

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>1 MARCH 2021</b>
<b>SUBJECT:</b>	<b>MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2021/22</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR R WILLIAMS</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES</b>
<b>REPORT AUTHOR:</b>	<b>MARC JONES</b>
<b>TEL:</b>	01248 752601
<b>E-MAIL:</b>	rmjfi@ynysmon.gov.uk
<b>LOCAL MEMBERS:</b>	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 2021/22 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 9 March 2021. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2021/22;
- 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 2021/22 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. 2021/22 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 3 of Appendix 1 and Appendix 2;
- To agree the final details of the Council's proposed budget, as shown in Section 9 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 £7.3m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 7 of Appendix 1;

- To recommend a net budget for the County Council of £147.420m and resulting increase in the level of Council Tax of 2.75% (£35.91 – 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 9 March 2021;
- That any differences between the provisional settlement and the final settlement will be adjusted for by using the general contingency which is included in the 2021/22 budget, or by making a contribution to / from the Council's general reserves in order to set a balanced budget;
- 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 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>	-
6	<b>Information Communication Technology (ICT)</b>	-
7	<b>Scrutiny</b>	Final budget proposals were considered by the Scrutiny Committee at its meeting on 16 February 2021. 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 2021/22 by Service</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• Initial Budget Proposals for 2021/22 – Executive Committee – 18 January 2021</li> <li>• Initial Budget Proposals for 2021/22 – Corporate Scrutiny Committee – 16 February 2021</li> <li>• Medium Term Financial Plan for 2021/22 to 2023/24 – Executive Committee – 28 September 2020</li> </ul>		

## 1. INTRODUCTION AND BACKGROUND

- 1.1. The following report sets out the 2021/22 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 and Fees and Charges.
- 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 2020 and can be summarised as follows:-

**Table 1**  
**Medium Term Financial Plan 2021/22 to 2023/24**

	2021/22 £'m	2022/23 £'m	2023/24 £'m
Net Revenue Budget B/F	142.146	148.205	151.402
Budget Pressures and Inflation	6.059	3.197	3.009
<b>Revised Standstill Budget</b>	<b>148.205</b>	<b>151.402</b>	<b>154.411</b>
Aggregate External Finance (AEF) for 2020/21	101.005	101.005	101.005
Council Tax	41.141	41.141	41.141
<b>Total Funding</b>	<b>142.146</b>	<b>142.146</b>	<b>142.146</b>
<b>Additional Funding Requirement / Savings Required</b>	<b>6.059</b>	<b>9.256</b>	<b>12.265</b>
<b>Main Assumptions</b>			
Pay Awards – Non Teaching	2.6%	2.0%	2.0%
Pay Awards - Teaching	2.8%	2.0%	2.0%
General Inflation	1.5%	2.0%	2.0%

- 1.3. Given the lack of forward information, it was difficult to estimate the change in the level of the Aggregate External Finance (AEF) provided by the Welsh Government for 2021/22, and even more difficult to estimate the changes in 2022/23 and 2023/24. The AEF is a significant figure from which the Council then determines the level of Council Tax increase and any savings it is required to make in each year.
- 1.4. The Executive had previously agreed a strategy that set the annual Council Tax rise at 5% per annum. A rise of this level would generate an additional £2.06m in Council Tax in 2021/22, £2.16m in 2022/23 and £2.27m in 2023/24. This would fund just over 50% of the £12.265m increase in costs by 2023/24, with the remainder being funded from any increase in the AEF and savings.

## 2. THE INITIAL BUDGET PROPOSAL

- 2.1. At its meeting on 18 January 2021, the Executive discussed its original budget proposal and the provisional budget settlement which the Welsh Government had published on 22 December 2020.
- 2.2. The provisional settlement was better than anticipated and would provide the Council with £104.825m, which is an increase in cash terms of £3.545m (3.5%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £3.456m (3.4%).

