

Report

Cabinet



Part 1

Date: 12 February 2020

Subject 2020/21 Budget and Medium Term Financial Projections

Purpose To present to Cabinet the consultation results from the Cabinet's draft budget set out in their December 2019 meeting, and the current position on the Council's funding envelope following receipt of the draft Revenue Support Grant for 2020/21. In light of these updates, ask Cabinet to agree their budget proposals, including recommended council tax level for agreement at Full Council in their meeting on 27 February 2020.

Author Head of Finance

Ward General

Summary

The draft proposals for 2020/21, agreed in the December Cabinet meeting, have been subject to detailed consultation and the results have been set out within this report.

This update is different to previous years in that, at the time of drafting and making public this report the Council are not yet in receipt of the final settlement from Welsh Government, which is due on 25 February. With the exception of any late transfers of specific grants into/ out of the final settlement, which are neutral in their impact, no other changes are anticipated. Therefore, Cabinet are finalising their 2020/21 budget based on the funding position made up of the draft Revenue Support Grant, the confirmed increase in tax base and subsequent council tax income at the rate of which will be recommended at this meeting.

The draft settlement confirmed that Newport received the greatest share of the 4.3% net funding increase for Local Government across Wales, and much higher than that included in the planning assumption within the December report. This report highlights the additional funding available to Cabinet as they consider the final proposals. These will be announced at the meeting, following considerations of various budget pressures since their December meeting and public consultation results.

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Proposal Cabinet is asked:

Budget proposals and medium term projections (section 3-6)

1. To note the formal consultation on the budget as outlined in section 6 and the feedback received, shown in appendices 1 to 4b
2. To note the equalities impact assessment summary on the budget proposals, shown in appendix 9
3. To review all draft budget proposals (appendix 5 - 6), as summarised within the medium term financial projections (appendix 7) and allocate the financial flexibility shown in table 3. In doing so, agree the implementation of the resulting full three-year savings programme, including all budget investments and saving options.
4. To agree the 2020/21 fees and charges of the council shown in appendix 11

Overall revenue budget and resulting council tax 20/21 (section 7 and 8)

5. To note the Head of Finance's recommendations that minimum General Fund balances be maintained at £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, and the adequacy of the general reserves in the context of other earmarked reserves and a revenue budget contingency of £1.5million

6. To note the current level of council tax for Newport City Council and the monetary value of various percentage increase and how this compares to levels of council tax at other councils as shown in table 5
7. To recommend an overall net budget for the Council and resulting council tax to full Council, noting that a formal resolution including the Police and Crime Commissioner for Gwent and Community Councils' precepts will be presented to Council on the 27 February
8. To approve expenditure and use of reserves in line with summary shown in appendix 10b, noting they are based on detailed proposals reviewed by Cabinet in their December 2019 meeting

Action by Head of Finance - finalise council tax calculations for Council's February meeting and subsequent billing

Timetable Immediate

This report was prepared after consultation with:

- Interim Chief Executive
- Strategic Director
- Head of Law and Regulation
- Head of People and Business Change

Signed

1 Financial summary

- 1.1 The budget process has continued since Cabinet agreed the detailed budget proposals for consultation in December 2019. Since that time, the funding position for 2020/21 has improved by £7.3m (after funding specific grant transfers and costs included in the draft settlement, as highlighted in the December Cabinet report) due to the better than anticipated draft settlement from Welsh Government (WG). This includes the increased tax base, which has given rise to an increase in council tax income.
- 1.2 In addition to the improved funding received from WG there are external pressures that have arisen since December which have been included with the current projections. The table below sets out the significant changes that have arisen from external influences.

Table 1: Key changes to pressures/ investments since December

	2020/2021 £'000
Teachers pay award - additional 1% provision from September 2020	253
NJC pay award (non schools) - additional 1% provision from April 2020	650
South Wales Fire and Rescue Levy	250
National Living Wage (NLW) increase - external social care contracts	504

A full reconciliation of movements since December Cabinet can be found in appendix 8.

- 1.3 Whilst the settlement from WG was much improved from that anticipated for 2020/21, the medium term outlook is still very uncertain which makes planning for the future extremely challenging. In Newport, the Revenue Support Grant (RSG) received from WG contributes 76% to its net budget, with council tax making up the balance. Given the councils reliance on RSG funding what happens to this grant is critical.

