

ENVIRONMENT AND ECONOMY OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Tuesday 10 th November, 2020
Report Subject	Budget 2021/22 – Stage 1
Cabinet Member	Deputy Leader and Cabinet Member for Streetscene and Countryside; and Cabinet Member for Planning and Public Protection
Report Author	Corporate Finance Manager, Chief Executive, Chief Officer (Planning, Environment & Economy) and Chief Officer (Streetscene & Transportation)
Type of Report	Strategic

EXECUTIVE SUMMARY

A report to Cabinet in October provided an update on the financial forecast for 2021/22 and the following two financial years. The report is attached as Appendix 1.

A full review of the forecast has been undertaken to build an accurate and robust baseline of cost pressures that will need to be funded. The review has taken into full account the ongoing impacts of the emergency situation including the speed of recovery of income against set targets.

Due to the current level of uncertainty, scenarios have been presented in a range of low to high.

The report also sets out the limited solutions available to fund these cost pressures. The funding strategy is highly dependent on sufficient national funding for local government, a position which is unchanged since the budget for 2020/21 was set.

The details of the cost pressures for Streetscene and Transportation and Planning, Environment and the Economy are included within this report. The Committee is invited to review the costs pressures and risks, and to advise on any potential efficiency options to explore.

A slide presentation will be made at the meeting.

RECOMMENDATIONS

1	That the Committee reviews and comments on the Streetscene and Transportation and Planning, Environment and the Economy cost pressures.
2	That the Committee advises on any areas of cost efficiency it would like to be explored further.
3	That the Committee reviews and advises on the overall budget strategy

REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL FORECAST
1.01	A report to Cabinet in October provided an update of the overall Flintshire Council financial forecast for 2021/22.
1.02	Due to the current level of uncertainty scenarios have been presented in a range of low to high.
1.03	As in recent years the budget for 2021/22 will be considered in stages. This is a first stage report which details the forecast and the cost pressures which make-up the total budget requirement.
1.04	<p>Revisions to the Forecast</p> <p>All inflationary, demand-led service and other cost pressures have been reviewed and evaluated.</p> <p>The cost pressures have been categorised as:</p> <ul style="list-style-type: none">- Prior Year Decisions/ Approvals- Loss of Income- Legislative/Unavoidable Indexation- Issues requiring national resolution- National Funding Requirements (Pay Awards)- Strategic Considerations

