Cyngor Sir Powys County Council
Impact Assessment (IA)
The integrated approach to support effective decision making

Please read the accompanying guidance before completing the form.

This **Impact Assessment (IA)** toolkit, incorporates a range of legislative requirements that support effective decision making and ensure compliance with all relevant legislation. **Draft versions of the assessment should be watermarked as "Draft" and retained for completeness. However, only the final version will be made publicly available. Draft versions may be provided to regulators if appropriate. In line with Council policy IAs should be retained for 7 years.**

Service Area	Council Wide	**Head of Service**	Jane Thomas	**Director**		**Portfolio Holder**	Cllr Aled Davies
Proposal	Powys County Council 2021-22 Draft Budget						

BACKGROUND

By law the Council has to agree a balanced budget annually. This impact assessment concentrates on the net revenue budget for 2021-22.

The 2021-22 Final Budget has been developed, refined and will be challenged by a robust process involving Heads of Service, Executive Management Team, Cabinet and Scrutiny Committees. The full timetable set out at Appendix A shows the governance approach and challenge meetings that have taken place since July 2020 and include the formal meetings to agree draft and final budgets in March 2021.

The Draft Budget will be approved by Cabinet on 26th January 2021 and then be considered by the three Subject Scrutiny Committees and the Finance Panel in January 2021. The Final Budget will be presented to Council for agreement on 26th February 2021.

Individual impact assessments have been completed for each cost reduction, this assessment assesses the cumulative impact of the budget on Powys residents, in respect of the funding allocated, the council tax proposed and the cost reductions proposed.

The Final Budget includes a 3.9% increase in the Council Tax in 2021-22, and then 5% for the following 4 years (£1.02 a week for a band D property). The Council Tax Resolution will be presented to Council on 4th March 2021.

REVENUE BUDGET

2021-22 will be another financially challenging year for the Council despite a 4% settlement increase from the Welsh Government. The Council has developed its 2021-26 MTFS and 2021-22 revenue budget by seeking to focus resources on delivery of Vision 2025, service improvements and the Council's statutory obligations using an Integrated Business Planning approach. The proposed budget starts to move away from salami slicing, ensuring that individual services have the budget they need to deliver the outcomes and obligations required.

Inescapable Cost Pressures

The 2021-22 budget includes £23 million to meet inescapable cost pressures, including pay and price inflation as well as service specific pressures, such as Teachers Pay, contract Inflationary pressures, care placement costs and the increased cost of insurance. These must be recognised in the budget as the Council is required by law to set a viable and balanced budget.

Powys residents will benefit from investment in these pressures as they will ensure that services can be improved or maintained at current levels and the Council's statutory obligations can be delivered. However, the value of the pressures included in the budget exceed the funding settlement the Council has received from the Welsh Government in 2020-21 creating a budget gap of £15.4 million.

Cost Reductions
To bridge the budget gap in 2021/22 all services were asked to identify possible cost reductions that could be made to reduce the Council's spending requirement. £11.8 million of cost reductions have been identified which are deemed to be achievable within an acceptable level of risk. This leaves a residual budget gap of £3.6 million which it is proposed is found by increasing Council Tax by 3.9% in 2021-22. If Council Tax was to be increased by less than 3.9% the Council would need to make further cost reductions, in addition to the £11.8 million already proposed and deemed to be deliverable. In looking for additional cost reductions the Council would need to consider whether the impact on residents from any cost reduction would be greater than the impact on households of an additional £53.22 per annum in Council Tax. Work to develop the Draft Budget suggests that every element of the budget has been explored so the scope for additional cost reductions in the short term is very limited.

Council Tax
The Council's net revenue budget is funded from Welsh Government grant known as Aggregate External Finance (AEF) and Council Tax. AEF is the total level of support that the Government provides to local authorities, comprising Revenue Support Grant and the amount distributed from business rates and is distributed using a needs-based formula. Over the last decade the Council's finances have suffered, as the Council has received the lowest AEF settlements compared to the other 21 counties in Wales primarily due to the costs of rurality not being adequately reflected in the formula. This is evidenced in the Council's Rural Cost Analysis. One of the consequences of poor settlements is that by AEF only funded 68% of the Council's net revenue budget requirement, which is the third lowest in Wales (only Monmouthshire and The Vale are lower). This in turn means that the Council has to fund the balance of its net requirement from Council Tax, which is therefore funding 32% of the net revenue budget.