- 2.3. The Executive accepted that the standstill budget for 2021/22 would be £147.076m and, given the provisional AEF of £104.825m, this would require an increase of 2.65% in Council Tax to balance the budget.
- 2.4. However, the Executive recognised the need to invest in a number of areas to increase staffing capacity, to invest in services for schools and to respond to changes in demand as a result of increased tourism and the need to respond to climate change. The Executive also proposed to freeze the price of school meals. These changes would increase the revenue budget by £0.653m and would be funded from an increase in parking charges for seasonal car parks at seaside locations (an additional £100k in income) and by raising the Council Tax by a further 1.1%. This would take the proposed budget to £147.531m and the Council Tax increase to 3.75%.
- 2.5. The budget proposal did not require any services to implement any budget savings for 2021/22.
- 2.6. Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2021/22 is £148.168m and the proposed budget is, therefore, 99.6% of the SSA.

### 3. THE COUNCIL'S CONSULTATION

- 3.1. The Council published its budget proposals on 19 January 2021 and the consultation period closed on 3 February 2021. Citizens, partners, stakeholders and staff were asked to respond to the consultation by responding to a questionnaire on the Council's website. The consultation process was widely advertised on the Council's social media.
- 3.2. Given the short time available to undertake consultation, arising from the late announcement of the provisional settlement and the fact that the pandemic and associated lockdown has restricted the Council's ability to hold meetings with its partners and stakeholders, the only additional meeting that took place to discuss the budget was with the Schools' Finance Forum, which met on 10 February 2021 to discuss the budget proposals.
- 3.3. The results of the consultation process are attached as Appendix 2.

### 4. REVISED STANDSTILL BUDGET 2021/22 AND THE BUDGET GAP

- 4.1. 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 not resulted in any changes and the initial budget proposal is set out in Table 2 below:-

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

	£m	£m
Standstill Budget as at 13 January 2020		147.076
Additional Funding for Budget Pressures		0.630
Increased Car Park Charges		(0.100)
Freezing of School Meal Prices		0.023
Adjustment of CTRS Budget to reflect 3.75% proposed Council Tax increase		(0.075)
Adjustment to General Contingency		(0.023)
<b>Initial 2021/22 Budget Proposal as at 18 January 2021 (assumes 3.75% increase in Council Tax)</b>		<b>147.531</b>

- 4.2. The Welsh Government will publish its final local government settlement on 2 March 2021, which will be too late for the Executive to take account of in its final budget proposals. It is not anticipated that there will be any significant change between the provisional and final settlement but any change will be accounted for by adjusting the level of general contingency if the variance is small or by funding from / contributing to the Council's general balances should the variance be larger. As such, the proposed level of Council Tax will remain unchanged even if the final AEF differs from the figure shown in the provisional settlement.

## 5. COUNCIL TAX

- 5.1. The Council's Band D Council Tax charge for 2020/21 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**

Authority	Band D Charge 2020/21 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,305		
Gwynedd	1,430	+ 125	+ 9.6%
Conwy	1,344	+ 39	+ 3.0%
Denbighshire	1,384	+ 79	+ 6.1%
Flintshire	1,342	+ 37	+ 2.8%
Wrexham	1,233	- 72	- 5.5%

- 5.2. The Council Tax budget for 2021/22 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £41.14m. Therefore, each 1% increase generates an additional £411k. After taking into account the provisional settlement figure of £104.825m, the revised budget requirement of £147.531m (see Table 2) would require £42.706m in Council Tax funding. To fund the revised budget requirement, the minimum increase in the level of Council Tax would be 3.75%, taking the Band D charge to £1,353.69, an increase of £48.96 or £0.94 per week.
- 5.3. In the provisional 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 £1,403.57, which is 5.1% higher than the 2020/21 figure.

