

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>Date:</b>	<b>13 JULY 2020</b>
<b>Subject:</b>	<b>FINANCIAL IMPACT OF THE COVID-19 PANDEMIC</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR R WILLIAMS</b>
<b>Head of Service / Director:</b>	<b>MARC JONES (EXT. 2601)</b>
<b>Report Author:</b> Tel: E-mail:	<b>MARC JONES</b> <b>01248 752601</b> <b>rmjfi@ynysmon.gov.uk</b>
<b>Local Members:</b>	<b>N/A</b>
<b>-Recommendation/s and reason/s</b>	
<ul style="list-style-type: none"> <li>To note the contents of the report.</li> </ul> <p>The report sets out the estimated financial impact on the County Council's finances in 2020/21 and considered the longer term implications on the Council's financial position. The current pandemic has created a significant level of uncertainty in the 2020/21 budget and also for the future funding for local government in Wales and it is important that Members of the Executive are aware of the key issues before agreeing the financial strategy moving forward.</p> <p>It should be noted that the report is based on a number of assumptions and estimates and the final outcome may change from this initial impact assessment.</p> <p>This report will feed into the Council's Medium Term Financial Plan, which will be presented to the Executive in September 2020 and will set out the financial strategy for the 2021/22 revenue budget.</p> <p>The financial position will also influence and inform the Council's recovery planning approach and activities.</p>	
<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>	
n/a	
<b>C – Why is this a decision for the Executive?</b>	
<ul style="list-style-type: none"> <li>This report sets out the financial implications of the Covid-19 pandemic</li> <li>Budget monitoring is a designated Executive function.</li> </ul>	
<b>CH – Is this decision consistent with policy approved by the full Council?</b>	
Yes	
<b>D – Is this decision within the budget approved by the Council?</b>	
Yes	

<b>DD – Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Senior Leadership Team (SLT)</b> (mandatory)	Report has been considered by the SLT and the comments incorporated into the report
<b>2</b>	<b>Finance / Section 151 Officer</b> (mandatory)	N/A – this is the Section 151 Officer’s report
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	The Monitoring Officer was at the meeting of the SLT where the draft report was discussed
<b>4</b>	<b>Human Resources (HR)</b>	
<b>5</b>	<b>Property</b>	
<b>6</b>	<b>Information Communication Technology (ICT)</b>	
<b>7</b>	<b>Procurement</b>	
<b>8</b>	<b>Scrutiny</b>	
<b>9</b>	<b>Local Members</b>	
<b>E – Impact on our Future Generations(if relevant)</b>		
<b>1</b>	<b>How does this decision impact on our long term needs as an Island</b>	
<b>2</b>	<b>Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority. If so, how:-</b>	
<b>3</b>	<b>Have we been working collaboratively with other organisations to come to this decision, if so, please advise whom:</b>	
<b>4</b>	<b>Have Anglesey citizens played a part in drafting this way forward? Please explain how:-</b>	
<b>5</b>	<b>Outline what impact does this decision have on the Equalities agenda and the Welsh language</b>	
<b>F - Appendices:</b>		
Appendix A – Detailed Report on the Financial Impact of the Covid-19 Pandemic		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• 2020/21 Revenue Budget, as recommended by the County Council on 10 March 2020;</li> <li>• Medium Term Financial Plan 2020/21 – 2022/23 – presented to the Executive 16 September 2019.</li> </ul>		

## 1. INTRODUCTION

- 1.1. The current Covid-19 pandemic has resulted in the curtailment or closure of Council services, has increased costs in the short term in dealing with the pandemic, reduced significantly the Council's commercial income stream, will increase the number of Anglesey taxpayers who will require help with their Council Tax through the Council Tax Reduction scheme and will increase the levels of unpaid Council Tax which will impact on the Council's cash flow and revenue income.
- 1.2. As the country emerges from the lockdown, there will be a need for society to change the way we go about our daily lives and this, in turn, will impact on how the Council delivers its services in the future which could increase costs i.e. to achieve the change and to deliver services in a different way but also on the income that the Council is able to generate from certain services.
- 1.3. The level of financial support that the UK and Welsh Governments have had to commit to mitigate the impact of the lockdown will also have a knock on effect on the future levels of public spending across the UK, and this will translate to changes in the level of funding that the Council will receive from Welsh Government over the forthcoming years.
- 1.4. The following report addresses these points and assesses the financial impact. It is based on a number of assumptions and estimations, which are based on the information available at the time of writing the report. The situation is very fluid and the financial impact will change as the situation becomes more certain.