Council Tax income comes from residents but not all residents pay full Council Tax. Many residents benefit from the Council Tax Reduction Scheme (CTRS) which was introduced and initially funded by Welsh Government in a specific grant. However, some years ago the grant was transferred into the settlement and no longer keeps pace with payment levels so our annual expenditure exceeds the level of grant included in the settlement by £1.8 million. Any increase in Council Tax in 2021-22 will increase the CTRS shortfall and an allocation of £351,000 is included in the budget to cover a 3.9% increase in Council Tax. The number of eligible claimants under the CTRS has increased during 2020-21 due to the impact of the pandemic and an additional £600,000 has been included in the budget to cover these costs as they are expected to continue into 2021-22.

In setting the Council Tax level each year the Council must strike an appropriate balance, the need to ensure the Council has sufficient funds to provide crucial often statutory services to local residents within a balanced budget (a legal requirement) with the ability of Powys taxpayers to afford to pay the level set.

A consequence of the Covid 19 pandemic is the large increase in those eligible for the CTRS of over 850 cases, suggesting 10,050 taxpayers are eligible for a Council Tax reduction and in some cases do not pay Council Tax at all; a further 21,900 (33.8%) of Powys households were eligible for a 25% Single Person Discount. 2,200 properties (3.4%) receive a 100% exemption, 130 properties received a 50% discount, 600 properties (0.9%) received a

disabled band reduction, with 2,100 properties (3.2%) paying a 50% Council Tax premium as they were either long-term empty (over 12 months) or a second/holiday home. This leaves around 47.7% of households paying full Council Tax and this is set to continue.

Understanding the affordability of any Council Tax increase requires consideration of the cost of the increase in relation to household income. Council Tax can be measured in 'Band D' or in 'per dwelling' terms. Band D has historically been used as the standard for comparing Council Tax levels between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities. The 'per dwelling' calculation uses chargeable dwelling figures which gives an indication of the average amount of Council tax that is actually paid per household. In 2020-21 the Band D Council Tax charge in Powys is £1,692, just above the average Band D Council Tax for Wales for 2020-21 which is £1,667. These figures include Community Council and Police authority precepts. Council Tax can also be measured as average Council Tax per dwelling. In Powys the average Council Tax per dwelling for 2019/20 is £1,829, £184 a year (£3.53 a week) above the £1,645 average for Wales.

National statistics[1] show the average gross weekly earnings (full-time equivalent employees on adult rates) in Powys in 2020 to be £540.20 compared to an average for Wales of £537.80, placing Powys 10th of 22 council areas in Wales. Brexit uncertainty and the cost of living may change, whilst longer term interest and inflation rates may rise.

The most recent unemployment rate - for August to October - was 4.9%, according to the Office for National Statistics (ONS). Which is an increase of 0.7% over the previous three months, and means that 1.69 million people were unemployed. The ONS also gathers weekly figures, which show unemployment rising in October, as coronavirus restrictions were tightened around the country. This suggests the official unemployment rate is likely to be higher in coming months. There were many redundancies across the UK when the Furlough scheme was cut in August, with employers being asked to contribute more into the scheme, this encouraged employers to make employees redundant rather than keep them on the scheme. The Furlough scheme has been extended for a further five months until April 2021 to help reduce levels of unemployment. December saw the start of a vaccination programme which is aimed at bringing the Covid pandemic to an end. That would enable many businesses to start reopening and allow millions to go back to work. The average amount people earn had been falling sharply during the crisis, but it rose 2.8% in the latest figures (excluding bonuses). The annual growth in both total pay (2.7%) and regular pay (2.8%) in August to October 2020 was above the rate of inflation (CPI was 0.6% in November 2020). Growth in both total pay and regular pay was higher than inflation; in real terms, average pay was 1.9% (total pay) and 2.1% (regular pay) higher than a year ago. Inflation is likely to remain low until the end of 2024 when it is estimated to be at 2%. In 2021 average earnings are expected to rebound as the economy starts to recover from the virus infected weakness in 2020 and moderates in 2022.