2 Welsh Government funding and council tax base

RSG Settlement and council tax base

- 2.1 Given the decision to defer the publication of the WG settlement until after the UK general election, the Council received its [provisional settlement](#) (weblink) on the 16 December 2019. Overall, it stated that the Council would receive £228,077k for 2020/21. After allowing for specific grant transfers and costs into the RSG this is a net cash increase of £7,265k from the current years funding.
- 2.2 Ordinarily, the Council would have received the final settlement from WG by this stage of the year; however, given the delay in publishing the draft, the final settlement will be announced on the 25 February. With the exception of any late transfers of specific grants into/ out of the final settlement, which are neutral in their impact, no other changes over and above those set out within the draft settlement are anticipated. In saying this, it does introduce a potential risk to the final budget and any change will need to be verbally updated at the Council meeting on 27 February.
- 2.3 In terms of Council tax base, Newport will receive an additional £830k in funding compared to 2019/20.

- 2.4 The following table summarises the overall improvement in Council funding expected for 2020/21 compared to the budget assumptions made within the December report, illustrating the increase in funding available for decision at Cabinet of around £3.9m.

Table 2: 2020/21 additional funding

	2020/21	
	£'000	£'000
December 2019 MTFP balance		5,654
Inc in RSG/ Ctax (above 1% assumed)	(12,252)	
Specific grant and cost transfers	4,987	
Net cash increase		(7,265)
Pressures/ Investments (appendix 5)		1,820
Reverse use of reserves		1,359
Savings - December 2019 (appendix 6)		(5,182)
Savings - new (appendix 6)		(298)
Revised balance in hand		(3,911)

Specific grants

- 2.5 There are a number of specific grants that have been included within the draft settlement on an all Wales basis. We are awaiting information from WG in relation to the value to Newport along with the conditions attached to these grants. Some significant increases include:

- £13,776k additional Regional Consortia School Improvement Grant funding;
- £10,000k increase in the Social care Workforce and Sustainability Pressures Grant;
- £8,600k additional Pupil Development Grant funding;
- £7,192k for Additional Learning Needs (new);

The figures quoted above reflect the all Wales allocation.

- 2.6 It is anticipated that these grants will be included within service areas budgets once the value and conditions are known. These grants have the potential to support service areas to fund demand pressures that currently exist.

3 2020/21 budget requirement

- 3.1 As noted above, the proposed budget has developed significantly given additional funding confirmed by WG and the increase in council tax base. Detailed budget investments were explained in the December report and it is pleasing that the WG draft settlement confirms that funding for 2020/21 will go some way to funding the £19m budget pressures that are shown in appendix 5.
- 3.2 As part of the planning assumptions within the December report the council were required to identify a significant level of savings to balance the budget, both for 2020/21 and the next two years – details of which can be found in appendix 6. Despite the better than anticipated settlement from WG, savings are still required to balance the budget in 2020/21 given the recently identified external pressures set out within appendix 8.

- 3.3 Significant specific grants are received from WG each year and at this time; we still await the finer details of funding levels for 2020/21. It is likely that a small number of grants will see decreases in funding during 2020/21 and it is proposed, in line with the Council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to resolve them. This may involve reducing/ stopping services that WG specific grants no longer fund.

4 Schools position

- 4.1 Cabinet considered the schools' funding position during their December meeting which included a cash increase of £4,380k for the overall school budget. Subsequently, the announcement of the draft budget from WG confirmed further, additional funding to support the additional costs in 2020/21 in respect of the 2019/20 teachers' pay award and pension increases of £4,654k. These costs were funded in 2019/20 from one-off grants and the draft settlement included on-going permanent funding for these, as follows:

- RSG transfers to fund teachers' pay and teachers' pension (£3,032k);
- additional provision to fund the full-year impact of the pension increase (£1,622k).