## 2. PREPARING FOR THE PANDEMIC

- 2.1. A risk of a global pandemic has been on the Council's risk register and this is one of the issues which required the Council to maintain adequate financial reserves. The Council set a target that the level of reserves should be at least 5% of the Council's net revenue budget. The net revenue budget for 2020/21 is £142.14m, which would require a general reserve level of £7.1m. The better than forecast financial outturn for 2019/20, and the return of some earmarked reserves to the general balances has resulted in the level of general reserves at 31 March 2020 rising to £7.06m.
- 2.2. Shortly before the lockdown, the Council had approximately £10m of cash held in various bank accounts, with £11m invested on a short term basis with other local authorities. On the 18 March 2020, the Council borrowed a further £10m, which took the available cash to over £20m. This cash was available to fund any unexpected expenditure which may have arisen during the lockdown period. Staff were instructed to hold the available cash in accounts that could readily be accessed and, as the local authority investments returned, the funds would also be held in the Council's bank accounts. In addition, the Welsh Government released Revenue Support Grant earlier than originally planned and made advanced payments to fund the cost of the business grants and additional business rate relief. As a result, the Council has maintained on or around £50m of cash in its bank accounts which was available should it have been needed.
- 2.3. Council Tax is a significant source of revenue for the Council, with a total debit of £52.9m (including precepts) and £46.9m having to be collected from taxpayers (the remainder is funded from the Council Tax Reduction scheme). The lateness in setting the 2020/21 Council Tax meant that as the lockdown commenced the 2020/21 Council Tax bills had not been issued. In order to ensure that the Council could continue to collect Council Tax, a decision was taken to send the bills out. This decision was taken prior to the Welsh Government deciding to make advanced payments of RSG to councils. This has meant that Council Tax income has continued to flow in from those who could pay (taxpayers that pay in full on receipt of the bill and those paying by direct debit). This decision has helped to ensure that the Council's cash flow is in a healthy position and that the initial risk of the Council running out of cash during the lockdown was mitigated.

### **3. SHORT TERM EXPENDITURE TO DEAL WITH THE PANDEMIC**

**3.1.** Over the 3 months of the lockdown, the Council has had to incur additional expenditure in dealing with the pandemic. Additional costs have been incurred on the following:-

- IT costs which has allowed the majority of Council staff to work from home;
- in providing support to those in the community who have been most affected by the lockdown e.g those who are shielding;
- in making payments / providing food parcels to families whose children are in receipt of free school meals;
- to purchase additional PPE for staff who continue to work in the community e.g residential care and homecare staff;
- to accommodate people who were homeless;
- to continue to make payments to Council contractors who were not required to provide a service during the lockdown period. These payments ensured that the contractors were still trading when the lockdown ended. These payments were made in accordance with the Procurement Policy Note (PPN 02/20) issued by the Cabinet Office;
- to provide additional payments to private residential and nursing homes to mitigate the additional costs faced by these homes in dealing with the pandemic and to provide additional payments to homes who could not accept new clients because of having a client testing positive in the home.

**3.2.** The vast majority of these costs have been covered by the Welsh Government, who have made a total of £120m available to Welsh councils to meet these additional costs. To date, the Council has claimed £858k for costs incurred in March, April and May. A further claim for June will be submitted in July, and this is likely to be in excess of the May claim of £526k.

### **4. LOSS OF INCOME FROM FEES AND CHARGES**

**4.1.** The Council generates over £5m in income annually from fees charged for services provided. The lockdown has resulted in some services being withdrawn and, as a result, the income normally generated is lost. The services mainly affected are Leisure Centres, School Meals, Car Parks, Oriol Ynys Môn, School Care Clubs and Libraries.