Taking account of the above information the groups of people most likely to be impacted by an increase in Council Tax are families with children especially those headed by a working lone parent and people who rent their home (social or a private landlord). Those people less likely to be impacted by an increase in Council Tax are people on higher incomes and people wholly reliant on means tested benefits.

A 3.9% increase in Council Tax in 2021-22 for a Band D dwelling would be an increase of £53.22 for the year, equivalent to £1.02 per week (before Community Council and Police precept).

[1] https://gov.wales/sites/default/files/statistics-and-research/2019-03/council-tax-levels-in-wales-april-2019-march-2020-651.pdf

Based on 2020-21 figures it would be reasonable to assume that only around 48% of Powys' 65,000 households would pay the full increase, while just over 52% would receive partial or total exemption from payment.

The pandemic has impacted on the level of Council Tax being collected. Powys has been less impacted than other Council in Wales as collections rates have been largely maintained at 96.8%, 0.7% down on last year.

Public engagement
The Council conducted a residents survey through December and January. The number of responses to the recent engagement exercise was disappointing with only 205 responses, 0.15% of the total population, this is not representative of the overall population but it is important to recognise the opinions of those that have responded. The questions were aimed at understanding the impact of Covid-19 on service delivery, the views of the Councils response to the pandemic alongside a number of budget questions. 34% of the responses thought that council tax should not increase whilst accepting that services would need to be reduced, 34% were prepared to see an increase in council tax up to 5% to help protect the most important services, and a further 32% felt that a higher increase in Council Tax was acceptable to protect more services with 8% of these responding that council tax should increase by as much as is needed to maintain existing levels of service. A full report on the budget consultation is provided with this impact assessment.

Conclusion
The Council's financial position and outlook continue to be challenging. Because the Council has received much lower than average funding settlements in recent years, due to austerity, the funding available to the Council has been and continues to be much less than the Council needs to meet pay and price inflation and specific service pressures. As the net budget is only financed by the settlement and Council Tax the only other way the Council can balance its budget is by making cost reductions.

The Council has made more than £100 million cost reductions in the last decade making it harder each year to find more. A further £11.8 million of cost reductions are proposed for 2021-22, leaving £3.6 million budget gap which it is proposed should be met by a 3.9% increase in Council Tax.

Although any increase in Council Tax is likely to impact to some extent on many residents, not all pay Council Tax as there are a number of discounts and exemptions in place which means that only 48% pay full Council Tax.

Despite the average Band D Council Tax Bill in Powys being £25 per annum higher than the Wales average and the average Council Tax per dwelling is £184 above the average, these figures need to be considered against the fact that in Powys only 68% of the net budget is funded from AEF which means 32% of the net budget has to come from Council Tax which is higher than all but two other council in Wales.

In terms of affordability a 3.9% increase in Council Tax for a Band D property would be £1.02 per week and while average gross earnings are above the average for Wales they are not the highest and £1.02 represents only 0.19% of the average weekly wage and in view of the means tested reductions, discounts and exemptions that are available to residents this is considered to be in the realms of affordability for residents.

1. Version Control (services should consider the impact assessment early in the development process and continually evaluate)

Version	Author	Job Title	Date
V1	Anne Phillips	Interim Deputy Head of Financial Services	11/1/21
V2	Jane Thomas	Head of Financial Services	17/1/21
V3	Jane Thomas	Head of Financial Services	21/1/21

2. Profile of savings delivery (if applicable)

£000	2019-20	2020-21	2021-22	2022-23	2023-24
Net budget	£255,186	£269,440	£280,664	£292,152	£302,300
Council Tax increase of 3.9% rising to 5% year 2	£80,896 base figure	£4,415	£3,331(plus tax base changes)	£4,438	£4,660
Cost reductions Total		£10,796	£11,828	£5,645	£1,361

3. Consultation requirements

Consultation Requirement	Consultation deadline/or justification for no consultation
Public consultation required	Budget engagement took place with the public by use of an online questionnaire. It was undertaken between 9th December 2020 and 20th January 2021. Full details of the questionnaire and communications and findings can be found at Appendix H in the Budget papers pack Consultation on specific proposals will be undertaken where appropriate.