1.05	<p>The full details of the forecast are attached to this report in Appendix 1. A summary is given below.</p> <p><u>Table 1. Revised Summary 2021/22</u></p> <table><tr><th rowspan="3">Summary of Pressures</th><th colspan="3">21 / 22</th></tr><tr><th>L</th><th>M</th><th>T</th></tr><tr><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Prior Year Decisions/Approvals</td><td>1.257</td><td>1.257</td><td>1.257</td></tr><tr><td>Income Loss</td><td>0.708</td><td>0.876</td><td>1.261</td></tr><tr><td>Legislative/Unavoidable Indexation Pressures</td><td>0.576</td><td>0.576</td><td>0.576</td></tr><tr><td>National Resolution Pressures</td><td>3.652</td><td>4.359</td><td>7.079</td></tr><tr><td>National Funding Requirement (Pay)</td><td>5.787</td><td>6.949</td><td>8.073</td></tr><tr><td>Strategic Decisions</td><td>2.444</td><td>5.619</td><td>9.090</td></tr><tr><td>Total Pressures</td><td>14.423</td><td>19.636</td><td>27.336</td></tr><tr><td></td><td></td><td></td><td></td></tr></table>	Summary of Pressures	21 / 22			L	M	T	£m	£m	£m	Prior Year Decisions/Approvals	1.257	1.257	1.257	Income Loss	0.708	0.876	1.261	Legislative/Unavoidable Indexation Pressures	0.576	0.576	0.576	National Resolution Pressures	3.652	4.359	7.079	National Funding Requirement (Pay)	5.787	6.949	8.073	Strategic Decisions	2.444	5.619	9.090	Total Pressures	14.423	19.636	27.336				
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1.06	<p>This report sets out in detail the cost pressures within the portfolio of this Committee.</p>																																										
1.07	<p>Streetscene and Transportation and Planning, Economy and the Environment Portfolio Pressures</p> <p>These are set out in the paragraphs below.</p>																																										
1.08	<p><u>Table 2: Streetscene and Transportation Pressures</u></p> <table><tr><th>Pressure Title</th><th>£m</th><th>Note</th></tr><tr><td></td><td></td><td></td></tr><tr><td>Loss of Income</td><td></td><td></td></tr><tr><td>• Reduced Energy Sales – Reduction in gas generation</td><td>0.120</td><td>1.</td></tr><tr><td>• Recyclate Markets – volatility in price and volume</td><td>0.299 - 0.730</td><td>2.</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Strategic Decisions</td><td></td><td></td></tr><tr><td>• School Transport – General</td><td>0.163</td><td>3.</td></tr><tr><td>• School Transport - Closure of John Summers</td><td>0.050</td><td>4.</td></tr><tr><td>• Post 16 Transport</td><td>0.047</td><td>5.</td></tr><tr><td>• Social Services Adults Transport</td><td>0.063</td><td>6.</td></tr><tr><td>• Social Services Children’s Transport</td><td>0.044</td><td>7.</td></tr><tr><td>• Ash Dieback</td><td>0.060</td><td>8.</td></tr><tr><td>• Business Manager – Streetscene</td><td>0.072</td><td>9.</td></tr></table>	Pressure Title	£m	Note				Loss of Income			• Reduced Energy Sales – Reduction in gas generation	0.120	1.	• Recyclate Markets – volatility in price and volume	0.299 - 0.730	2.				Strategic Decisions			• School Transport – General	0.163	3.	• School Transport - Closure of John Summers	0.050	4.	• Post 16 Transport	0.047	5.	• Social Services Adults Transport	0.063	6.	• Social Services Children’s Transport	0.044	7.	• Ash Dieback	0.060	8.	• Business Manager – Streetscene	0.072	9.
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1. Reduced Energy Sales; the sale of energy is dependent upon the rate of gas extraction from the former landfill sites. The production of gas has gradually declined and thus the associated sales revenue is not being delivered.
2. Recyclate Markets; the market for paper and cardboard has seen significant change over the past year with related recycling plants being saturated by volumes collected nationally as part of normal Local Authority waste collection.
3. School Transport General; each year the number of school days varies and in 2021-22 will include 7 additional days. In order to strengthen the sustainability and resilience of the underlying financial position, in future years a level of headroom will be created that will allow for such and other future fluctuation in the underlying cost of the service.
4. School Transport, Closure of John Summers; due to the requirement for additional transport to be provided for the reallocation of pupils to alternative schools, this additional cost has arisen and will be required on an ongoing basis.
5. Post 16 Transport; due to an amendment to Welsh Government Guidance around the charging for pupils attending college. The amendment related to the eligibility of charging for transport provided in non-DDA compliant vehicles, the operator base across Flintshire unfortunately is currently non-compliant. The residual efficiency built into the approved budget from 2020/21 makes provision for Coleg Cambria to support transport costs to the college for Post 16 students.
6. Social Services Adults Transport; due to an increase in requests for transport and additional cost of complex support required for adults, this pressure has arisen and is ongoing.
7. Social Services Children's Transport; this pressure has arisen due to both an increase in requests and an increase in distances travelled dependent upon where children are placed. This is due to the length of a number of new routes now required.
8. Ash Die Back; Following a revision to National guidance on the prevalence of the disease, this pressure has reduced from that initially indicated. A programme of managed testing will take place with priority on removal of the most impacted trees from the roadside.
9. Business Manager – Streetscene; this post will lead on the identification, quantification and implementation of service efficiencies across the Portfolio. The post holder will be instrumental in assuring the affordability and sustainability of services in the medium to longer term.

Table 3: Planning, Environment and the Economy Pressures

Pressure Title	£m	Note
Prior Year Decisions / Approvals		
• Unrealised Efficiency – Market Review	0.035	1.
Loss of Income		
• Markets – Scale of markets reducing	0.074 - 0.114	2.
• Pest Control – Reduction in customer led demand	0.040 - 0.052	3.
Legislative / Unavoidable Indexation Pressures		
• Private Water Supplies	0.104	4.
• SuDS	0.112	5.

