contingency was £400k in 2019/20 but the proposed budget reduces this figure to £150k. The 2020/21 budget does not include savings proposals, which will see the need to reduce staff numbers and the delegated school's budget also allows for all additional costs to be funded and this should not require schools to reduce teaching numbers significantly. The contingency set should be sufficient to meet any redundancy costs which arise during the year.
- **Council Tax Premium** – The increase in the premium for empty properties from 25% to 100% has seen a reduction in the number of empty properties subject to the premium (-29% between November 2018 and November 2019) as the owners of these properties take action to bring the property back into use. It is anticipated that this will continue into 2020/21 but the risk is mitigated by only including 80% of empty properties into the taxbase calculation. The change in the second home premium from 25% to 35% has not resulted in a significant drop in properties and although some owners have moved their properties from the Council Tax register to the Non Domestic register, the overall number of properties subject to the 2<sup>nd</sup> home premium has increased by 5% (November 2018 to November 2019). Again 80% of the properties are included in the taxbase which provides some mitigation against the reduction in the number of properties subject to the premium.
- **Council Tax Income** – The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and invariably lead to a difference between the actual debit raised and the budget.
- **Demand Risk** – As noted previously in the report, and as we have experienced in the past two financial years, there has been an increase in the demand for services, particularly in social care and education, and these increases have put a financial strain on the Authority and has resulted in significant budget overspends. The standstill budget for 2020/21 has taken into account the increased demand experienced during 2019/20 but any further increases would be unfunded and increase the risk of further overspending in 2020/21.

- 6.4. Having considered all the risks noted above and the mitigating actions, the Section 151 Officer is of the view that the budgets are robust and deliverable.

## **7. SCRUTINY COMMITTEE**

- 7.1. Due to the delays in receiving the provisional and final settlement the budget timetable for 2020/21 has had to be condensed in order to ensure that the Council are in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The 2020/21 budget was given further consideration by the Corporate Scrutiny Committee at its meeting of 27 February, 2020 and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

## **8. PROPOSED BUDGET AND COUNCIL TAX LEVEL**

- 8.1. Having considered the funding available the results of the consultation process and the response of the Scrutiny Committee, the Executive has revised its final budget proposal and includes the following changes:-
- That the standstill budget for 2020/21, after allowing for £0.343m of proposed savings, is set at £142.177m (see Table 2).
  - That the Council Tax is increased by 4.5% in 2020/21, which raises the Band D Council Tax by £56.16 to £1,304.73.
  - That any remaining balance required to balance the budget fully is adjusted through the general contingency.
- 8.2. Table 4 below summarises the movement in the 2020/21 budget taking into account the proposals set out in paragraph 10.1 above.

**Table 4**  
**Proposed Budget Requirement and Funding 2020/21**

| Budget Requirement                             | £'m     | £'m            |
|--|---------|----------------|
| Final Budget 2019/20                           |         | 135.210        |
| Committed Charges and Inflation                |         | 6.993          |
| <b>Standstill Budget as at 13 January 2019</b> |         | <b>142.203</b> |
| Initial Savings Proposals                      |         | (0.343)        |
| Increase in Demand Risk Contingency            |         | 0.287          |
| Adjustments to Standstill Budget – see Table 2 |         | 0.028          |
| <b>Standstill Budget as at 2 March 2020</b>    |         | <b>142.175</b> |
| <b>Final Budget Proposals – paragraph 8.1</b>  |         |                |
| Adjustment of Contingency Budget               | (0.029) |                |
|  |         | (0.029)        |
| <b>Final Proposed Budget Requirement</b>       |         | <b>142.146</b> |
| <b>Funded By:</b>                              |         |                |
| Revenue Support Grant                          | 76.692  |                |
| Non-Domestic Rates                             | 24.313  |                |
| Total AEF                                      |         | 101.005        |
| Council Tax (including Premium)                |         | 41.141         |
| <b>Total Funding</b>                           |         | <b>142.146</b> |
|  |         |                |

## 9. EQUALITIES IMPACT ASSESSMENT

- 9.1.** In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 to assess the impact of key financial decisions on protected groups and have due regard to the result of such assessments.
- 9.2.** The proposed budget savings will not impact on any of the protected groups set out in the Regulations and as a result no Equality Impact Assessments are considered necessary.