Impact on Other Service Areas

Does the proposal have potential to impact on another service area? (Including implication for Health & Safety and Corporate Parenting) **PLEASE ENSURE YOU INFORM / ENGAGE ANY AFFECTED SERVICE AREAS AT THE EARLIEST OPPORTUNITY**
The overall budget will see some service reductions, and each individual proposal has been scrutinised by the relevant committee to assess any detrimental effect on residents and the Council's delivery model.

5. How does your proposal impact on the council's strategic vision?

Council Priority	How does the proposal impact on this priority?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
The Economy **We will develop a vibrant economy**	Each service has completed its own Integrated Business Plan that sets out the changing shape of the service delivery plan, and the need to fund pressures, and where service reductions can be achieved, and is expected to remain aligned to Vision 2025	Neutral	The reductions are underpinned by individual Impact Assessments which will be scrutinised before approval to ensure a minimal, or acceptable level of impact on the Council priorities.	Neutral
Health and Care **We will lead the way in effective, integrated rural health and care**	See above	Neutral	See above	Neutral
Learning and skills **We will strengthen learning and skills**	See above	Neutral	See above	Neutral
Residents and Communities **We will support our residents and communities**	See above	Neutral	See above	Neutral

Source of Outline Evidence to support judgements

6. How does your proposal impact on the Welsh Government's well-being goals?

Well-being Goal	How does proposal contribute to this goal?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
A prosperous Wales: An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.	The budget contains growth for schools' budgets and education remains a priority for the Council and the public (delegated schools having a minimal level of funding cut). Delegated schools have to deliver £39,000 of service reductions and have had all their pressures funded. The central schools budget is proposing to deliver than £380,000 cost reductions but have had pressures of £772,000 funded. With a limited impact on pupils. The capital programme recognises the Mid Wales Growth Deal and the Vision 2025 Update includes a number of actions around economic growth, the Growth Deal and actions to increase the Powys pound. There are a small number of reductions to the headcount being proposed, alongside this is a proposal to develop an apprenticeship scheme so vacancies are filled with this resource where possible	Neutral	Delivery of the proposed reductions will be monitored. The capital programme continues to focus on 21st Century Schools and the building and modernisation of schools linked to a newly updated transformation strategy that could see an additional £350 million spent on schools over the next ten years. It is likely that the capital programme will bring up to £200million capital funding to the regime over the next 15 years for economic growth and tourism This allows on the job training, and deliver savings, whilst filling vacancies	Neutral
A resilient Wales: A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).	A cost reduction of £80,000 is expected from Countryside access and outdoor recreation. This will be partly from reducing core budgets like travel and third party spend negated in part by more reliance on the use of volunteers and grants or Section 106 funding	Poor	£330,000 has been identified to support the management of Ash die back. The service will receive £290,000 to fund waste vehicles and continue to improve on the recycling performance targets. The capital strategy continues to fund an additional £1 million for street lighting and £5 million for the HAMP annually until 2030, and further capital bids will be considered to support this area.	Neutral