- 4.2 It should be understood that the transfers outlined above is not new funding but instead makes the one off grant funding received by schools in 2019/20 permanent and reflects the full-year impact of this funding going forward. The total proposed investment of £9,034k represents a 9.4% growth in school's budget of which the £4,380k allocated by Cabinet in their December meeting is the assessed cost increases for schools in 2020/21 and the £4,654k allocated in the RSG being permanent funding for existing costs. There is currently £452k within the Individual School Budgets (ISB) for school transport for special schools, following discussion at schools forum it was agreed that this budget should not sit within the ISB but instead be transferred to the central budget where other school transport budgets are held. This will not have an impact on the level of spending that is available for the schools as the cost will be borne centrally rather than by the school.

- 4.3 Given that current projections for school budgets in 2019/20 will see them overspending against their available funding by around £3.5m, schools are still required to identify savings and produce deficit recovery plans to reduce this deficit. Although the proposed investment in school budgets is significant and covers the increasing costs for 2020/21 the draft budget has no additional funding allocated to deal with the 'base budget issues' where schools are not currently managing within budget.

Table 3: Proposed schools funding 2020/21 to 2022/23

	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000
Teachers - Pay award/ increments/ pension increase	6,302	1,469	1,391
Non Teaching school staff - pay award and increments	797	754	646
Contract & Income Inflation	82	83	83
New Schools	1,242	631	647
Secondary School Transitions	611	906	947
Reduced Class Sizes	0	0	0
	9,034	3,843	3,714

Proposed growth as a % of net budget	9.4%	4.0%	3.8%
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- 4.4 The level of in year overspending was highlighted as a risk in 2019/20 and continues to be a significant area of concern. Current projections of £3.5m overspending would see reserve balances fall below zero at the end of this current financial year. A resolution is critical as current spending levels in schools is not sustainable and has the potential to cause a significant and adverse impact on the councils overall finances if it continues.
- 4.5 Indicative grant allocations have been received from the Education Achievement Service (EAS), for Education Improvement Grant (EIG) and Professional Learning (PL). Whilst the EIG has seen a small increase from 2019/20, the PL is expected to see a reduction of one fifth compared to the 2019/20 award. Indicative allocations for the Pupil Deprivation Grant (PDG) and Early years PDG have yet to be received. All figures received to date are indicative and subject to final confirmation.
- 4.6 The overall funding for Education grants appears positive in that the grant funding set out in paragraph 2.5 has the potential to further help the schools position.

5 Medium term financial projections

- 5.1 The Council's financial planning is underpinned by the Council's Corporate Plan 2017-22 that sets out a clear set of aspirations and plans for the future under our mission of 'Improving Peoples lives'. This provides a focus for decisions around spending and will direct activity across the council. The current 'medium term financial projections' (MTFP) included in appendix 7 includes funding for the key priorities and promises set out in the plan. In light of the medium term financial sustainability challenge, further work is required to ensure the budget is balanced over the medium term whilst meeting our duties under the well-being objectives.
- 5.2 The MTFP is the articulation of the financial challenges and includes the savings identified over the next three years. It includes those savings, which have previously been approved over the life of this plan in February 2019 Cabinet meeting as well as new proposals. Whilst the Council is required to set a balanced budget for 2020/21, this is to the backdrop of sustaining over £41m of savings over the last five years. Future uncertainties such as future WG financial settlements and the impact of Brexit will mean that current projections will inevitably develop and change as assumptions are updated or confirmed for future years.
- 5.3 Despite the favourable draft settlement for 2020/21, there is uncertainty on the continuation of the additional funding allocated to Local Government beyond 2020/21. It was anticipated that the next Comprehensive Spending Review (CSR) 2019 would take place in the summer of 2019 bringing a degree of certainty over the short to medium term on Local Government finances. However, uncertainty around Brexit at that time delayed the next CSR until, at the earliest, summer 2020.
- 5.4 Furthermore, the date for the 2020 Spring Budget has been confirmed and will take place on 11 March 2020. This is the UK Government's annual fiscal statement and will be the first since the December 2019 general election. It will also be the first budget of a new parliament and comes roughly six weeks after the passing of the Brexit deadline on 31 January. All of these factors point towards this budget being particularly important. Although this may provide more certainty on the medium term outlook for Local Government, much will depend on WG budget decisions, in particular on NHS funding in Wales. The projections set out within the MTFP will require updating when the outcome of the Spring Budget is known. The cost pressures of any decisions made by Cabinet will also need to be assessed and projections within the MTFP updated accordingly.

