

<b>Meeting:</b>	<b>General scrutiny committee</b>
<b>Meeting date:</b>	<b>Friday 15 January 2021</b>
<b>Title of report:</b>	<b>2021/22 budget setting</b>
<b>Report by:</b>	<b>Leader of the council</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To seek the views of the general scrutiny committee on the budget proposals for 2021/22, both capital and revenue items, following the announcement of the provisional financial settlement.

The draft proposals show an overall increase in the proposed base revenue budget funded through a 4.99% increase in council tax, inclusive of a 3% adult social care percept, and grant funding announced by central government in the provisional financial settlement.

The committee is invited to make recommendations to inform, constructively challenge and support the process for making Cabinet proposals to Council regarding the adoption of the budget.

## **Recommendation(s)**

**That:**

- (a) having regard to the proposals the committee determines any recommendations it wishes to make to Cabinet in relation to the 2021/22 budget proposals for both revenue and capital.**

## Alternative options

1. There are no alternatives to the recommendations; Cabinet is responsible for developing budget proposals for council consideration and it is a function of this committee to make reports or recommendations to the executive with respect to the discharge of any functions which are the responsibility of the executive. The council's budget and policy framework rules require Cabinet to consult with scrutiny committees on budget proposals in order that the scrutiny committee members may inform and support the process for making Cabinet proposals to Council.
2. It is open to the committee to recommend alternative spending proposals or strategic priorities; however given the legal requirement to set a balanced budget should additional expenditure be proposed compensatory savings proposals must also be identified.

## Key considerations

3. The proposed 2021/22 revenue budget is based on the provisional local government financial settlement and an assumed total council tax increase of 4.99%, 1.99% increase in core council tax and a 3% adult social care precept. This increases the band D equivalent charge to £1,652.30 representing an increase of £1.51 per week (£6.54 per month). This is the maximum increase permitted, a higher increase would require the support of a referendum.
4. The current financial year is facing unprecedented pressures in response to the national pandemic Covid-19. Central government has awarded grants to local authorities to manage these pressures, however this is expected to cover around 70% of the cost.
5. Covid-19 and the related lockdown restrictions has severely affected Herefordshire's local economy since mid-March 2020, with the true extent of the impact not yet fully known. Whilst the lifting of lockdown measures for many sectors in June and July helped the economy to start to recover, many business have remained either closed throughout or continue to operate at reduced levels. The closure of the Job Retention Scheme later in the year could have a further significant impact on local unemployment.
6. The 3% adult social precept will generate additional income to fund pressures identified in the adults and communities directorate.
7. The council tax base for 2021/22 has declined by 2% to 68,355.22 band D equivalent properties. This reduction reflects an increase in excess of 25% of working age council tax reduction claimants, an increase of 1,400 households throughout the county receiving council tax discount due to the low level of income the household receives. This increase reflects the local consequence of the economic impact of Covid-19 which is a national issue being faced by all councils. Expectations are that tax bases are expected to recover in a couple of years' time.

### Proposed 2021/22 revenue budget

8. The proposed revenue budget for 2021/22 is shown below with directorate detail provided at Appendix A:-

Directorate	21/22 gross budget £k	20/21 revised base £k	Pressures £k	Savings £k	21/22 net budget £k
Adults and Communities	101,605	57,751	4,458	(3,270)	58,939
Children and families	46,211	32,678	6,623	(2,390)	36,911
Economy and Place	53,715	29,743	933	(4,348)	26,328
Corporate Services	18,150	16,659	1,988	(497)	18,150
<b>Total Directorate</b>	<b>219,681</b>	<b>136,831</b>	<b>14,002</b>	<b>(10,505)</b>	<b>140,328</b>
Central	20,668	20,286	1,082	(700)	20,668
<b>Total Net Budget</b>	<b>240,349</b>	<b>157,117</b>	<b>15,084</b>	<b>(11,205)</b>	<b>160,996</b>

#### Funded by

Council tax	112,944
Retained business rates	36,753
Collection fund deficit	(200)
Revenue support grant	638
Rural sparsity delivery grant	5,353
Social care support grant	5,508

**Totals** **160,996**

9. The collection fund deficit reflects the estimated shortfall between council tax income expected and actually collected in 2020/21 after adjusting for the mandatory spreading of in year losses into the following three years. This is a further consequence of additional council tax reductions as explained in paragraph 7 above.
10. Overall a balanced base budget for 2021/22 is proposed. Savings of £11.2m are required in 2021/22 and an increase in council tax of 4.99% (inclusive of 3% adult social care precept) is proposed to deliver a balanced budget.
11. In addition to the net budget above is the improved better care fund (£6.6m), public health (£9.3m) and dedicated schools grant funding (£140.0m).
12. The provisional financial settlement included one off funding, being new homes bonus funding of £1,791k and a new tier support grant of £250k. It is proposed that £800k of this funding is used to increase council tax discounts to those facing hardship in 2021/22. The remainder (£1,241k) is proposed to invest in sustainable transport activity during 2021/22.