A healthier Wales: A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.	Social Care budgets are the main deliverer of this goal, alongside leisure and public protection. Both Adults and Children's Services have cost reductions to deliver but mainly linked to new models of delivery linked to early intervention and prevention and providing new facilities closer to home: • Strength based reviews/assessments to maintain independence with the right sized level of care, using technology, direct payments and maintaining life in own homes • Using health funding where available to support service user need through continuing healthcare • TEC - To deploy (TEC) Technology Enabled Care in order to cost avoid in 2021/22. TEC includes lifelines emergency phones/alarms and sensors which support people to live independently in their own homes. These systems enable people to live at home for longer and for next of kin / informal carers to be assured of the individual's wellbeing. • Multi skilling staff linked to the workforce futures strategy • Bringing services closer to home, which may involve building facilities in county • Recommissioning and decommissioning - We will continue to work in partnership with all service providers to review the way services are delivered in Powys to ensure that such services are accessible, of the right quality and at an affordable cost for all people who need to arrange their support. Alongside this, and to generate further efficiencies we will continue to promote reablement and recovery throughout all services to ensure that resulting support packages are appropriate to a people's needs.	Neutral	Full review of care home and home care fees to support the market demand post Covid-19 and after the welsh government hardship fund has stopped supporting care organisations. The likely increase is included as part of the Councils pressures	Neutral
A Wales of cohesive communities: Attractive, viable, safe and well-connected Communities.	Housing in the main is ring fenced through the Housing Revenue Account (HRA). Annual rent increases are set independently of the general fund budget process. The HRA business plan includes the cost of borrowing to enable an additional 250 dwellings to be built and increase the overall stock of social housing.	Neutral	The Council has implemented the Housing Loan Fund (Capital Monies) to allow RSLs to access a loan facility to support the delivery of social housing in Powys. It is hoped that this facility will mean projects can commence in a timely manner,	Neutral

Well-being Goal	How does proposal contribute to this goal?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
	Digital transformation is expected to address how residents want to engage with the council, whether that be face to face, by telephone or by 24/7 digital access. The Housing General Fund has an additional £150,000 to support homelessness presentations which are expected due to the current pandemic, and this funding will help ensure homelessness is minimised. Planning, environmental health and trading standards services will see a budget reduction of £367,000 mitigated by £87,850 funding for pressures.		especially the extra care facilities supporting the "healthier Wales" goal.	
A globally responsible Wales: A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.	Overall the budget proposed makes a positive impact on the well-being of our residents across all the services. Despite there being some reductions to budgets, most are to be achieved through service redesign. There are plans to address any negative impacts arising through working proactively with partners and the public to develop new ways of working using new commissioning models and digital technology.	Neutral		Neutral
A Wales of vibrant culture and thriving Welsh language: A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.				
Opportunities for persons to use the Welsh language, and treating the Welsh language no less favourable than the English language	N/A	Neutral		Neutral
Opportunities to promote the Welsh language	N/A	Neutral		Neutral

Well-being Goal	How does proposal contribute to this goal?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
Welsh Language impact on staff	Transformation and communication restructure will reduce the budget by £57k and could reduce welsh language capacity	Poor	We will increase the use of digital translation capabilities for internal translation and first drafts	Neutral
People are encouraged to do sport, art and recreation.	There is a proposal to reduce funding to some arts and leisure budgets by £86k, in part could be met by changing the business model	Poor	But additional funding to manage budget gaps for YGaer £114k	Neutral
A more equal Wales: A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).				
Age	N/A	Neutral		Neutral
Disability	N/A	Neutral		Neutral
Gender reassignment	N/A	Neutral		Neutral
Marriage or civil partnership	N/A	Neutral		Neutral
Race	N/A	Neutral		Neutral
Religion or belief	N/A	Neutral		Neutral
Sex	N/A	Neutral		Neutral
Sexual Orientation	N/A	Neutral		Neutral
Pregnancy and Maternity	N/A	Neutral		Neutral

Source of Outline Evidence to support judgements

7. How does your proposal impact on the council's other key guiding principles?

Principle	How does the proposal impact on this principle?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
Sustainable Development Principle (5 ways of working)				
Long Term: *Looking to the long term so that we do not compromise the ability of future generations to meet their own needs.*	Although the focus of this impact assessment is the 2021-22 budget the Council is also being asked to approve the Medium Term Financial Strategy which extends the revenue forecasting to 2026 and the capital programme to 2031, both of which help the Council to take a longer term view. The new integrated Business Planning approach involves developing operational service and resource plans for the next three years which again encourages the organisation to take a medium term view of planning which should lead to better outcomes for the citizen and future generations.	Good	.	Choose an item.