## 6. GENERAL AND SPECIFIC RESERVES, CONTINGENCIES AND FINANCIAL RISK

- 6.1. 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:-
- The global pandemic increased the Council's expenditure considerably (estimated figure for 2020/21 is £5.1m) and also reduced its ability to raise income through fees and charges (estimated figure for 2020/21 is £1.75m). In addition, the collection rate for Council Tax is currently around 2% lower than the normal levels and, although it is anticipated that the Council will collect some of this shortfall, it is anticipated that the level of Council Tax debts written off for 2020/21 will be considerably higher than in previous years. To date, the Welsh Government have funded the additional expenditure and loss of income and there is an expectation that additional funding will continue in 2021/22. However, there is a risk that if the pandemic remains a significant risk in 2021/22 and further lockdowns are required, or social distancing measures continue, then the additional expenditure incurred by the Council and the income losses experienced will be higher than the funding available from the Welsh Government. As a result, there is a significant risk that the Council will have to utilise its own reserves to make up any shortfall.

- However, the pandemic has resulted in a temporary reduction in some services which has resulted in a projected underspend of the Council's revenue budget of between £1m and £1.5m. This underspending will boost the Council's general balances, although the Executive has earmarked some of the underspend to increase the capital budget in 2021/22. It is difficult at this stage to estimate the increase demand for services as the Council emerges from the lockdown and a level of normality resumes in 2021/22. The projected underspend in 2020/21 is seen as a temporary position and it is expected that services will at least require their full budget allocation in 2021/22.
  - 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 and this has been matched by budget increases in previous 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, particularly as we return to a level of normality during 2021/22.
  - The teachers' pay award up to September 2021 has been agreed, and the required sum included in the budget proposal. However, the pay award for the period September 2021 onwards has not. The Chancellor has announced a pay freeze for public sector staff in 2021/22, however, the teacher's pay award in Wales has been devolved to the Welsh Government who have not indicated whether they will follow the position set out by the Chancellor. As a result, a 1% increase has been allowed for. The Council's budget for teachers pay is around £30m and if the actual pay award from September 2021 was 2% then this would increase costs by £175k higher than allowed for in the budget proposal. Previous increases above the normal level of inflation have been funded by the Welsh Government but there is no guarantee that this will be the position for 2021/22.
  - The non-teaching pay award, which is effective from 1 April 2021, has not been agreed. The Chancellor has stated that only those employees who earn under £24,000 should receive a £250 pay award. The Unions have called for a £2,000 flat rate increase or 6%, whichever is the greater. The non teaching pay award for local government staff is not set by the UK Government so, again, the actual pay award may differ from the Chancellor's intentions. A 1% increase has been allowed for in the budget but, based on a non teaching pay budget of approximately £50m, if the Unions were successful with their 6% pay claim, then pay costs would increase by £2.5m more than has been allowed for in the budget. This additional cost is not normally funded by the Welsh Government and the cost would fall on the Council to fund.
  - An inflationary increase of 1.5% 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 below 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.
- 6.2.** 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.
- 6.3.** 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.

- 6.4.** 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.
- 6.5.** As at 31 March 2020, the Council's general reserves stood at £7.060m, which is equivalent to 4.97% of the Council's net revenue budget for 2020/21, 7.0% 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 2021/22 proposed revenue budget, this would require a level of general reserves of approximately £7.3m. 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 £5.24m.
- 6.6.** The revenue budget is projected to underspend by £1.47m (as at end of quarter 3) and, if this is the actual outcome at the end of the financial year, this would increase the general balances to £8.53m (5.8% of the proposed net revenue budget for 2021/22). However, it should be noted that the Executive initially proposed to use £0.921m of general reserves to fund the 2021/22 capital budget. This would reduce the level of general balances back down to £7.609m (5.16% of the proposed net revenue budget for 2021/22).
- 6.7.** 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.
- 6.8.** It is the professional opinion of the Section 151 Officer that the level of general reserves is currently at an adequate level to meet the future financial risks faced by the Council. However, it should be noted that achieving the projected level of reserves noted in paragraph 6.6 above is dependent on the financial results over the final quarter of the 2020/21 financial year, and there is a risk that the final outturn position may differ from this projection. It should also be noted that the level of reserves of £7.6m is sufficient to meet the normal financial risks faced by the Council, but the pandemic creates a greater level of uncertainty and increased financial risks going forward. The financial risks posed by the pandemic are mitigated if the Welsh Government continue to support the Council with additional funding for the additional costs incurred and for the loss of income.
- 6.9.** The Council also holds £10.29m as earmarked and restricted reserves and school balances (as at 31 March 2020). 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 a full report will be presented to the Executive on the earmarked and restricted reserves at the end of the financial year. The majority of the reserves are held 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 2021/22. There may be scope to release a small amount of the earmarked reserves back to the general reserves at the end of the financial year, which will further increase the general balances.