#### Budget Pressures

13. Budget pressures are largely faced in the adults and communities and children and families directorates however other directorates are also seeing an impact from service delivery changes.

14. Budget pressures in the adults and communities directorate include:
- Potential increase in social care customers
  - More costly residential & nursing care home placements
  - Increased demand for more complex homecare packages to enable people to remain in their own homes
  - Increase in numbers of self-funders falling below the capital threshold for social care
  - Increased pressures on carers resulting in increased support needs.
15. Budget pressures in the children and families directorate include a shortage of foster care placements nationally and an increased pressure on residential placements and specialist placements affecting availability and price. Herefordshire has experienced a reduction in the number of children and young people in care overall through 2020, but an increasing use of residential provision. The investment in the early help and edge of care (ECHO) services is to address some of the longstanding pressure to become open to children's social care or to become looked after. The reconfiguration of services to place family support work alongside the assessment and child in need work enables more direct work to be undertaken earlier with families.

### **Savings required**

16. To propose a balanced budget for 2021/22 substantial savings are required, these are summarised below and attached at appendix B is the key directorate challenges and issues identified in relation to each proposal. Also attached at appendix C is the savings allocated to theme.

<b>Directorate</b>	<b>Description of Savings</b>	<b>£000</b>
<b>Adults &amp; Communities</b>	Modernising assessment, commissioning & services delivery for learning disability clients	1,500
	Targeted review of complex cases followed by system challenge	1,250
	Implementing changes to client charging policy and income disregards	520
<b>Children &amp; Families</b>	Supported accommodation for care leavers	320
	Step down residential to in house foster carers	1,000
	Prevention of children becoming looked after; reunification of looked after children with families	400
	Recruit 30 new foster carers per annum for 5 years	200
	Full cost recovery of traded services	20
	Manage inflation and secure contract efficiencies	450
<b>Economy &amp; Place</b>	Devolve more public realm services and assets to communities reducing expenditure by Herefordshire Council on such services (e.g. amenity grass cutting, open spaces / sports Areas and/or playgrounds maintenance)	150

	Efficiencies from community liaison, customer service and stakeholder liaison service in Public Realm	120
	Streetworks income generation (e.g. introduce a permit scheme)	30
	Transfer responsibility for Hereford Markets to City Council	15
	Reduce opening of household waste recycling centres to encourage waste minimisation	200
	Transformation and redesign of directorate to realign to County Plan objectives	400
	Transformation and redesign of directorate to realign to County Plan objectives	250
	Cashless payments (car parking)	100
	Public realm income increased through use of technology	50
	Dark skies and energy savings from lowering street lighting levels and provision	40
	Reducing the number of adults and children's buildings through opportunities for sharing with our partner organisations	100
	Disposal of further buildings and reduction in costs through planned Better Ways of Working	170
	Property maintenance cost reduction including as a result of reduction in the overall size of the estate	500
	Move property management to commissioned only service	200
	Accommodation and industrial business space rental income	30
	Review of mainstream school transport and retendering of contracts to remove spare capacity	50
	Establish in house bus fleet to provide not for profit SEN and school transport to reduce contract costs	100
	Weekend vehicle rental of fleet vehicles	10
	Bereavement services	240
	Parking Charges increases to reflect policy objectives to support alternative forms of transport	600
	Improve efficiency of parking enforcement	100
	Registrars income increase	30
	Building Control increase charges and improve efficiency	115
	Regulatory and waste service income increases	115
	Increase charge for pre-planning application advice and ensure full cost recovery	100
	Efficiency Savings (already identified in MTFS)	273
	Transform and review delivery of parking service to minimise costs and increase enforcement income	100

	S106 client commissioning costs - funding from S106 monies	30
	Asset Sponsorship and Streetside advertising	30
	Efficiency savings through integrating all enforcement functions within E&P including those currently provided by BBLP	20
	Invest to Save Income increased through introduction of natural burials	30
	Invest to Save Income increased through introduction of pet burials/cremations	50
<b>Corporate</b>	Service transformation, adopting lead processes.	141
	Reduction in print and postage costs	30
	Service efficiencies	175
	Hoople SLA Efficiency Savings	151
<b>Central</b>	Removal of contingency budget.	700
	<b>Total</b>	<b>11,205</b>