Principle	How does the proposal impact on this principle?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
Collaboration: *Working with others in a collaborative way to find shared sustainable solutions.*	The budget will support significant collaborative working in terms of the Regional Partnership Board in respect to our shared Heath and Care Strategy; the Public Service Board in delivering Towards 2040; and with Ceredigion Council to develop the Mid Wales Growth Deal. In social care around 20% of the proposed cost reductions are predicated on closer working and realigning services in collaboration with others particularly health.	Good		Choose an item.
Involvement (including Communication and Engagement): *Involving a diversity of the population in the decisions that affect them.*	There was stakeholder engagement in the budget development process, including a public survey, and advertising that reached out to business rate payers for their input.	Good		Choose an item.
Prevention: *Understanding the root causes of issues to prevent them from occurring.*	The transformation of Adult and Children's Services is predicated on early intervention and prevention to help maintain independence. This is evidenced by the focus on early years and the developments around Technology Enabled Care and the development of extra care.	Good		Choose an item.
Integration: *Taking an integrated approach so that public bodies look at all the well-being goals in deciding on their well-being objectives.*	The budget has been developed using an integrated business planning approach during which each service assessed how best to achieve their wellbeing goals as defined in Vision 2025 CIP.	Good		Choose an item.
Preventing Poverty: Prevention, including helping people into work and mitigating the impact of poverty.	The Vision 2025 Update report sets out a number of actions that will be taken in 2021-22 to help people into work and mitigate poverty	Good		Choose an item.

Principle	How does the proposal impact on this principle?	IMPACT Please select from drop down box below	What will be done to better contribute to positive or mitigate any negative impacts?	IMPACT AFTER MITIGATION Please select from drop down box below
Unpaid Carers: Ensuring that unpaid carers views are sought and taken into account	The Adults and Children's Service is engaging unpaid carers in the design and delivery of new service models.	Good		Choose an item.
Safeguarding: Preventing and responding to abuse and neglect of children, young people and adults with health and social care needs who can't protect themselves.	The Children's and Adult Services transformation plans which underpin their budgets are design to strengthen our arrangements for safeguarding vulnerable children and adults	Good		Choose an item.
Impact on Powys County Council Workforce	There will be some work force reductions as a consequence of staff restructures that will deliver greater efficiency, resilience and agile working	Neutral	The Council is also implementing an Apprenticeship programme to encourage all entrant level posts being filled this way	Neutral

Source of Outline Evidence to support judgements

The Local Government Act 2003 requires the Chief Finance Officer, Section 151 Officer (the Head of Financial Services), to make a report to the Council when it is considering its budget and Council Tax. The report must provide assurance on the robustness of the estimates, highlighting the risks associated with its deliverability and the adequacy of the reserves allowed for in the budget proposals, and fundamentally a balanced budget must be set each year. Council can propose and consider alternative budget suggestions, these would have to be fully costed with identified funding to maintain a balanced budget, this is likely to mean other service reductions and changes to Council Tax.

Council Tax is agreed at Council, and is a political decision based on an assessment, not only between balancing council tax and service reductions, but also making spending choices that meet the immediate needs with those that meet future generation's needs.

8. What is the impact of this proposal on our communities?

Severity of Impact on Communities	Scale of impact	Overall Impact
Low	Low	Low

Mitigation

9. How likely are you to successfully implement the proposed change?

Impact on Service / Council	Risk to delivery of the proposal	Inherent Risk
Low	Low	Low
Mitigation		

Risk Identified	Inherent Risk Rating	Mitigation	Residual Risk Rating
An unacceptable risk is Council not agreeing a fully balanced and agreed budget for 2021-22	Medium	**The budget has been prepared by Cabinet and The Senior Leadership Team with engagement and consultation with the public and the wider council membership. The proposals (pressures and reductions) have been subject to scrutiny and challenge and provide a balanced budget within the funding envelope from Welsh Government, with an affordable increase in Council Tax**	Low
Council tax collection levels may reduce due to the 3.9% increase, deemed unaffordable by some residents	Low	**CTRS and certain discounts are available, in addition there are flexible ways to pay the bill over 12 months. The council have trained money advice officers to support those struggling to make ends meet. The Council Tax collection rate has been reduced by 0.1% in calculating the Council Base recognising and mitigating the risk further.**	Low
	Choose an item.		Choose an item.

