

# Report

## Council

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### Part 1

Date: 29 February 2024

**Subject** 2024/25 Budget and Medium-Term Financial Plan

**Purpose** To review the Cabinet's final budget proposals / Council Tax increase for 2024/25 and agree the Council's budget, resulting Council Tax increase and Council Tax resolution for 2024/25.

**Author** Head of Finance

**Ward** General

**Summary** Following recommendation by Cabinet of their 2024/25 budget requirement, the Council needs to review and decide on the Council's budget and resulting Council Tax increase for 2024/25.

Cabinet met on the 14 February 2024 and finalised detailed budget recommendations. This report sets out their recommended 2024/25 budget, resulting service cash limits and Council Tax increase and the Council's general reserve and contingencies. An increase in Council Tax of 8.5% (to £1,497.44 per annum at Band D) for Newport City Council is recommended. This is an increase on Council Tax of £1.75 per week, £2.01 per week and a £2.26 per week increases for Band B, C and D properties respectively.

Building on the medium-term projections approved in March 2023, the budget process has presented a distinct set of challenges this year, building on the unprecedented circumstances of the last few years, and the drastic economic changes and inflationary increases on a scale never seen before. From this, Cabinet have approved a package of investments and savings and are recommending a Council Tax level to Council which will balance the budget for 2024/25.

The Council's business and financial planning is underpinned by the Council's Corporate Plan. The plan will be supported by a Transformation Plan and other plans to achieve the outcomes within it. Work on developing a Transformation Plan and associated governance arrangements is in progress and some individual projects have already started. Whilst this will form a key part of the strategy for addressing the budget gap in the future, it will not in itself deliver the quantum of savings required over the medium term. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability.

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**Proposal** Council is asked:

**Revenue budget and Council Tax 2024/25** (section 2 - 6)

- 1 To review the Cabinet's final budget proposals for 2024/25 (Appendices 7 and 8), resulting Council Tax levels and the formal Council Tax resolution, noting that an extensive consultation exercise has been completed on the 2024/25 Cabinet's draft budget proposals. Cabinet have taken this into account in recommending final details of their budget.
- 2 To agree the Council's budget for 2024/25 (Appendix 1), fees and charges (Appendix 11), Council Tax increase and Council Tax resolution (Appendix 3) for Newport City Council which incorporates the precepts levied by community councils and the Police and Crime Commissioner for Gwent.
- 3 To note the Head of Finance's recommendations that minimum General Fund balances can be maintained, in the short term, at a level of at least £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, subject to the key issues highlighted in section 5.

**Medium term financial plan (MTFP)** (section 3)

- 4 To note the MTFP and the potentially significant financial challenges over the medium term in the context of funding challenges and increasing demand within service areas.
- 5 To agree the implementation of the three-year financial plan, including all budget proposals, as summarised within the medium-term financial plan (Appendix 4), noting that financial projections are subject to on-going review and updating.
- 6 To note and approve the Council's reserves strategy and transformation fund protocol (Appendix 6). Approve the planned use earmarked reserves, as set out in Appendix 5a, including the proposed use of the Transformation Fund.

**Action by** Head of Finance – 2024/25 Council Tax billing and detailed budgets to be prepared in line with recommendation.

**Timetable** Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Law and Standards
- Head of People, Policy and Transformation

**Signed**

# 1 Background

- 1.1 Recent changes made to the Council's constitution clarifies the roles and responsibility of Council and Cabinet in relation to the revenue budget and Council Tax changes. In summary, the Cabinet are responsible for developing their draft budget, including Council Tax changes and consulting on that before agreeing a final budget which is reviewed and considered by Council.
- 1.2 Any alternative budget proposals must be submitted and approved by the Council's Head of Law and Standards and the Head of Finance within 5 working days of the Council budget setting meeting (which was 5pm, 21<sup>st</sup> February) so that they can be incorporated into papers to allow members time to consider them before the Council meeting. Whilst the alternative proposals are submitted in line with the Budget and Policy Framework Procedure Rules, procedurally during the meeting they will be dealt with as a motion to amend the Cabinet's budget proposals in accordance with the Rules of Procedure for full Council.
- 1.3 The Cabinet's draft budget proposals for 2024/25 have been subject to public consultation. The proposals have been consulted on through a range of stakeholder groups as set out in paragraph 4.1. Feedback received was considered before Cabinet finalised budget considerations and details on 14<sup>th</sup> February. The package of budget investments and savings and the resulting service area budgets in this paper are based on the Cabinet's final budget proposals.
- 1.4 The Welsh Government (WG) draft settlement was received on 20<sup>th</sup> December 2023 and confirmed that funding would increase by 4.7% for 2024/25; at c£13.45m. This was the highest percentage increase across Wales, due to Newport's increasing population and up to date census data incorporated into detailed population estimates. Alongside new saving proposals included in the draft budget at £4,417k, this gave rise to a budget surplus or balance in hand of £1,725k at the draft budget stage which was agreed on 10<sup>th</sup> January 2024 Cabinet meeting.