- 5.5 The detailed assumptions used in the MTFP were noted in the December 2019 Cabinet meeting when the draft budget and MTFP were agreed for consultation. One of the key changes to future planning assumptions set out in appendix 8 is the 1% increase in RSG funding from 2021/22 in light of the favorable settlement for 2020/21. As with all of the medium term projections, this is indicative at this point. The Spring Budget will provide more certainty; however, the impact will be dependent upon the decisions taken by WG.
- 5.6 Cabinet is asked to take a strategic and medium term view and following this consultation period, recommended to agree the implementation of the MTFP including all budget investments and saving options (appendix 5 and 6), as summarised within appendix 7.

6 Budget consultation

- 6.1 The budget proposals agreed by Cabinet in December have been consulted on through a range of stakeholder groups and formats, which are as follows:
- With Trade Unions via the Employee Partnership Forum on 9 January 2020 (minutes included within appendix 1). Union specific responses can be found in appendix 4b;
 - With all Scrutiny Committees in their January 2020 meetings where Members discussed the detailed change and efficiency programmes plus the MTFP. Their reports and conclusions are included in appendix 2;
 - With the Schools' Forum on 9 January 2020. Responses are included in appendix 3;
 - With the public from 20 December 2019 to 31 January 2020. An analysis of responses is included at appendix 4;
 - Newport Fairness Commission has reviewed the proposals in terms of their parameters of fairness – their response is included in appendix 4a.

In summary, there was a general acknowledgement of the financial pressures facing the Council reflected in support for the majority of proposals.

Public Consultation

- 6.2 During the 2020/21 formal budget consultation over 3,800 people were engaged. This is the largest response to a budget consultation to date. This is thought to be as a result of innovative use of technology through bus wifi surveys and an improved collaborative approach to consultation, working with partners and local engagement forums.
- 6.3 During the budget consultation we have carried out a number of engagement exercises with the public, which included:
- A pre-budget public survey to identify the services that matter most to people, as a means of informing medium term budget planning. This survey will recommence in March and will form part of an approach to make engagement on the budget and service planning a yearly process
 - Carrying out an online survey via the public Wi-Fi on Newport buses that received 3,192 responses
 - An in-depth online survey, which received over 500 responses
 - A significant number of responses through e-mails, letters and social media

- Holding a public budget event at the Newport Centre involving the Chief Executive and Strategic Director. This gave members of the public an opportunity to find out more about the financial pressures the Council faces, the steps already taken to deliver savings and to give feedback on the proposals for 2020/21. The points raised in this event have been included in this report along with the proposals they relate to
- Promotion via the media to all households using Newport Matters, Council Facebook & Twitter and Council Website
- Requesting partner networks to circulate details of the consultation e.g. One Newport contacts, Newport Youth Council, 50+ Forum, the Partnership Engagement Group and voluntary sector network
- Consultation with Newport Fairness Commission – their response is included as appendix 4a
- A session with the Newport 50+ Forum facilitated by the Fairness Commission to allow older people to give their views on the budget proposals for 2020/21.

6.4 In addition to completed surveys, the following representations have been received from organisations and have been considered by Cabinet Members and Officers as part of the budget consultation:

- **Newport People First** – Letter from the Charity Coordinator regarding proposed reduction of funding to third sector organisations
- **All Wales People First** – Letter from the Chief Executive regarding proposed reduction of funding to third sector organisations
- **Welsh Language Commissioner** - Letter from the Welsh Language Commissioner regarding proposed removal of non-statutory post 16 travel grants
- **YG Gwent Is Coed** – response regarding Welsh Language Standards.

7 Risk, reserves, financial resilience and performance

7.1 The proposed budget includes a number of assumptions in terms of income and expenditure levels over the medium term. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below.