### Capital investment proposals

17. There are eleven capital investment proposals for the committee to consider. These are summarised on appendix D and the associated business cases are attached at appendix E.
18. The proposals totals £20.7m and are proposed to be funded through grants of £14.5m, redirected funding of £1m, return on investment of £0.4m and corporately funded prudential borrowing of £4.8m.
19. The proposals are:-
  - a) Schools Accessibility Works (£240k) - to fund adaptation works
  - b) Grange Court Loan (£359k) – to fund repayment of outstanding capital of a loan taken out by Leominster Area Regeneration Company Ltd (LARC)
  - c) Schools Maintenance Grant (£1,195k) - re-occurring annual to carry out capital improvement works across maintained schools
  - d) Childrens S106 (£300k) – to be spent in line with the agreement.
  - e) Estates Building Improvement Programme (£1,217k) - identified and prioritised property projects to be delivered over 2021/22.
  - f) Shire hall (£850k) - To rectify and make improvements.
  - g) Extra Ordinary Highways Maintenance, Biodiversity Net Gain & Winter Fleet (£2,299k) - Sustained Investment over the whole life of the highway asset

- h) Capital Development Fund (£1,000k) - to ensure projects are added to the capital programme when they have a robust business case including accurate costings and are deliverable within the timeframe.
- i) Local Transport Plan (£12,272k) - specific annual grant determination.
- j) E & P Section 106 (£750k) - to be spent in line with the agreement.
- k) Air Quality Monitoring Station Resource Improvements (£192k) - Updating of DEFRA approved air quality monitoring equipment.

### **Budget Setting Timetable**

20. Council will be asked to approve the 2021/22 budget on 12 February 2020; this will follow confirmation of the final financial settlement for 2021/22 which is expected in late January. Council will also be asked to approve the updated medium term financial strategy (MTFS), treasury management strategy, council tax reduction scheme and the capital strategy at the same meeting. The 2021/22 budget setting timetable is shown below:-

<b>Action</b>	<b>When</b>
Consultation with parish and town councils	Nov-20
Independently led focus group consultation (this will include businesses)	Nov-20
Online survey	19 December 2020 – 8 January 2021
Children and young people scrutiny	12-Jan-21
Adults and wellbeing scrutiny	13-Jan-21
General scrutiny	15-Jan-21
Cabinet – consultation responses, proposed budget, capital and Medium Term Financial Strategy (MTFS)	28-Jan-21
Council – approval of budget, capital and MTFS	12-Feb-21
Council – council tax setting	05-Mar-21

### **Community impact**

- 21. The budget proposals demonstrate how the council is using its financial resources to deliver the priorities within the County plan and its associated delivery plan.
- 22. The council is committed to delivering continued improvement, positive change and outcomes in delivering key priorities.

23. In accordance with the principles of the code of corporate governance, Herefordshire Council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review.

## **Environmental Impact**

24. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
25. Whilst this overarching budget setting document will not detail specific environmental impacts, consideration is always made to minimising waste and resource use in line with the Council's Environmental Policy. A specific environmental impact assessment for the service specific budget proposals will be considered as appropriate to seek to minimise any adverse environmental impact and actively seek opportunities to improve and enhance environmental performance.

## **Equality duty**

26. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
27. Service specific equality impact assessments will be completed for the service specific budget proposals to assess the impact on the protected characteristic as set out in the Equality Act 2010. The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account when these assessments have been completed then we will consider mitigating against any adverse impact identified.

## **Resource implications**

28. The financial implications are as set out in the report. The ongoing operational costs including, human resources, information technology and property resource requirements are included in the draft budget and will be detailed in separate governance decision reports as appropriate.

## **Legal implications**



29. When setting the budget it is important that councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.
30. The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure.
31. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.
32. The council must decide every year how much they are going to raise from council tax. The decision is based on a budget that sets out estimates of what is planned to be spent on services. Because the level of council tax is set before the year begins and cannot be increased during the year, risks and uncertainties have to be considered, that might force higher spending more on the services than planned. Allowance is made for these risks by: making prudent allowance in the estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
33. The council's budget and policy framework rules require that the chairmen of a scrutiny committee shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making cabinet proposals to Council.
34. Section 106 of the Local Government Finance Act 1992 restricting councillors voting on certain matters where they are in arrears of council tax, does not apply to scrutiny function as the views from scrutiny on the budget are not a recommendation for approval, a resolution or any other type of decision. As a result a s106 check of councillors arrears has not been undertaken.
35. There is a duty to consult when budget proposals are at a formative stage as required under statute for non-domestic rate payers and is implied for domestic rate payers as part of the council's duty to act fairly. The scope of the consultation will need to determine: who should be consulted; how long the consultation should be open for; what questions need to be asked; and how answers should be evaluated so that the outcome of the consultation can be conscientiously taken into account when the ultimate decision is taken. Further consultation exercises may be required alongside pre-existing and continuing consultations on specific service change proposals, before those service changes can be implemented.
36. The obligation to consult arises either because of a specific statutory obligation to consult on changes or if proposed savings impact on the council's ability to comply with its PSED responsibilities. Even where there is no express statutory duty to consult the courts may imply a duty to consult as part of a promise/past practice and/or a public's general duty to act fairly.
37. There are now minimum requirements of consultation expected by the courts, which have become known as 'Sedley criteria' endorsed by the Supreme Court involving the London Borough of Haringey in 2014. These are:

- a) Consultation must be at a time when proposals are at a formative stage
- b) Sufficient information must be given to permit an intelligent consideration and response
- c) Adequate time must be given for consideration and response
- d) The results of the consultation must be conscientiously taken into account in finalising any proposal.
- e) Under s3 Local Government Act 1999 there is an obligation on local authorities to consult widely in order to determine how the Best Value duty should be fulfilled when reshaping services and consultation should provide for interested organisations, service users and wider community to put forward options in response to the council's savings proposals.
- f) The type and scale of consultation must be proportionate to the potential impact of the proposal of decision being taken, before any specific proposal is implemented.

## **Risk management**

- 38. Section 25 of the Local Government Act 2003 requires the S151 officer to report to Council when it is setting the budget and precept (council tax). Council is required to take this report into account when making its budget and precept decision. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
- 39. The budget has been updated using the best available information; current spending, anticipated pressures and the provisional settlement. This draft will be updated through the budget setting timetable.
- 40. The impact of the worldwide pandemic, Covid 19, continues to provide uncertainty and have far ranging consequences throughout the county. The challenges to our economy, to the vulnerable members of our communities and to our continued wellbeing are huge. The budget proposals prioritise keeping resident's safe
- 41. The known most substantial risks have been assessed as part of the budget process and reasonable mitigation has been made where possible. Continued financial support from central government has been confirmed as part of the provisional financial settlement for 2021/22. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process.
- 42. There are also the additional general risks to delivery of budgets including the delivery of new homes, impact from EU exit, government policy changes and unplanned pressures. We are maintaining a general fund reserve balance above the minimum requirement and an annual contingency budget to manage these risks.
- 43. Demand management in social care continues to be a key issue, against a backdrop of a demographic of older people that is rising faster than the national average and some specific areas of inequalities amongst families and young people. Focusing public health commissioning and strategy on growth management through disease prevention and

behaviour change in communities is critical for medium term change. In addition continuing to reset our relationship with communities focussing services on areas of greatest professional need will support the medium term financial strategy. This report provides an update on the measures being implemented to address these risks.

## Consultees

44. The council's constitution states that budget consultees should include parish councils, health partners, the schools forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the leader shall determine
45. Local consultation with parish and town councils, businesses and organisations was completed in December, 17 events were held with 96 participants. Responses supported:-
- People said it was important to avoid short-termism
  - Working with partners was supported
  - Transferring assets to communities was supported
  - Discretionary services least valued were street lighting, archive services and parks and open spaces
  - Increasing charges for parking and cremation was least popular
  - People wanted a high quality service and VFM for social care
  - Use of technology was seen as both an opportunity and a threat to vulnerable residents
  - 45% of people thought the proposed council tax & social care precept increase of 4.99% was about right
  - Over 70% of people wanted to support households in financial difficulty
  - The majority said they would support a Herefordshire Community Lottery and Herefordshire Voluntary Community Contribution Scheme
  - Overall local priorities matched the council's priorities in the County Plan and Delivery Plan
46. An online public consultation was open between 18 December 2020 and closes on 10 January 2021 in the form of a Residents Survey and Organisation Survey. The results of this survey will be reported to Cabinet.

## Appendices

Appendix A	Draft revenue budget for 2021/22
Appendix B	Savings key directorate challenges & issues
Appendix C	Savings by theme
Appendix D	Capital investment proposals summary
Appendix E	Capital investment proposals business cases
Appendix F	Committee presentation

## Background papers

None identified

## Glossary of terms

Capital	Investment that generates benefits exceeding one year
Revenue	Expenditure incurred in the course of the day-to-day activities
MTFS	The councils medium term financial strategy
VFM	Value for money
Section 106	Legal agreement between an applicant seeking planning permission and the local planning authority