- 6.10. The proposed revenue budget for 2021/22 includes £1.294m of earmarked and general contingencies. Items included under this heading include a general contingency £350k, salary and grading contingency £150k and £155k for time limited funding, including, Regional Growth bid and the North Wales STEM project. The contingency budgets also includes the £640k proposed to cover the budget pressures. These funds will be allocated to service budgets as and when the expenditure starts to be incurred. 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.

## 7. ROBUSTNESS OF ESTIMATES

- 7.1. 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.
- 7.2. 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.
- 7.3. 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 2021/22, 1% inflation has been allowed for to cover staffing pay awards (teachers and NJC staff) and the financial risks relating to pay are detailed in 6.1 above. The latest forecasts do not show that inflation will rise significantly during 2021/22 and it is expected to be on or around the Government's target of 2% and as such, 1.5% has been included in the budget to cover general price inflation. Approximately £60m of the Council's budget is for supplies and service where the price will increase as inflation increases. A 1% rise in inflation may add £600k to the Council's costs (around 0.4% 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 2021/22. 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 2021/22, there are no savings proposed and, as such, this risk is not applicable to the 2021/22 budget.
- **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, as the need for savings has reduced in 2020/21 and no savings are proposed in 2021/22, the contingency to fund staff redundancy costs has been reduced to £150k. Although there is no overall need to reduce staff numbers at this point, there is a risk that the position of individual schools may require to reduce staff costs to balance their own individual budget or to clear deficits that still exist. The contingency set should be sufficient to meet any redundancy costs which arise during the year.
- **Council Tax Premium** – In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 336 properties in October 2019 to 394 properties in October 2020, and the number of second homes rose from 2,044 to 2,067 over the same period.

- **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. It should be noted that the number of properties being identified as self-catering accommodation and transferring to the business rates register has increased from 718 properties in March 2020 to 927 properties in February 2021, an increase of 209 properties. When a property moves across, the Valuation Office Agency will determine a date from which the property becomes liable for business rates, which can be a number of years back. Not only does the Council lose the Council Tax on these properties, but must also refund any Council Tax and premium which has been paid from the date when the property is placed on the Business Rates register. These movements can have a significant impact on the Council Tax yield in any one year.
- **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 2021/22 has taken into account the increased demand experienced during 2020/21, but any further increases would be unfunded and increase the risk of demand led services overspending in 2021/22.

7.4. 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.

## 8. SCRUTINY COMMITTEE

8.1. Due to the delays in receiving the provisional and final settlement, the budget timetable for 2021/22 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The 2021/22 budget was given further consideration by the Corporate Scrutiny Committee at its meeting of 16 February, 2021 and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

## 9. PROPOSED BUDGET AND COUNCIL TAX LEVEL

9.1. 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:-

- In light of additional funding received from the Welsh Government, £300k of reserves which were to be used to fund the purchase of Chromebooks for schools can now be funded from the additional Welsh Government funding. The £300k reserves will now be used as a contribution to the funding of the revenue budget in 2021/22, and this is equivalent to a 0.75% reduction in Council Tax.
- The Council has also been successful in obtaining grant funding from Welsh Government to cover some of the cost of purchasing new refuse collection vehicles. This, in turn reduces the amount of unsupported borrowing the Council will have to undertake, which reduces the budget requirement for minimum revenue provision (MRP) and interest charges. These budget reductions allows the net revenue budget to be reduced by a further £102k, which is equivalent to a 0.25% reduction in Council Tax.
- That the final budget proposal for 2021/22, is a net revenue budget of £147.420m.
- That the Council Tax is increased by 2.75% in 2021/22, which raises the Band D Council Tax by £35.91 to £1,340.64.