Overall judgement (to be included in project risk register)			
Very High Risk	**High Risk**	**Medium Risk**	**Low Risk**
			X

10. Overall Summary and Judgement of this Impact Assessment?

Outline Assessment (to be inserted in cabinet report)	Cabinet Report Reference:	
Low risk. There are individual risk assessments for each cost reduction proposal contained in the budget which shows they are deliverable within an acceptable level of risk and impact on residents.		

11. Is there additional evidence to support the Impact Assessment (IA)?

What additional evidence and data has informed the development of your proposal?
N/A

12. On-going monitoring arrangements?

What arrangements will be put in place to monitor the impact over time?
Customer satisfaction and continued consultation through surveys; formal and informal assessment and monitoring of the services reduced
Please state when this Impact Assessment will be reviewed.
Budget delivery and consequences are reviewed as part of the budget forecast

13. Sign Off

Position	Name	Signature	Date
Impact Assessment Lead:	Anne Phillips	Anne Phillips	
Head of Service:	Jane Thomas	Jane Thomas	
Director:			
Portfolio Holder:	Aled Davies	Aled Davies	

14. Governance

Decision to be made by	Council	**Date required**	28 February 2021

FORM ENDS

Appendix A – Budget Timetable 2021/22

Date	Meeting/Responsibility	SLT and Cabinet Activities
4th Sept	HoS	Complete IBP Section 7a for July month end
w/c 7th Sept	EMT	Update on July forecast for EMT / Cabinet
14th Sept	Council	Council budget seminar
15th Sept	Cabinet/EMT	update on budget for current year
18th Sept	HoS	Complete first draft IBP Section 7b forecast pressures and savings to shape FRMs
18th Sept	HoS	Agree the capital proposals identified through the IBP for inclusion in capital strategy
22th Sept	Cabinet/EMT	Updated FRM and Service Proposals - scenario on council tax level, settlement and agree savings target allocation
23rd Sept	SLT	Update on FRM and savings allocation
October	Finance	Prepare communications plan
5th Oct	Council	Council budget seminar
12th Oct	Cabinet/EMT	Budget Workshop
October	SLT	Update on budgets if needed
30th Oct	HoS	Final service IBPs submitted
4th Nov	Cabinet/EMT	Budget Workshop
9th Nov	Council	Council budget seminar
November	SLT	Update on budgets if needed
16th Nov	EMT	Budget Workshop - review additional Heads savings
18th Nov	SLT	Feedback and next steps inc completing impact assessments for the £11m savings agreed
24th Nov	Cabinet	Approve council tax base and update the FRM
24th Nov	Cabinet / EMT	Set out draft budget approach
27th Nov	Finance Panel	Finance panel and scrutiny of budget proposals - agree what they will review
7th Dec	Council	Council budget seminar
9th Dec	Cabinet/EMT	Budget Workshop - draft budget based on draft settlement