1. Unrealised Efficiency - Market Review; further decline in Markets popularity, reducing footfall in town centres from influence of large out of town shopping centres, together with the impact of COVID-19.
2. Markets; The markets service has always been an income generator for the Council, covering its own costs as well as returning a surplus to the Council. However, the income targets set for the service have risen year on year while the number and scale of street markets has declined dramatically across the UK including in Flintshire.
3. Pest Control; Pest Control is a customer demand led service and has varying levels of operation based on seasonality, climate conditions and environmental issues. The annual income target had remained static and was generally underachieved at a steady rate of 50%.
4. Additional resource is required to meet statutory obligations under the Private Water Supplies (Wales) Regulations 2017. The regulations require local authorities to carry out risk assessments of every supply in its area and there is also a requirement for on-going monitoring. If the supplies do not meet the requisite standards the Council are responsible for enforcement and may need to undertake works in default due to the potential significant public health risk.
In December 2019 officers from the Drinking Water Inspectorate undertook an audit of compliance with the aforementioned regulations. It highlighted that the Council are not wholly meeting their statutory duties in respect of these regulations. At present, there are 1.5 FTE employees undertaking these duties and the time of these officers is currently taken up investigating large complex supplies that have been identified as very high risk.

5. SuDS; The statutory requirement for the Council to operate as a SuDS Approving Body (SAB) came into force in January 2019 with the commencement of Schedule 3 of the Flood and Water Management Act. This added a significant workload burden to the existing Flood and Coastal Risk Management Team which only comprises 3.54 FTE employees with one of the full time posts also vacant at present. The team also carry out the statutory function of Lead Local Flood Authority (LLFA) in relation to surface water management and flood risk for the Council. There is insufficient capacity in the present team to fulfil both of these statutory roles.

1.10

Table 4: Summary of Pressures

Summary of Pressures	21 / 22		
	Low	Medium	Top
	£m	£m	£m
<u>Streetscene & Transportation</u>			
Income Loss	0.419	0.599	0.850
Strategic Decisions	0.498	0.498	0.498
Total Pressures	0.917	1.097	1.348
<u>Planning, Environment and the Economy</u>			
Prior Year Decisions / Approvals	0.035	0.035	0.035
Income Loss	0.114	0.132	0.166
Legislative/Unavoidable Indexation Pressures	0.216	0.216	0.216
Total Pressures	0.365	0.383	0.417

1.11

Strategic Funding Solutions

The solutions available to the Council to fund the cost pressures outlined in the report are three-fold:-

- Government Funding (Aggregate External Finance)
- Local Taxation and Income
- Service Transformation and Efficiencies

We can also consider suppressing the budget requirement by not making full budget provision for some risks and treating them as 'Open Risks' to be managed in-year.

The funding strategy is highly dependent on sufficient national funding for local government.

1.12	<p>Budget Timeline</p> <p>The UK Spending Review has been confirmed for 25th November with the draft Welsh Government Budget set for 21 December 2020 and with the Final Budget set for 2 March 2021.</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><u>Table 5: Budget Timeline</u></p> <table> <tr> <th>Date</th><th>Event</th></tr> <tr> <td>November</td><td>Overview and Scrutiny Committees</td></tr> <tr> <td>15 December</td><td>Cabinet</td></tr> <tr> <td>21 December</td><td>WG Draft Budget</td></tr> <tr> <td>22 December</td><td>Provisional Local Government Settlement</td></tr> <tr> <td>23 December</td><td>Cabinet and all Member Briefing</td></tr> <tr> <td>19 January</td><td>Cabinet</td></tr> <tr> <td>16 February</td><td>Cabinet and Council</td></tr> <tr> <td>2 March</td><td>WG Final Budget/Settlement</td></tr> </table>	Date	Event	November	Overview and Scrutiny Committees	15 December	Cabinet	21 December	WG Draft Budget	22 December	Provisional Local Government Settlement	23 December	Cabinet and all Member Briefing	19 January	Cabinet	16 February	Cabinet and Council	2 March	WG Final Budget/Settlement
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2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	As set out in the report.

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	Appendix 1 - Cabinet Report 20 th October 2020 – Medium Term Financial Strategy and Budget 2021/22

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Cabinet Report 20 th October 2020 – Medium Term Financial Strategy and Budget 2021/22

	Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: (01352) 702271 E-mail: gary.ferguson@flintshire.gov.uk
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7.00	GLOSSARY OF TERMS
7.01	<p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Annual Settlement: the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p>Financial Year: the period of 12 months commencing on 1 April</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p>