- That any difference between the provisional settlement and the final settlement is adjusted for by either adjusting level of general contingency in the annual budget or by adjusting for the difference by taking a contribution from or making a contribution to the Council's general reserves.

9.2. Table 4 below summarises the movement in the 2021/22 budget, taking into account the proposals set out in paragraph 10.1 above:-

**Table 4**  
**Proposed Budget Requirement and Funding 2021/22**

Budget Requirement		£'m
Final Budget 2020/21		142.146
Committed Charges and Inflation		4.930
<b>Standstill Budget as at 18 January 2021</b>		<b>147.076</b>
Additional Funding for Budget Pressures		0.630
Additional Income from Increased Car Park Charges		(0.100)
Freezing of School Meal Prices		0.023
Reduction in Capital Financing Budget following receipt of grant funding for refuse vehicles		(0.086)
Adjustment to CTRS budget to reflect an increase of 2.75% in Council Tax		(0.139)
Adjustment to General Contingency		0.016
<b>Final Proposed Budget Requirement</b>		<b>147.420</b>
<b>Funded By:</b>		
Revenue Support Grant	81.345	
Non-Domestic Rates	23.480	
Total AEF		104.825
Council's General Reserves		0.300
Council Tax (including Premium)		42.295
<b>Total Funding</b>		<b>147.420</b>

## 10. EQUALITIES IMPACT ASSESSMENT

- 10.1. 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.
- 10.2. 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.

## 11. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

- 11.1. The initial budget proposals to the Executive on 18 January 2021 was based on the Medium Term Financial Strategy (MTFS) approved by the Executive in September 2020 (see Table 1). The MTFP made no assumption on the future increases in AEF and Council Tax, but did set out different increases in AEF and how that would impact on the level of Council Tax required in order to balance the estimated future budgets in 2022/23 and 2023/24.
- 11.2. The provisional settlement for 2021/22 is at the higher end of the possible increases modelled in the MTFS and, as such, has allowed the Executive to propose a lowest Council Tax increase since 2017/18 and has not required any budget savings to be included in the budget. It should also be noted that the Council's reserves have increased, which strengthens the Council's financial position moving forward.

- 11.3.** Estimating future changes in the AEF is difficult, and much will depend on the performance of the UK economy post Brexit and post pandemic. The UK Government will set out its new financial policies in its budget on 5 March 2021. 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.
- 11.4.** 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 2021.

## **12. CONCLUSIONS**

- 12.1.** It is important for the forthcoming year that the budget set is achievable and accurately reflects the demands faced by services currently, although it is noted that a lengthy prolonging of the lockdown or significant social distancing restrictions will have an impact on the Council's budget, and this has not been factored into the proposed budget. Support from Welsh Government will need to continue to fund additional expenditure and loss of income if the pandemic continues for a significant proportion of 2021/22.
- 12.2.** The improvement in the Council's financial reserves does put the Council in a stronger financial position moving forward into 2021/22 and beyond.
- 12.3.** Therefore, in the professional opinion of the Section 151 Officer, the revenue budget for 2021/22 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 continued underlying financial pressures in the Services which have been impacted most by an increased demand for services: Education, Children's Services and Adults Services.
  - 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.

## **13. RECOMMENDATIONS**

- 13.1.** The Executive is recommended to approve the final budget proposal, as set out in Paragraph 9, to the full Council meeting on 9 March 2021.

**Response to the Executive Committee's Initial Budget Proposals – 2021/22**

**ISLE OF ANGLESEY COUNTY COUNCIL**

**February 2021**

**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 19<sup>th</sup> January and 2<sup>nd</sup> February, 2021. The 2 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.
- 1.3. Consideration was given to a broad range of proposals such as increasing Council Tax levels by a further 1.1% on top of the 2.65% already earmarked as an annual raise, to fund essential Council services and invest in dealing with cost pressures identified as a result of the pandemic.
- 1.4. These proposals were publicised in various ways but were much more digitally targeted than in previous years;
  - 1.4.1. The proposals were published on the Council's website (homepage)
  - 1.4.2. Extensive use of social media – Twitter, Facebook and Instagram to promote the proposals to a broader range of residents

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 the following means:
  - An on-line survey on our website
  - E-mail

The consultation this year followed a similar pattern to previous consultation events that have been held in recent years, with a shortened timescale enforced upon the Council by Welsh Government and of course the impact of the pandemic in being able to consult face to face with the residents of Anglesey. As a result, the emphasis again this year was placed on gaining an electronic response through our extensive use of social media due to the imposed constraints of Covid arrangements meaning that the usual public meetings could not take place.