## 10. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

- 10.1.** The initial budget proposals to the Executive on 13 January 2019 was based on the Medium Term Financial Strategy approved by the Executive in September 2019 (see Table 1). This estimated that the total AEF would remain constant in 2021/22 and 2022/23 as per the 2020/21 settlement and that Council Tax would rise by 5% and that the premium on second homes and empty properties would remain unchanged.
- 10.2.** Although the actual settlement for 2020/21 was £5.214m higher in cash terms than the figure anticipated in the Medium Term Financial Plan, this has in the main allowed the Council to defer the need to make £4.2m of savings which the MTFP anticipated would have had to have been made.

- 10.3.** Estimating future changes in the AEF is difficult and much will depend on the performance of the UK economy post Brexit. The new UK Government will set out its new financial policies in its budget on 11 March 2020. After this point the future funding levels for Welsh Local Government may become clearer although the protection that the Welsh Government gives to other areas of spending compared to local government will also have a significant impact on the level of future local government settlements.
- 10.4.** Given the uncertainty surrounding future funding, any update of the Medium Term Financial Plan at this point would be speculative at best and may give the impression that the Council's financial position is better or worse than the true position that will materialise. The situation will become clearer over the coming months and the Executive will receive an update on the Council's financial position in September 2020.

## **11. CONCLUSIONS**

- 11.1.** It is important for the forthcoming year that the budget set is achievable and accurately reflects the demands faced by services currently, and for the period of the MTFP. This requirement has greater relevance given that the level of reserves has fallen and cannot be seen as a continued source of funding when the budget overspends and that the level of school reserves has also fallen. It is also necessary that the budget addresses the long term financial viability and sustainability of the Council and ensures that the Council is in a strong financial position to respond to any further reductions in funding from the Welsh Government.
- 11.2.** Therefore, in the professional opinion of the Section 151 Officer, the revenue budget for 2019/20 must achieve the following objectives:-
- Ensure that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
  - Addresses the underlying financial pressures in the Services which have been impacted most by an increased demand for services; Education, Children's Services and Adults Services.
  - Avoid setting a budget that further erodes the Council reserves, either by using reserves to balance the budget or by setting an unachievable budget, which will ultimately result in overspending at the end of the 2020/21 financial year.
  - To set a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

## **12. RECOMMENDATIONS**

- 12.1.** The Executive is recommended to approve the final budget proposal as set out in Paragraph 8 to the full Council meeting on 10 March 2020.

**Response to the Executive Committee's Initial Budget Proposals – 2020/21**

**ISLE OF ANGLESEY COUNTY COUNCIL**

**February 2020**

**Author – Gethin Morgan, Business Planning, Programme and Performance Manager**

**Head of Service – Carys Edwards, Head of Human Resources & Corporate Transformation**

**1. Introduction**

- 1.1. The Council recently undertook a consultation exercise on the initial budget proposals agreed for consultation by the Executive Committee between 15<sup>th</sup> January and 7<sup>th</sup> February, 2020. The 3 week consultation period focused on proposals from across Council services.
- 1.2. These proposals were the result of the annual budgetary process and were consulted upon in order to gain the views of the public and ensure the Executive can (as the process draws to a close) make recommendations from a fully informed position. They were presented by the services during the autumn where they were also challenged and agreed upon for the purposes of consultation by the Elected Members of every political group in the Council.
- 1.3. Consideration was given to a broad range of savings where the internal challenge and consensus had led to proposals that varied from matters such as increasing Council Tax levels by between 4-5% to the deletion of certain vacant posts to increasing car parking costs at costal sites and towns by differing rates.
- 1.4. These proposals were publicised in various ways;
  - 1.4.1. Statements and articles in the press
  - 1.4.2. The proposals were published on the Council's website (homepage)
  - 1.4.3. Extensive use of social media – Twitter, Facebook to promote the proposals to a broader range of residents
  - 1.4.4. An interview by the Portfolio Holder Robin Williams on MônFM promoting the consultation and its contents

Each of the channels above were aimed at publicising and creating enthusiasm amongst citizens and staff to engage and respond to the initial proposals.

1.5. Citizens, partners and staff were asked to respond to the consultation through different means, including:

- An on-line survey on our website
- E-mail or
- Writing to us in the traditional way by posting a letter

1.6. As well as the above, the Council held further engagement exercises with :

- Town & Community Council forum together with partners in the Council Chamber
- Sessions with young people via the Young Farmers and Urdd forums.
- A session with the Head teachers and Senior Managers of schools on the Island

The consultation this year followed a similar pattern to previous consultation events that have been held in recent years, but wasn't as extensive as past years due to the shortened timescale enforced upon the Council by Welsh Government. The emphasis this year was placed on gaining an electronic response through our extensive use of social media.

85 responses were received via electronic means, 3 e-mails and 2 letters were received via e-mail.

The results / findings are as follows –

| Do you agree that the Council should continue to invest in Adult Services as a response to an increase in demand? |           |  |                 |      |                    |                  |                |
|---|-----------|--|-----------------|------|--------------------|------------------|----------------|
|   |           |  |                 |      |                    | Response Percent | Response Total |
| 1   | Yes       |  |                 |      |                    | 80.72%           | 67             |
| 2   | No        |   |                 |      |                    | 19.28%           | 16             |
| Analysis  | Mean:     | 1.19   | Std. Deviation: | 0.39 | Satisfaction Rate: | 19.28            | answered 83    |
|   | Variance: | 0.16   | Std. Error:     | 0.04 |                    |                  | skipped 2      |



**Do you agree with the Executive's proposal to protect the School's budget by not implementing the £800k cut that was postponed in 2019/20?**

|          |           |      |                 |                        |                    |       | Response Percent | Response Total |
|----------|-----------|------|-----------------|------------------------|--------------------|-------|------------------|----------------|
| 1        | Yes       |      |                 | <div><div></div></div> |                    |       | 73.49%           | 61             |
| 2        | No        |      |                 | <div><div></div></div> |                    |       | 26.51%           | 22             |
| Analysis | Mean:     | 1.27 | Std. Deviation: | 0.44                   | Satisfaction Rate: | 26.51 | answered         | 83             |
|          | Variance: | 0.19 | Std. Error:     | 0.05                   |                    |       | skipped          | 2              |

**Do you think it is reasonable that we raise the Council Tax between 4.5% and 5%? (When considering the level of the settlement and the need to fund the increase in financial demand within Adult Services and Schools)**

|          |           |      |                 |                        |                    |       | Response Percent | Response Total |
|----------|-----------|------|-----------------|------------------------|--------------------|-------|------------------|----------------|
| 1        | Yes       |      |                 | <div><div></div></div> |                    |       | 30.12%           | 25             |
| 2        | No        |      |                 | <div><div></div></div> |                    |       | 69.88%           | 58             |
| Analysis | Mean:     | 1.7  | Std. Deviation: | 0.46                   | Satisfaction Rate: | 69.88 | answered         | 83             |
|          | Variance: | 0.21 | Std. Error:     | 0.05                   |                    |       | skipped          | 2              |

**Do you agree with the proposals in Appendix 4 of the Revenue Budget Report?**

|   |     |                        | Response<br>Percent | Response<br>Total |
|---|-----|------------------------|---------------------|-------------------|
| 1 | Yes | <div><div></div></div> | 58.90%              | 43                |
| 2 | No  | <div><div></div></div> | 41.10%              | 30                |
|   |     |                        | answered            | 73                |



| Do you agree with the proposals in Appendix 4 of the Revenue Budget Report? |           |      |                 |      |                    |      |                  |                |
|---|-----------|------|-----------------|------|--------------------|------|------------------|----------------|
|   |           |      |                 |      |                    |      | Response Percent | Response Total |
| Analysis  | Mean:     | 1.41 | Std. Deviation: | 0.49 | Satisfaction Rate: | 41.1 | skipped          | 12             |
|   | Variance: | 0.24 | Std. Error:     | 0.06 |                    |      |                  |                |

The result above demonstrates an outcome in favour of the proposals put forward for savings during 2020/21. Having said this, there are some views which question certain proposals and the Council received seventeen such views. These vary from questioning the value of increasing car parking charges to challenging why such an increase in Council tax is required.

The point re: increasing car-parking costs at coastal location is a point of concern for two e-mailed responses (one of which is from Red Wharf Sailing and Water-sports Club) which outline the impact such a change could have if increases are implemented and whether this could have further far-reaching effects to individual health and well-being opportunities into the future.

Others question the validity of increasing Council Tax year on year with some highlighting the fact that the rise is normally at a rate above inflation which means their disposable income is decreasing year on year. One comment stated that Welsh Government should increase funding levels for Councils and three comments pointed to the view that second home owners should pay a greater tax for their second home on Anglesey.

A single comment questioned the value of the reducing the civic events budget, questioning its impact on tourism, social inclusion and intergenerational activities and a response from a community council noted that the 3 week consultation period wasn't sufficient for them to reply.

| Do you agree with our proposals in our full capital programme for 2020/21 provided in the Capital budget report? |           |      |   |      |                    |       |                  |                |
|--|-----------|------|---|------|--------------------|-------|------------------|----------------|
|  |           |      |   |      |                    |       | Response Percent | Response Total |
| 1  | Yes       |      |  |      |                    |       | 53.42%           | 39             |
| 2  | No        |      |  |      |                    |       | 46.58%           | 34             |
| Analysis   | Mean:     | 1.47 | Std. Deviation:   | 0.5  | Satisfaction Rate: | 46.58 | answered         | 73             |
|  | Variance: | 0.25 | Std. Error:   | 0.06 |                    |       | skipped          | 12             |

The responses to the capital budget proposals were more evenly matched with 53% in agreement with the proposals and 47% not in favour of them.

Seventeen comments were received, one of which questioned why there was no public facing documents used for consultation and that failure to do so inferred a 'tokenistic' consultation process. A couple of comments pointed to the fact that the government should be lobbied to a greater degree in order to realise corporation tax from large organisations.

Others questioned the relevance of the following –

- Why protect the education budget?
- Why increase council tax?
- Travellers site
- The purchasing of new gritters

One response questioned whether there should be an investment into Ysgol Syr Thomas Jones, Amlwch as part of the school modernisation programme as it is believed it is a 'money pit'. Another questioned whether an investment into Ysgol Gyfun Llangefni should be realised due to the condition of the current school and a further comment pleaded with the Council to build the new Corn Hir school with a 50% increase in capacity due to increasing number of families that will make Llangefni their home over the forthcoming years.

Other responses noted that old Council buildings should be sold off and the number of Council staff should be reduced together with the stern questioning of whether Mon Community Transport is an unnecessary luxury that has become unaffordable when there are other alternative transport options for customers to use.

**FINAL BUDGET PROPOSAL 2020/21 BY SERVICE**
**APPENDIX 3**

|   | Standstill Budget<br>Following Provisional<br>Settlement | Adjustment to<br>Standstill | Savings          | Council Tax<br>Increase @<br>4.5% | Budget<br>Pressures &<br>Final<br>Adjustments | Final Proposed<br>Budget 2020/21 |
|---|--|-----------------------------|------------------|-----------------------------------|---|----------------------------------|
|   | £  | £                           | £                | £                                 | £   | £                                |
| Education and Culture                     | 54,022,185   | (5,733)                     | -                | -                                 | -   | 54,016,452                       |
| Adult Services                            | 26,859,321   | 3,520                       | -                | -                                 | -   | 26,862,841                       |
| Children's Services                       | 10,543,297   | 1,089                       | -                | -                                 | -   | 10,544,386                       |
| Housing Services                          | 1,266,792  | 2,240                       | (101,000)        | -                                 | -   | 1,168,032                        |
| Highways, Waste and Property              | 15,266,195   | 9,530                       | (104,000)        | -                                 | -   | 15,171,725                       |
| Economic and Community Regeneration       | 4,075,136  | 3,254                       | (65,000)         | -                                 | -   | 4,013,390                        |
| Corporate Transformation                  | 4,998,708  | (228)                       | (5,000)          | -                                 | -   | 4,993,480                        |
| Resources                                 | 3,140,972  | 27,790                      | (60,000)         | -                                 | -   | 3,108,762                        |
| Council Business                          | 1,669,243  | 150                         | -                | -                                 | -   | 1,669,393                        |
| Corporate Management                      | 625,462  | 100                         | -                | -                                 | -   | 625,562                          |
| <b>Total Service Budgets</b>              | <b>122,467,311</b>                                       | <b>41,712</b>               | <b>(335,000)</b> | -                                 | -   | <b>122,174,023</b>               |
| Corporate and Democratic Costs            | 2,807,237  | (14,249)                    | (8,000)          | -                                 | -   | 2,784,988                        |
| Recharges to HRA                          | (700,000)  | -                           | -                | -                                 | -   | (700,000)                        |
| Levies                                    | 3,598,489  | -                           | -                | -                                 | -   | 3,598,489                        |
| Capital Financing                         | 6,939,100  | -                           | -                | -                                 | -   | 6,939,100                        |
| Benefits Granted                          | 111,870  | -                           | -                | -                                 | -   | 111,870                          |
| Discretionary Rate Relief                 | 70,000   | -                           | -                | -                                 | -   | 70,000                           |
| Council Tax Reduction Scheme              | 6,016,238  | -                           | -                | -                                 | -   | 6,016,238                        |
| <b>Total Allocated Budgets</b>            | <b>141,310,245</b>                                       | <b>27,463</b>               | <b>(343,000)</b> | -                                 | -   | <b>140,994,708</b>               |
| General & Other Contingencies             | 892,530  | -                           | -                | -                                 | 259,072                                       | 1,151,602                        |
| <b>Total Budget 2020/21</b>               | <b>142,202,775</b>                                       | <b>27,463</b>               | <b>(343,000)</b> | -                                 | <b>259,072</b>                                | <b>142,146,310</b>               |
| <b>Funded By</b>                          |  |                             |                  |                                   |   |                                  |
| Revenue Support Grant                     | (76,691,916)   | -                           | -                | -                                 | -   | (76,691,916)                     |
| Non Domestic Rates                        | (24,312,956)   | -                           | -                | -                                 | -   | (24,312,956)                     |
| Council Tax Including Council Tax Premium | (39,370,571)   | -                           | -                | (1,770,867)                       | -   | (41,141,438)                     |
| Council Reserves                          | -  | -                           | -                | -                                 | -   | -                                |
| <b>Total Funding</b>                      | <b>(140,375,443)</b>                                     | <b>-</b>                    | <b>-</b>         | <b>(1,770,867)</b>                | <b>-</b>                                      | <b>(142,146,310)</b>             |
| <b>Difference Budget to Funding</b>       | <b>1,827,332</b>   | <b>27,463</b>               | <b>(343,000)</b> | <b>(1,770,867)</b>                | <b>259,072</b>                                | <b>-</b>                         |