Financial risks

7.2 Any overspend in 2020/21 over and above the revenue contingency budget would be an issue. After taking account of the revenue contingency budget, no overspend is forecast for 2019/20 and the final proposed budget includes significant investment in the demand led areas of the budget currently overspending. Issues to draw to the attention of Cabinet include:

- The schools budget challenge is very significant and will require savings to be identified and implemented for 2020/21. Individual schools are using all of their reserves to fund current 2019/20 financial year overspending meaning the school will no longer have specific schools reserves available in 2020/21 unless they take action to replenish this reserve. The view on the robustness of the budget makes the assumption that schools will make the necessary savings required to manage

within their annual budgets, however, at this point remains a significant on-going risk;

- The forecast for 2019/20 is as at December 2019, therefore, there is a risk that this position could worsen in the coming months.

7.3 New saving proposals over the three-year period amount to £7,378k, the vast majority of which relate to 2020/21. Timely implementation is key in ensuring savings and a balanced budget is achieved. Realistic part year assumptions have been made where implementation cannot be immediate but there is an inherent financial risk around achieving service changes in time to deliver the planned savings.

7.4 Significant one off costs will be required to implement the budget saving proposals set out in the MTFP. Forecasts indicate that there will be sufficient funds within the Invest to Save reserve to meet the one off costs over the medium term. A summary of the position is shown in appendix 10b based on the detailed budget proposals agreed by Cabinet in December 2019. Cabinet is requested to approve this expenditure, funded from the reserve, noting it will be regularly reported to Cabinet as part of revenue budget monitoring.

7.5 Aside from pay and specific contracts, inflationary increases in budgets have been set at a low level, consistent with most other Local Authorities. Invariably, this introduces a degree of financial risk as key inflationary pressures are not known with certainty at this time but this financial risk is no higher than in any other year.

Reserves

7.6 In terms of contingencies and reserves, the Head of Finance needs to review these in their totality in conjunction with the base budget and the financial risks associated with delivering the budget in 2020/21. This review should incorporate a medium term view and take into account key developments that may affect the need for and use of one off resource.

7.7 Protection against budget risks is provided through earmarked reserves and contingencies. In addition, the Council has a number of earmarked reserves for known, but not always easily quantifiable, financial risks.

7.8 A 'rule of thumb' analysis for determining the level of general reserves suggests this is at least 5% of net revenue expenditure (excluding schools' budgets); unless a formal risk assessment justifies a lower level. This implies a level of around £14million for Newport. In the context of the above and the financial risks inherent in the proposed budget, the Head of Finance recommends that the minimum level of general reserves remain at its current level of £6.5m, supported by the base general budget contingency of £1.5m.

7.9 An analysis of projected earmarked reserves can be found in appendix 10a.

Financial Resilience

7.10 A robust view is being taken in managing budget risks and protecting the financial health of the Council. In that respect, the Council's financial resilience is a key consideration and appendix 10 shows the current 'snapshot' of the key data and information showing an overview of the health of the Council at this time. Key headlines include:

- The Council maintains a good level of reserves. The contingency base budget and other risk reserves held by the Council are all taken into consideration when

assessing the level of the general reserve, and help to mitigate the risk to the Council. A cautionary note should be made in respect of the full utilisation of the school reserves over the last few years. Schools have been using reserves to manage spending and this has resulted in the forecast reserve balance reducing to below zero during 2019/20 meaning that schools will have no option but to manage within the approved annual budgets in future. Failure to do so will result in financial resilience issues for the council as a whole.

- The Council has identified and continues to monitor budget reductions of £6.6m in 2019/20. This is alongside delivering outturn within budget over recent years, despite the delivery of around £41m savings over the last 5 years. This needs to be viewed within the context of continued significant pressures within service areas, namely social care and schools into 2020/21, which have been highlighted as part of the budget monitoring process.
- Although the 2019/20 forecast overspending across service areas is significant this has been offset by one off underspending in non-service budget areas therefore resulting in a finely balanced budget position. The level of service areas overspending is not sustainable and whilst these demands have been addressed as part of the proposed budget these areas will continue to be closely monitored.
- In light of the continuing financial pressures and demands placed on the Council further savings of at least £10m need to be found for 2021/22 and 2022/23.

7.11 Overall, the Council's financial resilience remains strong and it has financial capacity to develop and change services in response to continuing pressure on funding and increased demand for services.

