

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL
STREETCARE AND ENGINEERING SCRUTINY COMMITTEE

**REPORT OF THE DIRECTOR OF ENVIRONMENT AND
REGENERATION – N.Pearce**

22nd January 2021

SECTION A – MATTER FOR SCRUTINY

WARDS AFFECTED: ALL

CONSULTATION ON 2021/22 BUDGET PROPOSALS

1. Purpose of Report

To provide Members of the Streetcare and Engineering Scrutiny Committee with supplementary information further to the 2021/22 draft budget proposals as set out in the Cabinet Report of 13th January 2021, with a view to aiding the scrutiny of those proposals. Consultation on the Draft Budget proposals is ongoing until the 12 February 2021 prior to final budget decisions taking place on the 8/9 March 2021.

2. Executive Summary

The draft budget proposals for consultation approved by Cabinet on 13th January 2021 show a funding gap of £3.235m for the 2021/22 financial year.

The proposals included a small number of savings strategies which have already been scrutinised, consulted on, and subsequently approved by Council on 6th March 2020.

The Cabinet report also detailed that a draft contribution of £3.1m from general reserves is required to balance the 2021/22 budget position.

This report sets out relevant areas for this scrutiny committee to consider as part of the consultation process.

3. Background

Neath Port Talbot Council's net revenue budget for the current year of 2020/21 amounts to £304.082m and together with grants and income from services results in a gross budget of £445m which is invested in services across the County Borough.

The following table summarises the Council's Funding and Net Budget for 2020/21.

| Funding in current year, 2020/21 | Budget | Budget |
|---|-----------------|----------------|
| | £m | % |
| Revenue Support Grant | £177.353 | 58.32% |
| National Non Domestic Rates | £49.409 | 16.25% |
| Discretionary Rates Relief | -£0.387 | -0.13% |
| Council Tax | £77.707 | 25.56% |
| Total Income | £304.082 | 100.00% |

| Net budget in current year, 2020/21 | Budget | Budget |
|---|-----------------|----------------|
| | £m | % |
| Education, Leisure & Lifelong Learning (including Schools at £90.137m) | £116.019 | 38.15% |
| Social Services, Health & Housing | £83.281 | 27.39% |
| Environment | £39.525 | 13.00% |
| Finance & Corporate Services | £18.208 | 5.99% |
| Fire Authority | £7.891 | 2.60% |
| Capital Financing | £19.282 | 6.34% |
| Council Tax Support | £18.748 | 6.16% |
| Other including Contingency | £2.778 | 0.91% |
| Use of Reserves | -£1.650 | -0.54% |
| Budget Requirement | £304.082 | 100.00% |

4. 2021/22 Budget Proposals

On the 22nd December 2020 the Welsh Government (WG) published details of the 2021/22 Provisional Local Government Settlement. This shows that WG will increase its funding to Local Government by £4.651bn, a 3.8% increase on the adjusted base for 2020/21. Neath Port Talbot Council's share is £236.680m which is 6th best in Wales and an increase of £9.9m or 4.2%.

For 2021/22 the total draft funds available to run Council Services is £317m but this remains short of what is required to meet inflation, pay awards and other demand pressures which total £320.2m. Therefore there is a funding shortfall next year of £3.235m.

The Cabinet report of 13th January 2021 sets out the draft proposals to close that gap by implementing the already approved cuts/income generation of £135k, use of £3.1m of general reserves and increase council tax by 3.75% to balance the budget. Details are set out in the tables below:

Estimated Budget requirement in 2021/22

| | £'000 |
|--|----------------|
| Net Budget 2020/21 | 304,082 |
| Pay Awards and inflation | 6,602 |
| Pressures | 7,739 |
| Transfers into 2021/22 settlement | 186 |
| Reverse use of General Reserves in 20/21 | 1,650 |
| Draft Budget Required in 2021/22 | 320,259 |

Estimated total funding available in 2021/22

| | £'000 |
|--|----------------|
| Net Budget 2020/21 | 304,082 |
| | |
| Increase in WG Funding | 9,918 |
| Increase in Council Tax proceeds @ 3.75% | 3,024 |
| | |
| Draft Funds Available in 2021/22 | 317,024 |

Draft Budget Gap 2021/22

| | £'000 |
|--|--------------|
| Total Budget Required 2021/22 | 320,259 |
| Estimated Funds Available | 317,024 |
| | |
| Total Budget Gap 2021/22 | 3,235 |
| | |
| Budget Gap to be funded by | |
| Use of General Reserves 2021/22 | -3,100 |
| Savings/Income Generation Proposals already approved | -135 |

5. Service Pressures

Of the £7.739m pressures outlined above £1.050m relate to the services overseen by this Scrutiny Committee. In addition there are £64k of one-off pressures which are proposed to be funded from specific reserves.

Details of these pressures are outlined in Appendix 1 of this report.

6. Savings / Income Generation Proposals

The budget proposals for 2021/22 include savings/income generation strategies totalling £135k. These have already been the subject of consultation and scrutiny as part of the 2020/21 budget setting process and are included in this report for information only, but will, as appropriate, be updated for timing or changes in value.

Details of proposals relevant to services overseen by this Scrutiny Committee are included in Appendix 2.

7. Financial Outlook

The latest Medium Term Financial Plan position is outlined in the table below:

| | 2021/22 | 2022/23 | 2023/24 |
|--|--------------|---------------|---------------|
| | £'000 | £'000 | £'000 |
| Budget Gap before Directorate Savings | 3,235 | 15,981 | 17,318 |
| Cumulative Gap | 3,235 | 19,216 | 36,534 |
| FFP Reductions | -135 | -176 | -50 |
| Funded from General Reserves | -3,100 | | |
| Budget Gap (gross of use of reserves) @ Jan 2021 | 0 | 18,905 | 17,268 |
| Cumulative Gap @ Jan 2021 | 0 | 18,905 | 36,173 |

Members should however be aware that there are a number of factors which could impact on the Council's financial position going forward.

Due to the impact of Covid19 the Chancellor of the Exchequer has delayed his Budget Statement until 3 March 2021, with a further multi-year UK Government Spending Review announcement due later in 2021, which will inform public spending plans for the next few years. The outcome of that review will allow the Welsh Government to develop plans and hopefully multi-year funding settlements for 2022/23 and onwards.

WG also confirmed that the current settlement and specific grants exclude Covid related funding. Members will note that for 2021/22 the UK Government is providing WG with an additional £770m for Covid related costs.

Given the adverse impact that Covid19 is having on the whole of the UK economy and on Government taxes we should expect that there will be ongoing budget challenges for the next few years.

Members should note though that work is ongoing to verify whether additional budgets are required for the following items. If so they will need to be built into the final budget decisions due in March 2021:

- Legislation

- Any reduction in specific grants affecting service need
- Any changes identified as part of the final Local Government Settlement or UK Government announcements.

Continuous monitoring and appropriate changes will be made regarding Brexit, plus other economic, public spending and taxation matters, including those mentioned by the Chancellor in his Budget announcement due on 3rd March 2021.

8. Opportunities and Threats for Services

The good news is there are no proposed cuts in budgets for the Streetcare or Transport & Engineering Divisions in 2021/22.

Commentary on identified Service Pressures

Waste Services - A cost pressure of £400K is identified for the following reasons:

- An anticipated all-Wales cut in Sustainable Waste Grant of £1m will reduce the size of the Council's grant which if not compensated for will undermine the council's ability to deliver its waste strategy. The pressure in 2021/22 includes £45k in respect of this cut.
- The Council's management contract which has been in place for some time for its Household Waste and Recycling Centres is due for renewal, and it is known from market feedback that costs are going to increase above inflation in terms of 'catching up' following fixed increases over the life of the contract, along with increased costs associated with maximising recycling and composting. Failure to make provision would necessitate a cut in service provision alongside the new contract. £250K has been allocated in this regard.
- There is a further general shortfall in the waste management budget arising from a lasting national reduction in incomes for most recycle materials to which £105K has been allocated.

Highways and Streetcare – A budget pressure of £350K is identified which makes allowances for the following:

- Trade waste income is depressed by Covid. Whilst a lot of the reduction is hopefully temporary and will bounce back in due course, some overall decrease is likely to be permanent so it is expected, as a minimum, that the normal inflationary uplift on the trade waste income budget will be unachievable resulting in a pressure. £13 K has been allocated for this. If not allocated the amount would just manifest as an overspend in the budget next year.
- As the provision of recycling services and participation expands there has been a growing demand for ongoing additional household recycling equipment and associated deliveries. £36K is allocated to resource additional deliveries.
- The revenue works budgets for road and footway pavement maintenance need increasing for ad-hoc and general repairs, and £88K has been allocated. This is to provide additional funding to replace the annual erosion caused by costs exceeding budget inflation provision and the increased maintenance costs of speed cushions and other speed reduction measures that have been installed over the many years using WG road safety grants.
- The road marking renewal budget needs increasing to facilitate a five-yearly renewal programme and £30K has been allowed for this.
- There are a number of large countryside structures, old viaducts and the like, which are not adopted highway and have previously fallen outside of the regular periodic inspection regime. This needs to be addressed and £20K has been allocated for this.
- There is a need for an additional drainage minor works gang to help address the myriad of minor drainage issues and associated service demands, involving blocked and broken drains etc. Flooding is a high profile issue of significant concern to the public and the council especially given that we are experiencing a rising number of flood events and associated damage across the county borough. £130K has been allocated for an additional gang including 3 operatives, vehicles, plant and materials.

- Additional budget of £10K has been allocated for extra sand bags and standby costs to facilitate continued support to residents and businesses in flooding hotspots such as Canalside, Ystalyfera and other areas.

Bollard Management at Port Talbot Town Centre £12k – This budget is required to manage the daily raising and lowering of bollards to stop vehicles indiscriminately accessing the pedestrianised area of the town centre.

Port Talbot Bus Station - £11K has been allocated to the Estate's section to meet ongoing costs associated with Port Talbot Bus Station.

Reduction in Car parking income £300K – The Council's Parking income has been severely affected due to the Coronavirus pandemic with footfall much reduced in the Town Centres. Until such time as the vaccine is fully rolled out, it is anticipated that income streams will continue to be affected in this service area during 2021/22. It is hoped that the position will gradually improve from 2022/23 onwards.

Increased Fuel Duty Costs £48K – The Chancellor announced at Budget 2020 that the entitlement to use Red Diesel will end from 2022. This will impact on Streetcare costs as red diesel is used to run all plant machinery based at the Transfer Station as well as other pieces of machinery within the wider service. For example, the secondary sweeper engines mounted on HGV road sweepers.

Commentary on budget pressures proposed to be met from Specific Reserves

Additional resources in procurement – Further to insourcing the Transfer Station at Crymlyn Burrows a lot of work remains outstanding to replace all off-take contracts for waste and recycling materials at the site. This requires extensive support from the council's Procurement Section which has limited resources at present. Investment in the procurement service will facilitate the improved operation of the waste service and will enable its efficient and affordable operation going forward.

It has previously been agreed the Council will pilot Absorbent Hygiene Product collections and contribute to national efforts in this

regard. The pilot collections are due to be introduced later this year and are pending delivery of two vehicles which are on order. The proposed expenditure is associated with setting up the pilot rounds.

One-off waste composition survey - Two local waste composition surveys have been undertaken previously, the last in 2015. It is planned to do an update survey to inform the council's next in-depth review of its waste strategy due in Spring 2022, to ensure the 70% target in 2024/25 is achieved or even exceeded.

Highway IT Costs: The SAB and Highways Development Control Section in discharging its new statutory function and role as SUDs Approval Body requires additional software modules for SAB Enforcement, Appeals and Inspections within the directorates existing iDox Computer Software system, together with associated training for staff members which is essential for service delivery.

Commentary on income generation strategies

Two corporate income generation strategies which may have implication for services overseen by this committee have been included for information:

- Further transformation of customer services, in particular the automation of telephone calls at the Call Centre which will be experienced, for example, by residents calling to access Streetcare and Parking Services; and,
- Increased advertising on sponsorship on Council assets to potentially include, for example, highway assets such as litter and dog bins.

9. Crime and Disorder Impact

The Council has a legal duty under Section 17 of the Crime and Disorder Act 1998 to carry out all its various functions with “due regard to the need to prevent Crime and Disorder in its area”.

Individual proposals are being assessed as to their impact on crime and disorder and should any specific impact be identified these will be identified against individual proposals and summarised in final proposals.

10. Integrated Impact Assessment

The Equality Act 2010 requires public bodies to “pay due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristics and persons who do not share it.”

This report refers to the need to make budget savings, cuts or generate extra income of £135k in 2021/22 together with the use of £3.1m from General Reserves with a further budget gap of £36m over the following 2 years, assuming that WG don't provide any increased funding in both years. Individual Impact Assessments for specific service reduction and income generating proposals have previously been undertaken and hence not included in this report as there are no new proposals for next year.

11. Workforce Impacts

Any impacts on the workforce are set out in this report.

12. Consultation

A public consultation will run from 13th January 2021 to 12th February 2021. The savings/income generation proposals will not be included in this consultation as they have already been consulted on and approved by Council.

13. Recommendation

It is recommended that Members review and scrutinise the proposals included in this report.

14. Appendices

Appendix 1 - Revenue Service Pressures 2021 to 2024 & Budget Pressures funded from Specific Reserves

Appendix 2 – Savings/Income Generation proposals previously approved

15. Background Papers

Budget working papers

16. Officer Contact

For further information on this report item, please contact:

Ms Nicola Pearce – Director of Environment and Regeneration

Email: n.pearce@npt.gov.uk

Revenue Service Pressures & Investment 2021 to 2024

| Ref | Board | Service area | 2021/22 | 2022/23 | 2023/24 |
|--------|-------|--|--------------|------------|------------|
| | | | £'000 | £'000 | £'000 |
| ENVT27 | S&E | Waste services - increased demands due to higher tonnages and other issues | 400 | 150 | 100 |
| ENVT28 | S&E | Highways and Streetcare budget increase | 350 | 250 | 250 |
| ENVT32 | S&E | Reduction in Car Parking income base budget due to ongoing impact of Covid | 300 | -150 | -150 |
| ENVT34 | S&E | Loss of red fuel grant following change in legislation | 0 | 48 | 0 |
| | | | | | |
| | | Total | 1,050 | 298 | 200 |

Budget Pressures funded from Specific Reserves

| Ref | Board | Service area | 2021/22 | 2022/23 |
|--------|-------|---|-----------|-----------|
| | | | £'000 | £'000 |
| CORP34 | CAB | Procurement - additional resources to manage Leisure, Margam Park and Waste contracts for 2 years | 45 | 45 |
| | | Total from Corporate Contingency Reserve (The Reserve has an estimated balance of £2.221m at 31 March 2021) | 45 | 45 |
| | | | | |
| ENVT38 | S&E | One-off pressure to fund equipment delivery and literature for the roll-out of pilot absorbent hygiene product collection service | 25 | |
| ENVT39 | S&E | One-off waste composition survey in preparation for May 2022 review | 25 | |
| ENVT40 | S&E | Highways IT costs | 14 | |
| | | Total from Environment Equalisation Reserve (The Reserve has an estimated balance of £317k at 31 March 2021) | 64 | |

Savings/Income Generation – Already approved

| Ref | Board | Description | Lead | Main Impacts | Net Budget 2020/21 | % Savings | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|----------|-------|---|-----------------------|---|--------------------|-----------|--------------|--------------|--------------|
| CORP 903 | CAB | Digital strategy - further transformation of customer services | Chief Digital Officer | Following success of the Digital strategy this has enabled further remodelling of customers services to reflect a shift in customer volumes between face to face, online and telephone channels. This will mean a gradual reduction in face to face services. Also, automation of telephone calls at contact Centre Service leading to a reduction in the number of jobs. Continued since 2019. | 568 | 4% | 20 | 0 | 0 |
| CORP 904 | CAB | Income generation - info asset sponsorship - implementing the corporate communications and community relations strategy | Sheenagh Rees | Income Generation and Digital Strategy - Introduce targeted sponsorship and advertising policy for the Council's information assets, based on ethically and commercially sound policy. The business case is being developed and is likely to require pump prime funding i.e. invest to save. Delayed due to Covid19 to 2022/23 on. | N/A | N/A | 0 | 30 | 50 |
| | | Total | | | | | 20 | 30 | 50 |