10th Dec	Audit Committee	Update if needed on agenda
December	Finance	Prepare draft capital & TM strategy inc PIs and MRP
22nd Dec	Welsh Gov	Provisional Settlement
December	HoS	Equality Impact assessments for year 1 savings completed
2021		
January	S151 / Cabinet	Approve updated MTFS and Reserves Policy
January	Head of Finance	Business rates & CT consultation meeting or other comms
January	Finance	Community council precepts finalised
20th Jan	Finance	Circulate draft budget papers - Cabinet and Scrutiny
25th Jan	scrutiny	Learning scrutiny of draft budget
26th Jan	Cabinet/EMT	Approve draft budget (MTFS & FRM), reserve policy, capital strategy and Fees & Charges Register (income and charging schedule)
28th Jan	scrutiny	Economy scrutiny of draft budget
28th Jan	scrutiny	Health scrutiny of draft budget
29th Jan	Finance Panel	Finance panel and scrutiny of budget proposals
Jan / Feb	Political Groups	S151 and political groups - updates on budgets
8th Feb	Finance	Circulate draft budget papers - Cabinet and Scrutiny
16th Feb	Cabinet/EMT	Informal budget post scrutiny feedback and planning for Council
25th Feb	Council	Approve final budget (MTFS & FRM) and capital strategy, reserve policy and Fees & Charging Register (income & charging schedule).
2nd March	WG	Final settlement
2nd March	Cabinet	Poss settlement update
4th March	Council	Consider Impact of Final Settlement on the Budget and any changes required
4th March	Council	Council approve council tax
Mid March	Finance	Full budget included in the finance system
Mid March	Finance	Full budget set out in the budget book available on the website

Appendix B - Economic Summary – Provided by Treasury Management Advisors

The key quarterly meeting of the Bank of England Monetary Policy Committee kept Bank Rate unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022
- The Bank also expected there to be excess demand in the economy by Q4 2022.
- CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

One key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.

However, the minutes did contain several references to downside risks. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. Upside risks included the early roll out of effective vaccines.

COVID-19 vaccines. We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca

vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

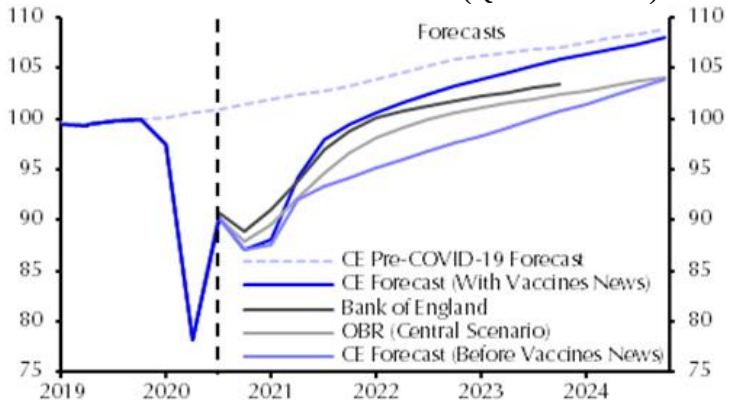
These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

Public borrowing was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

The pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

December 2020 / January 2021. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

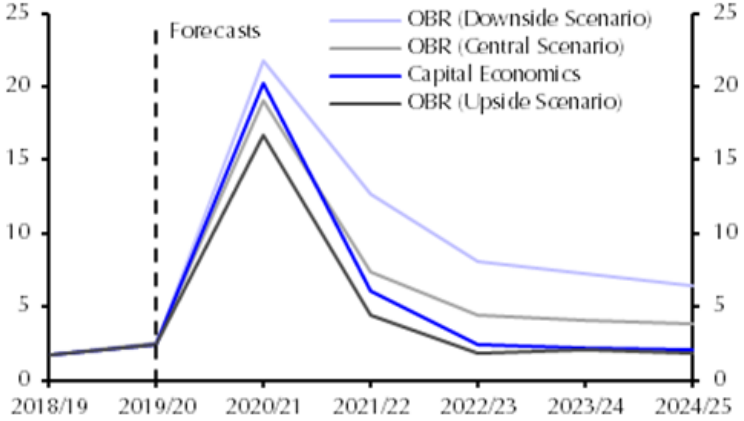
Chart: Level of real GDP (Q4 2019 = 100)



(if unable to print in colour…… the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



(if unable to print in colour…… the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

Brexit. While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

Monetary Policy Committee meeting of 17 December. All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

Fiscal policy. In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -

- An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
- The furlough scheme was lengthened from the end of March to the end of April.
- The Budget will lay out the “next phase of the plan to tackle the virus and protect jobs”. This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment, “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.