The proposals were marketed as follows through the following social media channels –

13 times via Welsh facebook account

13 times via English Facebook account

13 times via Welsh Twitter account



13 times via English Twitter account

3 time via bilingual Instagram account

The Council received nearly 600 responses via electronic means. Correspondence was also received via e-mail. These responses encapsulate a relatively large number of responses compared to the previous annual budget setting processes which have averaged approximately 500 responses. There was an exception to this one year where in excess of 5,000 responses were received in the consultation of the Council's 19/20 budget setting process.








Bearing in mind this year's consultation was open for two weeks only, this is an appropriate and welcomed response by the residents of Anglesey to the consultation.

The results / findings are as follows –

<b>1. Do you agree that the County Council should raise Council Tax further by 1.1% in order to fund the above activities / services?</b>				
			<b>Response Percent</b>	<b>Response Total</b>
1	Yes		12.33%	72
2	No		87.67%	512
			answered	584
			skipped	4

The above response demonstrates that the majority (nearly 9 out of 10 people) that responded to the consultation do not agree with the proposal to increase the Council Tax by 1.1% in order to fund the activities noted in the consultation.



**2. If not, which of the above activities / services do you think the County Council should prioritise and fund from a Council Tax increase (please pick as many of the options below that you believe should be funded)?**

			<b>Response Percent</b>	<b>Response Total</b>
1	Introduce a new professional entry level staffing programme to provide opportunities for young local people		14.23%	76
2	Increase public protection capacity to maintain future public health on Anglesey		18.54%	99
3	Improve educational provision for the most vulnerable learners at KS4 through further investment in the Education Inclusion Service		19.10%	102
4	IT support for schools to enable and support increased IT activity in education		21.54%	115
5	Improved Management of beaches and foreshore plus improvements in data collection to aide future tourism investment		14.23%	76
6	Climate change adaptations		15.17%	81
7	None of the above – continue as you are without the need for further investment		45.69%	244
			answered	534
			skipped	54



The above provides a picture of where those who do not wish to see a 1.1% increase to the Council Tax to fund Council Services would prioritise if required. It can be seen clearly that the majority would continue to state that no investment should be made and that the Council should continue as is without the need for further investment. This response gained approximately 46% and the second highest response was that of an additional investment in IT support for schools to enable and support increased IT activity in education.

**2. To support these initiatives further and raise a proposed £100,000 the Council is also looking to increase car parking charges at seaside locations as it has concluded that the current charges are low in comparison to other authorities and destinations and believes there is scope to increase these charges. It proposes to increase these charges as follows:**  
**Up to 1 hour – current charge £1, proposed new charge £1**  
**Up to 2 hours – current charge £2, proposed new charge £3**  
**Up to 4 hours – current charge £3.50, proposed new charge £6**  
**Up to 12 hours – current charge £4.50, proposed new charge £10**  
**Up to 12 hours (car and trailer) – current charge £6, proposed new charge £20**  
**Would you agree with these proposals?**

			Response Percent	Response Total
1	Yes		38.50%	226
2	No		61.50%	361
			answered	587
			skipped	1

The above question relating to increased car parking charges demonstrates a clear split in the opinion of respondents with an approximate 60:40 split against such a proposal. Correspondence has been received by a local Sailing & Watersports Club regarding the above proposal, who noted -

“The Club recognise that the Covid 19 Pandemic has put enormous strain on Council budgets and reductions in the support from the UK Government via the Welsh Assembly over the years have forced local councils across Wales to have to make difficult decisions.