**4.2.** In addition, some services that have not been operating may have had their income delayed, although the income may be received when the lockdown is eased. The types of services include Planning, Building Control, Registrars, Recycling and Bulky Waste Collection, Land Charges and Highway Street Works

**4.3.** In order to help local businesses the Executive also resolved to give one month rent free to all tenants of industrial units and sundry properties and to give three months rent free to all moorings.

**4.4.** It is difficult to accurately estimate the loss of income as it is dependant on the number of people who would have used our services and there is a seasonal factor but, based on the 2019/20 figures, it is estimated that, for the period of April to June, the Council could lose the income as shown in Table 1 below:-

**Table 1**  
**Potential Lost Income April 2020 – June 2020**

	<b>April 2020</b> <b>£'000</b>	<b>May 2020</b> <b>£'000</b>	<b>June 2020</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Income Permanently Lost</b>				
Leisure Centres	125	125	125	375
Car Parks	63	55	42	160
School Meals	60	52	69	181
School Care Clubs	6	6	8	20
Industrial Unit & Sundry Property Rent	39	5	5	49
Mooring Fees	8	8	8	24
PWC Registration & Launching Fees	6	6	6	18
Oriel Ynys Môn	23	24	24	71
Canolfan Byron	7	7	7	21
Residential Care Homes	2	8	9	19
Miscellaneous	3	3	6	12
<b>Total Income Permanently Lost</b>	<b>342</b>	<b>299</b>	<b>309</b>	<b>950</b>
<b>Potentially Delayed Income</b>				
Highways Street Works	3	17	62	82
Land Charges	4	2	7	13
Planning Fees	15	15	15	45
Building Regulation Fees	12	12	12	36
Registrars	7	9	11	27
Recycling	0	21	45	66
Bulky Waste Collection	5	4	2	11
<b>Total Potentially Delayed Income</b>	<b>46</b>	<b>80</b>	<b>154</b>	<b>280</b>
<b>TOTAL POTENTIALLY LOST INCOME</b>	<b>388</b>	<b>379</b>	<b>463</b>	<b>1,230</b>

- 4.5.** As the lockdown eases, the Council will have to introduce social distancing measures and this will impact on the capacity of each service to generate the income levels seen in 2019/20. In addition, the economy will have suffered significantly and this will impact on the ability of individuals to spend on non essential services (leisure centres, car parks, Oriel Ynys Môn), some businesses may not be trading which will impact on rents received and also to invest, which will impact planning fees, building regulation fees and land charges.
- 4.6.** In order to try and estimate the potential loss of income to the end of the financial year, assumptions have been made as to the capacity of the main income generating services between now and the end of the financial year. These assumptions are set out in Appendix B.
- 4.7.** By using the information of the income collected during 2019/20 and the assumptions set out in Appendix B, it is possible to estimate the potential loss of income to the end of the financial year. This estimate is set out in Table 2 below:-