Risk register and performance

7.12 As part of setting the Council's budget, key consideration is given to the risks the Council faces and the improvement objectives that the Council has put in place.

7.13 The Council maintains a corporate risk register, which is regularly reviewed by the Corporate Leadership Team and Cabinet, as well as the Audit Committee from a procedural/ risk management framework viewpoint. The Council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required.

Fairness and Equality Impact Assessments (FEIAs)

7.14 In delivering its services, the Council has to be mindful to demonstrate due regard to equality considerations in line with the Equality Act 2010.

7.15 As part of the budget process, equality implications are considered for all budget proposals and where necessary an EIA is carried out by the relevant service manager, supported by the council's policy team.

7.16 Appendix 9 provides the impact assessment for the new saving proposals individually listed in appendix 6, showing any issues, after mitigation, of any equalities issues that Cabinet and Council need to be aware of.

8 2020/21 proposed council tax

- 8.1 The proposed council tax increase of 7.95% is above the base assumptions of 4% in future years. This additional 3.95% in monetary terms adds around £2m to the Councils overall funding. This is required as investment within social care and SEN stands at £2.5m in 2020/21.
- 8.2 Given that the draft settlement included an improved grant position and an increase in council tax base funding, this has given a credit balance of £3,911k. Cabinet will decide on how this credit budget is to be utilised to give a balanced position.

Table 4: 2020/21 available and required budget

The table below shows the available and required budget funding with a 7.95% increase in council tax. Cabinet will be aware that beyond 2020/21 there has been a 4% increase implicit in our MTFP planning parameters. In setting council tax, the Council needs to be aware of the need to set a balanced budget.	
Council Tax at Band D at 7.95%	£1,209.08
Budget requirement	£000
Base budget 2019/20	280,611
Inflation & increments	7,239
Removal of previous year reserve transfer	900
Budget investments – (£12,594k (inc. £3,112k of transfers in from RSG) shown in list of pressures plus increase of £1,320k required in council tax benefit based on 7.95% council tax increase)	13,914
Budget savings	(6,034)
DRAFT BASE BUDGET 2020/21	296,630
Draft funding available	
Draft WG settlement	228,077
Current council tax at new tax base	67,098
Increased council tax @ 7.95%	5,366
Total	300,541
Balance available ‘in hand’	(3,911)

- 8.3 Before Cabinet can recommend a budget to Council; decisions are required based on the figures shown in the above table. Options include:
- delete specific saving items
 - providing additional capacity within services
 - fund new initiatives and policies
 - fund additional pressures not anticipated at December Cabinet
 - consider the level of council tax increase required to balance the budget. A 0.1% change in council tax equates to £54k. The current MTFP assumes an increase of 7.95%.
- 8.4 For contextual purposes, the table below shows the weekly increases in council tax based on a number of scenarios and current values at other Welsh Councils. Given

the low starting point on Newport council's tax, it will still be lower than most (if not all) of the council's shown, even at a 7.95% increase and the actual monetary increases in tax are low in themselves. Newport City Council proposed tax increase is likely to maintain its position as one of the lowest in Wales.

Table 5: Scenarios illustrating weekly council tax increases

Weekly Increase	£0.22	£0.65	£1.08	£1.71
Increase per annum	£11.20	£33.60	£56.00	£89.04
Newport Band D tax 2020/21	£1,131.24 (1%)	£1,153.64 (3%)	£1,176.04 (5%)	£1,209.08 (7.95%)
Comparison with existing Band D council tax (rounded)				
Current year (2019/20) before any increase:				
Newport	£1,120			
Caerphilly	£1,131			
Wrexham	£1,153			
Cardiff	£1,211			
Torfaen	£1,315			
Monmouthshire	£1,316			
Swansea	£1,345			

Risks

Detailed financial risks are included in the various sections of the report and appendices where applicable

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Budget savings not delivered	M	L	(i) robust budget proposal process (ii) robust budget monitoring (iii) programme governance (iv) service planning (v) retention of reserves and budget contingency	Head of Finance/ Heads of Service
Budget savings not delivered on time leading to in year overspending	M	M	(i) robust budget monitoring (ii) programme governance (iii) retention of reserves and budget contingency	Directors / Heads of Service Head of Finance
Unforeseen Pressures	H	L	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance Directors / Heads of Service

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

In drawing up budget proposals, due regard has been given to key Council policies and priorities

Options Available and considered

Taking a strategic and medium term view Cabinet should approve the three year plan as summarised in the MTFP, though they could approve 2020/21 proposals only. For 2020/21 Cabinet must agree a revenue budget and then the resulting council tax for Council. Cabinet have various options open to them on the detailed proposals contained within this report.

