

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

REPORT OF THE CHIEF FINANCE OFFICER

5th JANUARY 2022

SECTION A – MATTER FOR DECISION

WARDS AFFECTED: ALL

DRAFT BUDGET FOR CONSULTATION 2022/23

1. Purpose of Report

To seek Member approval to consult on the draft budget proposals for 2022/23.

To confirm that consultation will take place to the 1st February 2022 prior to reviewing responses and setting a budget for 2022/23 on 28th February 2022.

2. Executive Summary

Today's report does not seek final decisions from Members. The aim of this report is to seek approval to go out to consultation and listen to the views of our County Borough citizens and stakeholders in relation to the issues set out in this report. Final decisions on setting the Council's 2022/23 Budget will be required to be taken on 28th February 2022.

3. Background

Neath Port Talbot Council's net revenue budget for the current year of 2021/22 amounts to £316.246m and together with grants and income from services results in a gross budget of c£450m which is invested in services across the County Borough.

There is a statutory duty on the Council to set a balanced budget each financial year. Prior to setting the budget the Council has a duty to consult stakeholders on changes to the Budget

4. Current Year's Budget 2021/22

Neath Port Talbot Council approved its 2021/22 budget on the 9th March 2021.

The following table summarises Council's Budget and Funding for 2021/22.

	Budget	Budget
	£m	%
Budget requirement	316.246	
Funded by		
Welsh Government - Aggregate External Finance (AEF)	236.681	75%
Council Tax	79,952	25%
Discretionary rate relief	-0.387	
Total Funding	316.246	

Budget 2021/22	Budget	Budget
	£m	%
Schools	93.314	29%
Education, Leisure & Lifelong Learning	27.560	9%
Social Services, Health & Housing	87.276	28%
Environment	41.929	13%
Finance & Corporate Services	19.075	6%
Fire Authority	8.180	3%
Capital Financing	19.667	6%
Council Tax Support	19.834	6%
Other including Contingency	2.511	1%
Use of Reserves	-3.100	-1%
Budget	316.246	100%

5. Provisional Local Government Settlement 2022/23

The Welsh Government's Provisional Local Government Settlement was published on 21st December 2021. On an all Wales basis the total amount of funding has increased by £437m or 9.4%.

Neath Port Talbot has received an increase in funding of £20.78m which equates to 8.8% when compared to the adjusted 2021/22 base. This increase is the 18th lowest of the twenty two Councils in Wales.

The reasons for Neath Port Talbot being towards the bottom of the settlement table are due to data changes which drive some elements of the funding formula, namely:

- Free School Meals – the number of pupils entitled to free school meals has increased but proportionately less than other Councils
- The number of benefit claimants has increased but again proportionately less than most other Councils in Wales.

6. 2022/23 Budget Overview

The table on the following page details the amount of funding needed to run Council Services in 2022/23 and the funding available

It includes unavoidable cost increases of £8.7m, service pressures of £8.7m and a £2.2m budget allocation to support the development of a medium term financial strategy and deal with fluctuations in Welsh Government funding over subsequent financial years.

2022/23 Budget Summary

	£'000	£'000
2021/22 Budget	316,246	
Add: General Reserve used to balance 21/22	3,100	
Total 2021/22		319,346
2022/23 Unavoidable Cost Increases		
Inflation including pay award @ 1.25%	5,847	
Social Care Levy	1,364	
Increased contract costs re: National Living Wage Increase	1,488	
Total Unavoidable Cost Increases		8,699
Service Pressures (see Appendix 1)		8,735
Reduction in Contingency Budgets		-965
Medium Term Financial Strategy – Equalisation Budget		2,200
Total Budget		338,015
Funded by		
Council Tax (2021/22 level with adjusted base)		80,334
Welsh Government funding		258,068
Discretionary rate relief		-387
Total Funding Available		338,015
Budget Gap		0

The above table shows that as a result of the 8.8% increase in funding received through the settlement there is no funding gap in 2022/23.

As a consequence there is no requirement to increase Council Tax levels for 2022/23 and it is recommended that the public be consulted on a 0% Council Tax rise.

7. Medium Term Financial Strategy (MTFS)

The above proposals represent a one year budget reflecting the ongoing operational and financial uncertainty resulting from the Coronavirus Pandemic.

Officers will embark on an exercise to develop a medium term financial strategy (MTFS) during the early part of 2022 which will involve assessing the structural impact Covid has had on base budgets. It will also consider the longer term priorities identified in the Corporate Plan and determine how these can be funded. This work will allow a new administration to progress with delivering on the new plan following the local government elections in May 2022.

The Welsh Government Settlement includes indicative funding allocations of 3.5% for 2023/24 and 2.4% for 2024/25. In order to minimise the impact of these less generous settlements it is proposed that £2.2m of the 2022/23 budget be ring-fenced to support the delivery of the MTFS and to provide a means of managing the fluctuations in funding.

8. General Reserves Policy

Due to prudent financial management the Council has healthy balances of both general and specific reserves. As at 31st March 2021 the general reserve balance of £20.036m represented 6.3% of the Council's net revenue budget.

It was previously proposed that £3.1m of this balance would be required to fund a shortfall in the 2021/22 budget however a report approved by the Cabinet on 24th November 2021 noted that this use of general reserves would not be required during 2021/22 due to one-off savings elsewhere in the budget.

There is no prescribed minimum or maximum level of general reserves. The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that it is for each local authority to determine the adequacy of reserves based on advice from the Chief Finance Officer.

It is my view; taking into account the strategic, financial and operational risks facing the Council; that general reserves should be maintained at approximately 4% of net revenue budget. Given that the proposed net revenue budget for 2022/23 amounts to £338m a prudent level of general reserves at 4% would be £13.5m.

If the above proposal is approved by Cabinet the general reserve balance will be reduced incrementally down to the 4% level over the period of the medium term financial strategy. The reserve will be used to pump prime investments which can reduce long term revenue costs or generate additional income.

9. One Off Investments to support Covid Recovery

The impact of Covid-19 has been extensive. This once in a generation global public health crisis has impacted everyone in our community and disrupted our local economy.

To support the Council, its residents and businesses recover from the Pandemic a number of one off investment initiatives are included as part of these draft budget proposals. These initiatives will help kick start the delivery of the four wellbeing objectives included in the latest Corporate Plan which will also be consulted on in the new year.

Many of the initiatives detailed below have been developed following feedback received as part of the recent 'Let's talk Campaign'.

The proposals represent the types of initiatives to be delivered and are indicative allocations; **individual project details will be subject to approval by individual Cabinet Boards.**

Best start in life £700k

Proposals will be developed around the following areas:

- Increase in community based and specialist youth service provision

- Early intervention and prevention activities including education, psychology and key worker support for children and young people affected by the Pandemic
- Additional support for children with additional learning needs
- Increase in adult community learning provisions to support people in the journey back to work

Thriving and Sustainable Communities £1.2m

One of the key messages from the 'Let's Talk' campaign was how much our citizens value the environment and neighbourhoods in which they live and work.

Over the course of the pandemic the Council has had to re-prioritise neighbourhood services in order to ensure continuity of priority services such as refuse and recycling collection.

In order to re-address the issue it is proposed that a range of proposals are developed to deliver a county borough wide range of highly visible projects to 'catch up, clean up and green up' our neighbourhoods.

Culture and Heritage / Jobs and Skills - £200k

It is proposed that strategies be developed in relation to both culture and environment, leisure and tourism in order that further proposals can be developed.

In relation to jobs and skills these programmes are funded in the short term. The 2022/23 budget pressure schedule includes for additional long term funding to provide additional support for economic development and regeneration which will be key for supporting existing businesses as well as attracting further inward investment into the county borough.

In order to fund these one off investments it is proposed to re-purpose £2.8m of the current insurance reserve into a Covid recovery reserve. The above indicative allocations total £2.1m which will leave £700k unallocated to support further investments.

In relation to the insurance reserve the above proposal will still leave £4m in the insurance reserve in addition to a provision of £4m set aside to deal with outstanding insurance claims.

10. Organisational Development

Throughout the recent period of austerity the Council has targeted resources on allowing staff to leave the organisation via voluntary redundancy. This strategy was integral in terms of delivering on the Council's forward financial plan savings targets and was instrumental in reducing to an absolute bare minimum the number of compulsory redundancies required. As we move out of austerity it is now vital that we invest in the staff who remain.

This report seeks Cabinet approval to re-purpose the existing ER/VR reserve **during 2021/22** into an organisational development reserve. The reserve can still be called on to meet the cost of any future voluntary redundancies however it is anticipated that these will be few and far between.

If approved this organisational development reserve will be used to fund the resources to deliver the future of work strategy. The team of HR and organisational development specialists, will also be supported by a Communications Internal Engagement Officer, appropriate administrative support, and in line with the council's social partnership with trade unions, we will also be asking the trade unions to nominate a representative to work within the team on a full-time secondment.

The Strategy aims to ensure that the council has the right people, in the right place, doing the right things in the right way, enabling the delivery of the corporate vision, values and priorities as set out in the Corporate Plan. The strategy will importantly also deliver the workforce changes needed in the short, medium and long term to implement the Corporate Plan whilst ensuring the health, safety and wellbeing of our people:

- Ensuring that our employment framework complies with the latest up-to-date health & Safety guidance issued by Welsh Government and Public Health Wales.

- Reviewing, evaluating and revising the Hybrid Working Framework in partnership with our trade unions and accountable managers.
- Engaging with our workforce, managers and trade unions, to ensure that we develop fit for purpose and future proofed employment policies and processes that support the new hybrid world of work.
- Developing and issuing a new employment contract that reflects new working patterns.
- Working in social partnership with our Trade Unions, to consult, negotiate, and agree new contractual arrangements.
- Reviewing the organisational design of the council to ensure that our activities are appropriately aligned in order to be as effective and efficient as they can be.
- Developing leadership and management development programmes
- Reinforcing behaviours through a robust performance framework
- Embedding values and behaviours through our policies and process, from recruitment through to exit.
- Developing an Employee Recognition Strategy to ensure our employees feel valued and appreciated for what they do and to improve retention create a happier workforce.
- Developing a Recruitment Strategy for the short, medium and long term.
- Developing our Succession Planning Arrangements: Grow Our Own Strategy
- Developing an Internal Communication and Engagement Strategy that ensures that our employees feel listened to, involved and motivated.
- Developing a detailed Strategic Workforce Plan for the period 2022 – 2027.

The funding required in total over a three year period from this reserve will be £1.5m

11. 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.

12. 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.”

There are no cuts to services proposed requiring individual Impact Assessments.

13. Sustainable Development

The Well-being of Future Generations Act 2015 (“the 2015 Act”) requires the Council to think about the long-term impact of their decisions, to work better with people, communities and each other and to prevent persistent problems such as poverty, health inequalities and climate change. The 2015 Act imposes a duty on all public bodies in Wales to carry out “sustainable development”, defined as being, "The process of improving the economic, social, environmental and cultural wellbeing of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the wellbeing goals." The action that a public body takes in carrying out sustainable development includes setting and publishing wellbeing objectives, and taking all reasonable steps in exercising its functions to meet those objectives.

As part of the sustainable development principle the Council has a duty to set a balanced budget. Stakeholder consultation on these draft proposals will enable the Council to take account of responses and other relevant information to assist it to finalise its allocation of resources in February 2022.

14. Workforce Impacts

If approved some of the proposals within this reports will create opportunities to join the Council's workforce. None of the proposals should have a detrimental impact on current employees.

15. Consultation

Today will commence the formal consultation with the public and all stakeholders on the draft budget proposals.

Members will note the consultation will commence immediately following Cabinet today and close on 1st February 2022 prior to final decisions being made on 28th February 2022.

16. Recommendation

It is recommended that Cabinet:

- Authorise the Chief Executive to consult with the public on a 0% council tax rise and the other investment proposals contained within this report.
- Approve the re-purposing of the ER/VR Reserve as set out in this report.
- Agree the Chief Finance Officer's recommendation to reduce the general reserve balance incrementally to approximately 4% of the Council's net revenue budget.

17. Reason for Proposed Decision

To commence consultation on the 2022/23 draft budget and to comply with the Council's constitution regarding use of reserves.

18. Implementation of Decision

The decision is proposed for implementation immediately after consultation with the Cabinet Scrutiny Committee.

19. Appendices

Appendix 1 - Revenue Service Pressures
Appendix 2 - Inflation and other Factors

20. Background Papers

Budget working files

21. Officer Contact

For further information on this report item, please contact:

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Revenue Service Pressures 2022/23

Service	Details	2022/23
		£000
ELLL - Schools	Schools - Increased provision re Teaching Assistants.	750
ELL - Other	Additional Learning Needs Investment in response to new legislation. £1m invested to date.	500
Social Services, Health and Housing	Uplift in rates paid to domiciliary care, residential care, supported living and direct payments	2,500
Environment	Waste services - increased demands due to higher tonnage.	150
Environment	Highways and Streetcare budget increase - in addition to £350k provided 2021/22.	250
Environment	Decarbonisation measures including staffing and maintenance of recharging points for electric vehicles. In addition to £50k provided in 2021/22.	100
Environment	Reduction of £300k car parking income in 2021/22 base budget due to ongoing impact of Covid. Income recovering over 2 years to original level in 2023/24	-150
Environment	Reduction of £300k rental income in 2021/22 base budget due to ongoing impact of Covid. Income recovering over 2 years to original level in 2023/24	-150
Environment	Loss of red fuel grant to Council following change in legislation	50
Environment	Regeneration, economic development and business support additional capacity. This is in addition to £100k provided in 2021/22	200
Environment	Anti-social behaviour mitigation measures	15

Revenue Service Pressures 2022/23

Service	Details	2022/23
Environment	Review of pest control fees	50
Corporate Services	Digital Services - increased costs of Microsoft licences in 2021. Subject to updating as Digital Services review and work programme finalised.	80
Corporate Services	Digital Services - additional funding required to support over 1,500 employees now working from home.	100
Corporate Services	Emergency Planning Team - Additional capacity to ensure the Council is able to meet its legal obligations.	200
Corporate Services	CCTV – Increase to a 24/7 provision	30
Other - Members Allowances	To meet the cost of increases in Members allowances recommended by the Independent Remuneration Panel Wales (IRPW)	150
Other - Corporate Joint Committees	Contribution required towards the cost of administering a Corporate Joint Committee during 2022/23	140
Other – Pay Contingency	Pay contingency of 0.5%.	1,000
Hardship Fund	Will need to cover any additional costs and potential loss of income during 2022/23.	2,500
Capital Financing	Revenue support to fund increased Capital Programme borrowing	270
Total		8,735

Inflation and other Factors

	2022/23
Teachers Pay	1.25%
Non Teachers Pay	1.25%
Property	2.00%
Property - Energy	5.00%
Transport	2.00%
Car Allowances	0.00%
Supplies and Services	2.00%
Food	2.00%
Levy - Fire Authority	3.24%
External Income	2.00%
Welsh Government Funding	8.80%
Council Tax	0.00%