Table 2

## Potential Lost Income April 2020 – March 2021

	April 2020 £'000	May 2020 £'000	June 2020 £'000	July 2020 £'000	Aug 2020 £'000	Sept 2020 £'000	Oct 2020 £'000	Nov 2020 £'000	Dec 2020 £'000	Jan 2021 £'000	Feb 2021 £'000	March 2021 £'000	Total £'000
<b>Income Permanently Lost</b>													
Leisure Centres	125	125	125	142	145	109	106	107	96	74	84	57	1,295
Car Parks	63	55	42	49	68	43	18	15	12	5	6	9	385
School Meals	60	52	69	60	0	89	57	47	31	22	0	0	487
School Care Clubs	6	6	8	6	0	8	5	4	3	2	0	0	48
Industrial Unit & Sundry Property Rent	39	5	5	5	10	10	10	5	5	3	3	2	102
Mooring Fees	8	8	8	0	0	0	0	0	0	0	0	0	24
PWC Registration & Launching Fees	6	6	6	6	2	2	0	0	0	0	0	0	28
Oriel Ynys Môn	23	24	24	24	27	25	4	17	14	19	6	0	207
Canolfan Byron	7	7	7	15	11	5	23	8	10	3	0	0	96
Residential Care Homes	2	8	9	15	9	3	0	0	0	0	0	0	46
Miscellaneous	3	3	6	4	1	1	3	28	7	0	1	43	100
<b>Total Income Permanently Lost</b>	<b>342</b>	<b>299</b>	<b>309</b>	<b>326</b>	<b>273</b>	<b>295</b>	<b>226</b>	<b>231</b>	<b>178</b>	<b>128</b>	<b>100</b>	<b>111</b>	<b>2,818</b>
<b>Potentially Delayed Income</b>													
Highways Street Works	3	17	62	7	31	22	0	0	0	0	0	0	142
Land Charges	4	2	7	8	6	6	0	0	0	0	0	0	33
Planning Fees	15	15	15	16	16	16	0	0	0	0	0	0	93
Building Regulation Fees	12	12	12	8	8	8	0	0	0	0	0	0	60
Registrars	7	9	11	10	8	10	4	3	3	2	2	2	71
Recycling	0	21	45	18	21	21	0	14	6	5	8	12	171
Bulky Waste Collection	5	4	2	5	4	4	3	2	2	3	2	2	38
<b>Total Potentially Delayed Income</b>	<b>46</b>	<b>80</b>	<b>154</b>	<b>72</b>	<b>94</b>	<b>87</b>	<b>7</b>	<b>19</b>	<b>11</b>	<b>10</b>	<b>12</b>	<b>16</b>	<b>608</b>
<b>TOTAL POTENTIALLY LOST INCOME</b>	<b>388</b>	<b>379</b>	<b>463</b>	<b>398</b>	<b>367</b>	<b>382</b>	<b>233</b>	<b>250</b>	<b>189</b>	<b>138</b>	<b>112</b>	<b>127</b>	<b>3,426</b>

4.8. Although the level of estimated lost income is significant, the Council generates significantly lower levels of income from fees and charges compared to other larger councils in Wales, who generate significantly higher sums in car park fees, leisure centres, theatres, tourist attractions and property rents. The Welsh Government have recognised that the loss of income will have a significant impact on the financial viability of councils. They announced an additional £78m in support and it has been indicated that around two thirds of this funding will be used to compensate councils for the loss of income. It has yet to be decided how this income will be distributed, but it is likely that it will be allocated on the basis of the actual income lost rather than on a formula basis. Whatever basis is used, it is unlikely to compensate the Council for all the income lost.

## 5. EXPENDITURE SAVINGS DURING THE LOCKDOWN

5.1. As services were shut down, some expenditure savings resulted because buildings were not open, thus saving on energy and other building usage related costs, school bus operators and school caterers were not required to provide services, staff travelled less in the Council's fleet and in their own cars and administration costs were lower as staff worked from home.

5.2. Estimating the savings is difficult because any expenditure paid in April 2020 normally relates to work done in March 2020 and so the costs are recorded in the previous financial year. This makes identifying the savings generated more difficult and may result in the April figure being understated, but the May and June figures compensating for the under estimation for April. The estimated savings are shown in Table 3 below:-

**Table 3**

### **Estimated Revenue Expenditure Savings for April 2020 – June 2020**

	<b>April 2020 £'000</b>	<b>May 2020 £'000</b>	<b>June 2020 £'000</b>	<b>Total £'000</b>
<b>Expenditure Heading</b>				
Leisure Centres	0	45	40	85
Oriel Ynys Môn	1	6	10	17
School Transport	29	36	53	118
School Catering	14	17	25	56
Administration Costs	0	14	8	22
Fleet and Staff Car Allowances	0	30	42	72
<b>Total Estimated Expenditure Savings</b>	<b>44</b>	<b>148</b>	<b>178</b>	<b>370</b>

5.3. The savings quickly diminish once the lockdown is eased and buildings come back into use, even at a reduced capacity i.e they still have to be lit, heated and cleaned. With schools potentially reopening at the beginning of July, the savings from school transport and catering will be lost, which will only leave savings from the continued closure of the Leisure Centres and Oriel Ynys Môn and the continued savings from lower travelling costs. It is estimated the combined savings across all of the headings in Table 3 will be £71k in July, £66k in August, £7k in September and then minimal thereafter, provided that the assumption that all Council services will be operating at some capacity from October 2020 onwards.

## **6. COUNCIL TAX REDUCTION SCHEME COSTS**

- 6.1.** The Council's budget to cover the cost of the Council Tax Reduction scheme for 2020/21 is £6.016m. The Welsh Government has included £5.037m in the Council's Standard Spending Assessment which feeds through into the Council's Revenue Support Grant.
- 6.2.** As the economic situation worsens and unemployment increases, then the number of CTRS claimants will increase. Up to the end of May, the estimated cost has increased by £148k to £6.19m and this figure is expected to continue to rise when the furlough scheme ends and local businesses make staff redundant because they cannot continue to fund the same level of staffing.
- 6.3.** The number of Universal Credit claims for Anglesey increased by 985 in April 2020, but this has not translated to similar increases in the number of CTRS claims i.e. we only saw an increase of 87 CTRS claims between 1 April 2020 and 22 May 2020 and a further increase of 75 between 22 May 2020 and 16 June 2020. It is clear that, currently, it is the younger age groups that have been affected by the lockdown and have claimed Universal Credit and they do not tend to be people who are liable for Council Tax.
- 6.4.** Estimating how the caseload will increase over the coming months is difficult, but a conservative estimate of 10% would increase the cost of the scheme by £600k. Discussions are again ongoing between the councils, the WLGA and Welsh Government as to whether Welsh Government will fund all or part of these additional costs.

## **7. COLLECTION OF COUNCIL TAX**

- 7.1.** The total debit for Council Tax for 100% of the taxbase is £42.1m but, in addition, the Council also collects the precepts for the North Wales Police and Community Councils and this totals an additional £10.9m, making a total sum to be collected of £53.0m. This sum will reduce by £6.1m through the Council Tax Reduction Scheme to give a net sum to be collected of £46.9m.
- 7.2.** The taxbase changes over time as exemptions are awarded or ended and new properties are completed. In addition, the Council will not collect all the Council Tax due and normally collects around 99.3% of the total debit (usually after about 3 years). These adjustments and losses are factored into the budget through the taxbase which is set at 98.5% for the standard Council Tax and 80% for the premium.
- 7.3.** The Executive have made the decision not to charge the empty homes premium for the first 6 months and also to extend the exemptions for empty properties, which will reduce the debit by an estimated £191k.
- 7.4.** In addition to the above, the economic situation will make it more difficult to collect the Council Tax. Taxpayers have already been granted a deferment of their 1<sup>st</sup> instalment from April to June and this, combined with the fact that no recovery action has commenced has already resulted in the income collected to date being 1.5% lower in May 2020 compared to May 2019.
- 7.5.** Each 1% below the normal collection rate reduces the income by approximately £400k.

## **8. PRESSURES ON SERVICE BUDGETS**

- 8.1.** At the end of the 2019/20 financial year, two main services continued to experience budget pressure, Adult Services which overspent by £1.085m and Children's Services which overspent by £0.156m. The pressure on Adult Services was known when the budget was set and an additional £1.3m was included in the budget to cover this shortfall.

- 8.2. Around £300k of expenditure on Supported Living was funded from earmarked reserves in 2019/20 and the Service was in the process of retendering the service in order to reduce the service costs and that it was in line with the core budget. The pandemic has resulted in the postponement of the tendering process and, therefore, no savings will be achieved.
- 8.3. The most elderly of the population have been the most affected by the virus, with a high number of deaths in this group. It is unclear at this point how the pandemic will impact on the number of clients in the future and the service that they will require / request. It is likely to have an impact on future costs but it is unclear at this stage what the impact will be. Based on the current service provision and caseload, it is likely that the services for the elderly budget will overspend by around £250k, although this will be offset by an estimated £100k saving in staffing costs.
- 8.4. Additional budget pressures are also experienced during the winter months and the costs are dependant on the severity of the winter months. Over the past few years, the Welsh Government has provided a grant to help deal with these additional costs, approximately £300k each year. Given that the Welsh Government has already provided significant sums of additional funding to deal with the pandemic, it is not certain whether the funding will be available again to provide this additional grant in 2020/21.
- 8.5. Based on the current caseload, it is estimated that the Adult Services budget will overspend again by around £150k (assuming the release of £250k held as a contingency and no additional Welsh Government grant funding). As we move out of the lockdown, it is likely that the demand for certain services e.g. mental health services will increase and this will further add to the budget pressure.
- 8.6. Although Children's Services overspent in 2019/20, the projection for 2020/21 is a little brighter and, although case numbers are rising once again, the increased number of foster parents employed by the Council and the opening of the small group homes (Cartrefi Clyd) reduces the need for expensive out of county placements. However, again the effect of the lockdown is not known and the Council may see a significant increase in the number of children and families requiring the support of the Service.
- 8.7. In setting the budget, the Council allowed for a pay increase of 2% for all non teaching staff, but did hold £235k as a contingency in case the agreed pay award was higher. The latest offer from the employer is an increase of 2.75%, which is £340k higher than allowed for in the budget. If this is accepted, the additional costs will have to be funded.
- 8.8. The shift to working from home has shown how reliant the Council is on its IT and staff that support the IT systems. Changing the way Council staff work is likely to be permanent and further modernisation will be required. It was acknowledged, prior to the pandemic, that the limitations in IT resources was restricting the speed at which services could be modernised and the future changes that will be required will require further investment in IT resources.

## **9. RECOVERY PLANNING – RESET, RESTART, REGENERATE**

- 9.1. As society moves out of the lockdown there will be an urgent need to move to providing all the Council's services in a safe way that comply with all the requirements surrounding social distancing, but there will also be a need to mitigate the economic impact of the lockdown by investing in infrastructure and helping communities recover.
- 9.2. Moving to providing services with social distancing in place will not only impact on the income generated (as set out in Section 5 of this report) but will also incur one off costs to modify buildings etc. and will lead to higher service costs as services will have to be provided in a different way or lead to higher prices from contractors who will have to factor in social distancing into the way they work. Estimating these costs at this stage is very difficult, but Members need to be aware that they will have to be funded.

9.3. Capital investment will also be an important factor and the Council has successfully attracted grant funding in the past to build new schools, after care facilities, new industrial units and new roads. It will be interesting to see how the UK and Welsh Governments approach this i.e. will they continue to borrow to fund expenditure in order to stimulate the economy or will they reduce funding in order to offset some of the cost of dealing with the pandemic. If it is the former, the Council needs to be ready to put forward potential projects to attract funding. Preparing bids and designing potential schemes requires resources which are limited within the Council at the present time.

## 10. SUMMARY OF THE FINANCIAL IMPACT

10.1. The financial impact of the coronavirus pandemic on the 2020/21 budget is summarised in Table 4 below:-

**Table 4**

### Summary of the Financial Impact of the Coronavirus Pandemic on 2020/21 Budget

	£'000	Assumption	Report Reference
<b>Estimated / Known Additional Costs</b>			
Dealing with the Pandemic – March to May	838	Based on actual claim	Para 3.2
Dealing with the pandemic - June	750	Estimate	Para 3.2
Loss of Income	3,426	Based on previous year's income pattern and estimated service capacity	Para 4
Expenditure Savings	(514)	Based on previous year's expenditure patterns	Para 5
Council Tax Reduction Scheme	600	Based on 10% increase in caseload	Para 6
Empty Property Premium	191	As per Executive Decision	Para 7.3
Council Tax Losses	400	Based on 1% reduction in the collection rate	Para 7.5
Adult Services	450	Based on initial estimate May 2020	Para 8.2 & 8.3
Non teaching Staff Pay Award	95	Based on 2.75% pay award net of the remaining contingency	Para 8.7
<b>Additional Funding from Welsh Government</b>			
Dealing with the Pandemic	(1,588)	Based on actual and estimated claims to June 2020	
Loss of Income Support	(700)	Based on 2/3 of additional £78m announced being used to support income loss and Anglesey receiving 1.3% of the fund	
Winter Pressures Grant	(300)	In line with previous years	
<b>Potential Budget Shortfall</b>	<b>3,648</b>		

10.2. What is not known at the moment is the additional funding required to support the IT service and to develop capital projects, the costs of dealing with the impact of the lockdown on Adult and Children's Services and the one off costs and the ongoing costs on service provision of implementing social distancing.

**10.3.** Further funding may come from Welsh Government to meet some of the costs of the increase in Council Tax Reduction and in moving to a new way of working (the remaining 1/3 of the £78m additional fund).

**10.4.** The overall shortfall, whatever the figure is, will have to be funded from the Council's General Reserve balance of £7m and, although this should be sufficient to fund the estimated shortfall, it will severely weaken the Council's financial position as it moves in 2021/22.

## **11. THE 2021/22 BUDGET AND BEYOND**

**11.1.** In a normal year, the Council would commence its budget setting process for the following year's revenue budget in June and July, with budget workshops being held with Members in September and October with a draft budget being announced in November.

**11.2.** The pandemic has not only delayed this process but also introduced a significant amount of uncertainty around the local government settlement and the ability of the Council to increase Council Tax.

**11.3.** In 2020/21, the Council received an increase in Welsh Government funding of 3.8% and it was hoped that austerity had come to an end and that future settlements would at least cover pay and price inflation. This assumption may need to change but, as we have had no indication from the Welsh Government as to what they are planning in respect of future financial settlements, it is difficult to determine a reasonable planning assumption.

**11.4.** In the Medium Term Financial Plan that was approved by the Executive in September 2019, it was assumed that Council Tax would continue to rise at around 5% in both 2021/22 and 2022/23 in order to fund services at their current level or to fund an investment in some services if the Welsh Government settlement was better than expected. The economic impact of the pandemic on Anglesey will need to be considered to see if it is necessary to change this planning assumption.

**11.5.** An updated Medium Term Financial Plan will be presented to the Executive in September and this will guide the 2021/22 budget.

**ASSUMED SERVICE INCOME CAPACITY GENERATING LEVELS FOR 2020/21**

Service	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Leisure Centres	0%	0%	0%	0%	0%	25%	25%	25%	25%	50%	50%	50%
Car Parks	0%	0%	10%	20%	25%	25%	50%	50%	50%	75%	75%	75%
School Meals	0%	0%	0%	0%	0%	10%	25%	50%	50%	75%	100%	100%
School Care Clubs	0%	0%	0%	0%	0%	10%	25%	50%	50%	75%	100%	100%
Industrial Unit & Sundry Property Rent	0%	90%	90%	90%	80%	80%	80%	90%	90%	95%	95%	95%
Mooring Fees	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%
PWC Registration & Launching Fees	0%	0%	0%	0%	50%	50%	50%	50%	50%	100%	100%	100%
Oriel Ynys Môn	0%	0%	0%	0%	25%	25%	50%	50%	50%	50%	50%	100%
Canolfan Byron	0%	0%	0%	0%	0%	0%	25%	25%	25%	50%	50%	50%
Residential Care Homes	99%	97%	97%	95%	97%	99%	100%	100%	100%	100%	100%	100%
Highways Street Works	0%	0%	50%	50%	50%	50%	100%	100%	100%	100%	100%	100%
Land Charges	50%	50%	50%	50%	50%	50%	100%	100%	100%	100%	100%	100%
Planning Fees	50%	50%	50%	50%	50%	50%	100%	100%	100%	100%	100%	100%
Building Regulation Fees	20%	20%	20%	50%	50%	50%	100%	100%	100%	100%	100%	100%
Registrars	0%	0%	0%	0%	20%	25%	50%	50%	50%	75%	75%	75%
Recycling	0%	0%	30%	50%	50%	50%	75%	75%	75%	75%	75%	75%
Bulky Waste Collection	0%	0%	30%	50%	50%	50%	75%	75%	75%	100%	100%	100%