Since then, the MTFP has remained under constant review with revised planning assumptions in relation to cost pressures, savings and changes to funding levels. These were explained in the Cabinet budget report on 14<sup>th</sup> February and updated at the meeting itself. They are summarised as follows:

	<b>£k</b>
Balance in Hand at draft budget	<b>+£1,725</b>
Additional Pressures – fire levy, housing staffing costs, increased contingency	-£1,180
Additional savings – realignment of non-service budgets to match costs	+£ 150
Additional funding – Council Tax premiums	+£ 600
Balance in hand – final budget report	<b>+£1,295</b>
Additional RSG funding announced at Cabinet meeting	+£ 755
Cabinet financial flexibility / balance in hand at Cabinet meeting	<b>+£2,050</b>

Cabinet announced and approved a number of budget investments to utilise the above balance in hand at their meeting on 14<sup>th</sup> February.

- £700k for highways and property assets maintenance.
- £300k for schools – targeted at 'additional learning needs' pressure.
- £160k for additional resources within the social care safeguarding hub.
- £150k for homelessness and temporary accommodation provision.
- £595k for capital financing costs to increase available capital resources.
- £145k for partial mitigation against specific grant funding reductions.

Alongside the list of budget investments and savings in the final budget setting meeting of Cabinet, these final decisions then completed the Cabinet's budget deliberations and decisions for 2024/25. The list of budget investments and savings in Appendix 7 and 8 in this report show the full list of budget decisions.

It was at this stage that the overall net budget requirement, and resulting Council Tax required to fund that, was agreed for recommendation to full Council and more details on that is shown in table 1, paragraph 6.3 in this report.

- 1.5 The Council's final settlement will be announced on 27<sup>th</sup> February 2024. Cabinet has therefore, agreed final budget proposals and recommend a Council Tax level to Council based on the draft settlement and updated for the known additional funding announced by the Welsh Government at £755k and a requirement for an 8.5% increase in the Council Tax rate.

There are a few adjustments and confirmations of funding expected to the final settlement after 27<sup>th</sup> February and these are outside of the Council's control. The Cabinet's final budget recommendations makes assumptions in relation to these outstanding matters, as follows:

- Funding of increased employers' pension contribution for teaching staff. This cost is included in the budget proposals within schools funding. This is expected to be £3,419k and the budget assumes it'll be fully funded by the Welsh Government. Ministers have confirmed that funding received from UK Treasury will be passed to councils but there is a risk that it could be lower than needed. The value is significant and is an item considered by the HoF in his assessment of the budget robustness.
- Changes in specific grants. There were a small number of grants not finalised at the draft budget stage and may not be confirmed until the final settlement stage or even thereafter, at an all-Wales level. In addition, it is known that a number of grants will be transferring into the settlement and others amalgamated and used more flexibly which is welcome on one level. As always, there is a risk that grants transferring or confirmed may be reduced from current levels. The Cabinet's recommended budget has an investment to potentially mitigate the impacts of this in key priority areas and therefore, as always, the working policy that services will adjust service provision in line with grant funding availability, wherever possible, continues.

- 1.6 Notwithstanding the above issues which are either common to most budget years or unavoidable this current year, the Council is required by law to agree a balanced budget every year. Although councils have until 11<sup>th</sup> March each year to set Council Tax, in practical terms, to delay beyond this meeting date would cause delays to billing and collection of Council Tax. This would have a significant adverse impact on the collection of Council Tax and therefore the Council's cash flow.

## **2 2024/25 budget requirement**

- 2.1 The Cabinet's recommended final budget is included within Appendix 1 and is based on detailed proposals approved by Cabinet in their meeting on 14 February. Members have also had sight of the budget proposals previously via the Council's Scrutiny Committees in January. The detailed proposals can be found appended to the Cabinet [agenda](#) (weblink).
- 2.2 Council should note that Cabinet continues to take a strategic and medium-term view and has done so by approving all budget investments and savings as part of the implementation of the Council's three-year plan. These have been summarised within the MTFP shown in Appendix 4.
- 2.3 A key part in considering and agreeing the annual budget and MTFP are the financial resilience issues and how the budget deals with key risks. These were considered in detail by Cabinet on 14<sup>th</sup> February and are outlined in section 5 of this report for Council.