However, Members had a number of concerns about the potential impact a substantial increase in car parking fees could have on Club participation levels”. The Club itself has over 600 members of whom about 250 are children.

The Club in its response asks that the County Council recognise our concern that, as many of our members are regular full day users of the Traeth Bychan car park, an unreasonable increase in the charge may not only impact participation in our Club activities, both on and off the water, but also reduce a more or less guaranteed season long income source to the County Council.

It also understands through its response that the council proposes to introduce more modern ticket issuing machines to some car parks. If this is correct, the Club would propose that it would be to the benefit of both the Club and the County Council to introduce a scheme that rewards regular car park users, such as

the clubs members, with a loyalty discount to users who are prepared to purchase blocks of parking tickets in advance.

A similar proposal (namely that residents could be offered a beneficial parking rate) has also been offered by an elected member for further consideration.

**3. The Council will also look to use some of its general reserves to fund the following one-off improvements projects.**



**Economic Development and environmental wellbeing projects. Match funding to be used as and when grant funding becomes available to draw down external funding in order to realise projects which will benefit the Island - £95,000**

**Chrome books for schools To fund 1,672 chrome books for Secondary and Primary schools to ensure that children have access to chrome books, increase the ratio of chrome books for pupils and contribute to the wider scheme of the 2019-2023 boost - £305,000**

**Resurfacing play areas Resurfacing two play areas at Holyhead High School - £300,000**

**Flood Relief Schemes To provide match funding (15%) for small scale schemes and also to provide match funding (15%) for prioritised major schemes in order to draw down Welsh Government (WG) grant funding. WG grant would therefore total £2.295m and allow Flood Relief Schemes to be built at Red Wharf Bay, Menai Bridge and Valley - £405,000**

**Do you agree with the proposed activities above?**

			<b>Response Percent</b>	<b>Response Total</b>
1	Yes		51.55%	300
2	No		48.45%	282
			answered	582
			skipped	6

The response to the Council’s proposal of how to use its capital funding over the forthcoming 12 months is at odds with the previous comments with a slight majority in favour of the proposals.

Further comments regarding some of these proposals and respondents views can be gleaned in answer to the following final question of the consultation.

**5. If not, where and on what should the Council invest over the forthcoming 12 months?**

The findings relating to this question have been thematically collated for the ease of analysis. They are listed in the order of popularity. i.e. the largest number first / smallest response last.

- **Discontent: 69**

This number revolves around the suggestion of increasing the council tax. Several points were made, however a few themes did crop up more than others. 2<sup>nd</sup> homes - or holiday homes - was the main theme that respondents commented on. It was felt that the council should be looking to increase tax on those who do not live in Anglesey all year round and own holiday homes, rather than increasing the council tax in general. Furthermore, respondents were keen to point out that many of those who do own 2<sup>nd</sup> homes are profiteering by running their second homes as Air BnB's. Respondents also noted that it was very unfair to suggest increasing the council tax considering that there is now a £35 charge for green bins, along with the burden and cost associated with the pandemic. Many people strongly felt that they could not deal with any further costs. Finally, some respondents wanted to make their feelings heard with regards to how well some of the councillors are paid.

Away from council tax, the majority of people who did respond were totally opposed to the idea of increasing car parking charges on beaches and other tourist destinations. They generally felt that it would cause more problems – people parking on the sides of roads and the worry that it may turn some tourists away. These views are aligned to those of the Sailing & Watersports Club mentioned previously.

- **No Further Spending – Do with what we have already: 38**

A number of respondents generally felt that due to Covid they would rather see no additional investment being made by the County Council this year if it means that their council tax must be increased.

- **Highways: 35**

A number of respondents were keen to note that they wanted to see an improvement to the roads on Anglesey. Furthermore, this wasn't a view what was just based on a few areas, it was an universal view for the whole island. Respondents often pointed out that the number of pot holes and poor road surfaces had caused damage to their cars.