Preferred Option and Why

That Cabinet continues to approve a three-year MTFP.

Cabinet must set a balanced revenue budget and recommend the related council tax amount required for this level of spending to Council.

Comments of Chief Financial Officer

All of the financial issues are contained within the body of the report. As always, the budget process has continued since December and a number of budget issues included within this report do require review and resources allocated, for example, South Wales Fire and Rescue levy and national living wage increases. The Head of Finance also requires Cabinet to carefully consider the level of school resources given the level of in year overspending and the prospect of negative reserves at the end of the year. Cabinet are reminded that the additional funding does not deal with this underlying issue and whilst schools are targeting savings there is a risk that further resources are very likely to be required.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report at this stage. Cabinet is being asked to consider the budget consultation responses and agree the final savings proposals and fees and charges in order to deliver a balanced budget for 20/21. Where the relevant business cases are not delegated to Heads of Service accordance with the Council's scheme of delegation, Cabinet are required to take the final decisions on those business cases in the light of the responses to the public consultation and the final RSG settlement, prior to making a recommendation to Council regarding the budget for 20/21. The implementation of all these business cases and the setting of fees and charges are executive matters, with the exception of any consequential staffing proposals, which are non-executive matters delegated to Heads of Service. However, whichever decision-making process applies, all of the business cases have been the subject of fairness and equality impact assessments to ensure that the Council has regard to its public sector equality duties under the Equality Act and is also acting fairly in terms of the impact of the proposed changes on service delivery. In addition, where specific proposals require more focussed consultation with staff and key stakeholders, this will be carried out prior to the implementation of any proposed changes. The setting of the overall base budget and council tax rate for 20/21 is a matter for full Council as these are non-executive reserved matters under the Constitution. Therefore, Cabinet will need to recommend the final budget and the proposed Council tax increase to full Council for approval in accordance with the Local Government Finance Act.

Comments of Head of People and Business Change

The 2020/21 Budget and Medium Term Financial plan report gives Cabinet the opportunity to consider the implications and opportunities in the deployment of resources across a range of functions and services over the next three years. This is set against the backdrop of ongoing

financial pressure, which has created a challenging environment. Staff have been impacted by changes to date in a number of ways and the Council now employs significantly fewer staff than it did five years ago. All staff potentially impacted upon by this have been offered the opportunity to be consulted with and the relevant trade unions have made representations, contained within this report.

As part of the annual process in place a range of opportunities have been made available for the public to express their views and again these are included in the report for the consideration of Cabinet. Views have been gathered through face-to-face sessions, via email, letter, the on-line consultation pages, through free bus wifi and in sessions with Newport Fairness Commission and Newport 50+ Forum.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations. This has been done through the expanded use of Fairness and Equality Impact Assessments. It should be noted that meeting sustainable development principles is becoming ever more difficult to do in the wake of on-going reductions in funding.

Comments of Cabinet Member

The Cabinet Member for Finance and the Chair of Cabinet confirm that they have approved this report.

Local issues

The budget proposals as shown affect the City as a whole although some specific proposals may affect certain localities more than others.

Scrutiny Committees

Comments from Scrutiny Committees are included in appendix 2 of the report.

Equalities Impact Assessment and the Equalities Act 2010

The detail of Equalities Impact Assessment undertaken is included in appendix 9 of the report.

Children and Families (Wales) Measure

All proposals have been consulted on widely, as required.

Wellbeing of Future Generations (Wales) Act 2015

The Act is referenced in the report.

Crime and Disorder Act 1998

N/A

Consultation

Wide consultation on the budget has been undertaken, as outlined in section 6 of the report and within the appendices.

Background Papers

December 2019 Cabinet report - 2020/21 Budget and Medium Term Financial Projections

Dated: