

## COMMUNITY, HOUSING & ASSETS OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Wednesday 4 <sup>th</sup> November, 2020
<b>Report Subject</b>	Budget 2021/22 - Stage 1
<b>Cabinet Member</b>	Cabinet Member for Housing
<b>Report Author</b>	Corporate Finance Manager, Chief Executive and Chief Officer (Housing & Assets)
<b>Type of Report</b>	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 Community, Housing & Assets 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 Community, Housing and Assets 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

<b>1.00</b>	<b>EXPLAINING THE FINANCIAL FORECAST</b>
1.01	A report to Cabinet in October provided an update of the overall 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	<b>Revisions to the Forecast</b>  All inflationary, demand-led service and other cost pressures have been reviewed and evaluated.  The cost pressures have been categorised as: <ul style="list-style-type: none"><li>- Prior Year Decisions/ Approvals</li><li>- Loss of Income</li><li>- Legislative/Unavoidable Indexation</li><li>- Issues requiring national resolution</li><li>- National Funding Requirements (Pay Awards)</li><li>- Strategic Considerations</li></ul>
1.05	The full details of the forecast are attached to this report in Appendix 1. A summary is given below.

**Table 1. Revised Summary 2021/22**

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
<b>Total Pressures</b>	<b>14.423</b>	<b>19.636</b>	<b>27.336</b>

1.06 This report sets out in detail the cost pressures within the portfolio of this Committee.

1.07 **Corporate Portfolio Pressures**

These are set out in the paragraphs which follow.

1.08 **Table 2: Housing & Assets Pressures**

Pressure Title	£m	Note
<b>Prior Year Decisions/Approvals</b>		
<ul style="list-style-type: none"> <li>Unrealised Efficiency - Postages – Benefits</li> </ul>	0.041	1.
<b>Loss of Income</b>		
<ul style="list-style-type: none"> <li>Sale of Newtech Square</li> <li>Enterprise Centres - reduced occupancy levels</li> </ul>	0.095 0.050	2. 3.
<b>Requiring National Resolution</b>		
<ul style="list-style-type: none"> <li>Benefits - Council Tax Reduction Scheme (CTRS)</li> </ul>	1.172 - 1.654	4.
<b>Strategic Decisions</b>		
<ul style="list-style-type: none"> <li>Benefits Service - Additional Staffing</li> <li>Carelink - Alarm Monitoring Contract</li> <li>Carelink Budget Issue - Housing Support Grant (HSG)</li> </ul>	0.300 0.125 0.216	5. 6. 7.

1. Unrealised Efficiency - Postage - Benefits - This covers an efficiency which planned to levy a charge on each notification letter as well as to increase the number of electronic invoices issued. Though the number of electronic invoices has increased, the overall number has also increased making the remaining efficiency unachievable. The pressure now sits within the Governance portfolio following an agreed permanent budget virement.
2. Sale of Newtech Square - The sale of this income generating asset was completed in September resulting in a significant capital receipt which will help to finance the Council's capital programme. The pressure item reflects the annual loss of rent income to the Property Holdings revenue budget.
3. Enterprise Centres - reduced occupancy levels - the income budget reflects full occupancy levels which haven't been achieved for many years and are considered unlikely to be reached in the future, particularly at the Greenfield Enterprise Centre site.
4. Benefits - Council Tax Reduction Scheme (CTRS) - the economic impacts of the COVID-19 pandemic have influenced a significant increase in take-up of the CTRS in 2020/21. This demand is expected to continue to grow following the cessation of the UK Government furlough scheme. Welsh Government have confirmed funding support for the 2020/21 quarter 1 impact and are currently considering support for quarter 2 onwards. This area is identified as a significant risk in the monthly monitoring report.
5. Benefits - additional staffing - to support the team to deal with the additional claims for Universal Credit and to support individuals in financial hardship arising from the ongoing economic implications of the COVID-19 pandemic.
6. Carelink - Alarm Monitoring Contract – the previous service provider gave notice to terminate the contract which led to a tendering exercise and the engagement of a new service provider. This pressure reflects the additional cost to the Council of the new contractual arrangements.
7. Carelink - Budget Issue - Housing Support Grant (HSG) - the Carelink budget reflects an income target for allocation of Housing Support Grant which is unachievable due to not meeting the eligibility criteria. This pressure item will address this grant funding shortfall with phasing over 2021/22 and 2022/23.

1.09

**Table 3: Summary of Pressures for Community, Housing & Assets**

Portfolio	Low (£m)	Medium (£m)	Top (£m)
Housing & Assets	1.999	2.241	2.481
<b>Total</b>	<b>1.999</b>	<b>2.241</b>	<b>2.481</b>

1.10	<p><b>Strategic Funding Solutions</b></p> <p>The solutions available to the Council to fund the cost pressures outlined in the report are three-fold:-</p> <ul style="list-style-type: none"> <li>- Government Funding (Aggregate External Finance)</li> <li>- Local Taxation and Income</li> <li>- Service Transformation and Efficiencies</li> </ul> <p>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.</p> <p>The funding strategy is highly dependent on sufficient national funding for local government.</p>														
1.11	<p><b>Budget Timeline</b></p> <p>The draft Welsh Government Budget has provisionally been set for 8 December 2020 with the Final Budget set for 2 March 2021. However, UK Government has recently announced that they will not be publishing an autumn budget as planned, so the Welsh Government dates may be subject to change.</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><b><u>Table 4: Budget Timeline</u></b></p> <table border="1" data-bbox="320 1184 1380 1451"> <thead> <tr> <th data-bbox="320 1184 703 1227">Date</th> <th data-bbox="703 1184 1380 1227">Event</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1227 703 1261">November</td> <td data-bbox="703 1227 1380 1261">Overview and Scrutiny Committees</td> </tr> <tr> <td data-bbox="320 1261 703 1294">8/9 December</td> <td data-bbox="703 1261 1380 1294">WG Draft Budget/Provisional Settlement</td> </tr> <tr> <td data-bbox="320 1294 703 1328">15 December</td> <td data-bbox="703 1294 1380 1328">Cabinet</td> </tr> <tr> <td data-bbox="320 1328 703 1361">19 January</td> <td data-bbox="703 1328 1380 1361">Cabinet</td> </tr> <tr> <td data-bbox="320 1361 703 1395">16 February</td> <td data-bbox="703 1361 1380 1395">Cabinet and Council</td> </tr> <tr> <td data-bbox="320 1395 703 1451">2/3 March</td> <td data-bbox="703 1395 1380 1451">WG Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	November	Overview and Scrutiny Committees	8/9 December	WG Draft Budget/Provisional Settlement	15 December	Cabinet	19 January	Cabinet	16 February	Cabinet and Council	2/3 March	WG Final Budget/Settlement
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out in the report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report.

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

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Cabinet Report 20<sup>th</sup> October 2020 – Medium Term Financial Strategy and Budget 2021/22</p> <p><b>Contact Officer:</b> Gary Ferguson, Corporate Finance Manager  <b>Telephone:</b> (01352) 702271  <b>E-mail:</b> gary.ferguson@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Annual Settlement:</b> 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><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Revenue:</b> 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><b>Budget:</b> 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>