- **Education: 27**

Respondents were generally very supportive of the idea to bring in chrome books for school. This can be seen in the number of people that supported an improvement in education. However, the £300,000 play area in Holyhead was seen as an 'absurd' amount of money to spend on such a facility.

- **Flood Relief Schemes: 23**

Respondents were very supportive of additional work being undertaken for flood relief schemes. Many cited the recent floods as their reasoning behind wanting additional funding for flood defence schemes at different parts of the Island.

- **Health and Wellbeing: 20**

The responses to this point revolves around several different aspects. Firstly, many respondents feel that there needs to be additional funds towards ensuring that adults and children can receive the necessary mental health counselling when required. It was also felt that funds need to be made available to the wellbeing of families who are living on the breadline. Finally, a few respondents also felt that there needs to be additional support to the elderly and disabled.

- **More Activities: 17**

Many were keen to see an improvement in the number of cycle routes and walking routes for the island - in particular roads around the Llangefni area. People also cited how they would like to see an increase, or refurbishment of several playgrounds – pointing that there isn't enough spots for children to play in many areas. This point can be aligned to those noted above regarding the health and wellbeing of the residents.

- **Housing: 15**

Two main points surfaced here. Respondents were keen to see an increase in the number of houses available to first time buyers – they would like to see an initiative from the council which supports younger people to purchase their first house. Secondly, they were keen to see either more council houses being bought, or an improvement in the state of several council houses that already exist.

- **Rubbish and Waste: 13**

This response was hugely aimed at dog waste more than anything. People are fed up of seeing dog waste at beaches and would like to see additional funding put towards bins on beaches.

- **Improving Communities: 11**

There was a general theme – especially with regards to Holyhead – that respondents wanted to see town improvements. Essentially, they were keen to see old, tired buildings refurbished and made to look more attractive.

- **Small Businesses: 10**

Respondents felt that small businesses require additional funding in order to help them through the pandemic. The effect of Covid has been very costly to small businesses who have had to close as a result of lockdowns.

- **Tourism: 10**

There was a feeling from respondents that money should be made available for tourism activities. They felt that tourism was the best way to inject money in to the local economy post-covid, and thus felt that the council should look to invest in attractions that could lure more people in to visiting Anglesey. This was seen as an opportunity.

- **More Job Opportunities: 9**

A small number of respondents were keen to see investment being made to ensure that the people of Anglesey can secure jobs. 5 of the respondents for this highlighted that they would like to see an increase in the number of opportunities for young people in particular.

- **Improve the Environment: 6**

A few respondents mentioned that they would like to see funding being made available in order to ensure that Anglesey is more eco-friendly. Responses varied from wanting to see more electric car charging stations, to wanting to see more trees etc. being planted.

## FINAL BUDGET PROPOSAL 2021/22 BY SERVICE

	<b>Final Proposed Budget 2021/22 £</b>
Education and Culture	54,874,010
Adult Services	27,677,674
Children's Services	11,184,105
Housing Services	1,247,378
Highways, Waste and Property	16,126,609
Economic and Community Regeneration	4,201,707
Corporate Transformation	5,436,964
Resources	3,235,694
Council Business	1,708,227
Corporate Management	635,849
<b>Total Service Budgets</b>	<b>126,328,217</b>
Corporate and Democratic Costs	3,009,885
Recharges to HRA	(700,000)
Levies	3,695,207
Capital Financing	7,392,381
Benefits Granted	109,239
Discretionary Rate Relief	71,050
Council Tax Reduction Scheme	6,180,558
<b>Total Allocated Budgets</b>	<b>146,086,537</b>
General & Other Contingencies	693,428
Budget Pressures (Held Initially as a Contingency Budget)	640,000
<b>Total Budget 2020/21</b>	<b>147,419,965</b>
<b>Funded By</b>	
Revenue Support Grant	(81,344,841)
Non Domestic Rates	(23,480,332)
Council Tax (Including Council Tax Premium)	(42,294,792)
Council Reserves	(300,000)
<b>Total Funding</b>	<b>(147,419,965)</b>
<b>Difference Budget to Funding</b>	<b>-</b>