- 2.4 Proposals for 2024/25 include £31.6m of budget investments / pressures (including inflation). The most significant areas of additional expenditure are linked to:
- £9,754k investment in school budgets.
  - £10,124k investment in social care which includes funding to continue paying care workers at least the Real living Wage from April 2024, additional provision to cover the risk of higher on-going costs in the sector and significant increased demand for children's services.
  - £1,595k for housing services.
- 2.5 Proposals for 2024/25 also include £4,567k of new savings of which £3,975k were efficiency/no service impact and are being implemented by officers under delegated authority. The balance of £592k were consulted on. In addition to new savings, £713k of previously agreed savings are also being or need implementation and included in 2024/25 budgets.
- 2.6 In addition to this base budget investment, significant specific grants are received from WG each year, and, at this time, we still await the finer details of funding levels for 2024/25. Specific grants are a key element of Council's funding which often assists in supporting core service delivery. These grants are included, at their estimated levels within service areas budgets, and will be adjusted as required, in year, once the value and conditions are known. Similarly, the service area budgets also include funding from reserves and the planned use of reserves are shown in Appendix 5a.

### **3 Medium term financial plan (MTFP)**

- 3.1 The MTFP is the articulation of the Council's financial challenges and includes the savings currently identified over the next three years. The Council is required by law to set a balanced budget every year. At the same time, the MTFP is reviewed and updated to help plan savings and investments across the next three to four years. A key part of the review is to ensure that key priorities are included. The current medium term financial projections are included in Appendix 4.
- 3.2 The Council Corporate Plan is supported by a Transformation Plan and other plans to achieve the outcomes within it. Whilst some corporate projects have started, the overall Transformation Plan and its governance arrangements are yet to be finalised and transformation projects are needed to be developed and/or started in Housing and Social Care, being key areas which can affect the Council's financial sustainability in the medium-term and areas under significant challenge and change.
- 3.3 The MTFP highlights very significant financial challenges in the budget years following the 2024/25 year and is due to predicted slowdown of funding to the Local Government sector. This is based on work completed by the Wales Fiscal Analysis and whilst significant uncertainty still exists around medium-term funding and financial issues, it is likely to be challenging. The Transformation Plan, when implemented, will form a key part of the strategy for addressing the budget gap in the future, but will likely not in itself deliver the quantum of savings required over the medium term and certainly at the levels of budget gaps currently shown. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability.

### **4 Budget consultation**

- 4.1 The budget proposals agreed by Cabinet in early January were consulted on through a range of stakeholder groups and formats, which are as follows:
- With Trade Unions via the Employee Partnership Forum on 18<sup>th</sup> January 2024;

- With all Scrutiny Committees in their January 2024 meetings where Members discussed the detailed investments and savings proposals, plus the MTFP;
- With the Schools' Forum on 18<sup>th</sup> January 2024;
- With the public to 9<sup>th</sup> February 2024;
- Engagement with a wide range of stakeholders and consultees, including the Newport Fairness Commission and those groups affected by service changes.

The detailed results of the consultation were shared at the February Cabinet meeting and are included in Appendix 9 and 10.

### **Fairness and Equality Impact Assessments (FEIAs)**

- 4.2 In line with the Council's legal duties as set out in the Equality Act 2010 and the Welsh Language (Wales) Measure 2015, all budget proposals have undergone a full equality impact assessment, which have been updated to reflect public consultation responses.
- 4.3 As part of the budget process, equality implications are considered for all budget proposals and where necessary an EIA carried out by the relevant service manager, supported by the Council's policy team. These were updated, as necessary, following the budget consultation exercise and used by the Cabinet in their final budget decisions in their February meeting. The detailed FEIAs can be found [here](#) in English and [here](#) in Welsh.

## **5 Risk, reserves, financial resilience.**

- 5.1 A key driver in the budget and MTFP framework is the need to manage the Council's general and financial risks, its financial resilience and performance. The Chief Financial Officer/s151 officer is required to report to the Council on the robustness and sustainability of the estimates in the budget report, and on the adequacy of the reserves and balances. The Council is required to take these comments into account when making its budget and Council Tax decisions. The requirements on the s151 officer are to ensure that the budget recommended to Council is balanced (i.e. income matches expenditure), is robust and therefore deliverable and has an adequate level of reserves. The s151 Officer is required to ensure the Council's approved budget addresses all three issues.
- 5.2 Reserves are an essential part of good financial management. They help councils to cope with unpredictable financial pressures, plan for future spending commitments and manage financial risks. The level, purpose and planned use of reserves are important factors for members and council officers to consider in developing medium term financial plans and setting annual budgets. Having the right level of reserves is fundamental to robust and responsible medium term financial management.
- 5.3 Appendix 5 sets out details in relation to the risks, reserves and financial resilience of the Council and key issues and highlights are summarised here. The Chief Financial Officer/s151 officer has assessed the balance of risk and the associated mitigating actions set out in Appendix 5, and considers, on this basis, the budget for 2024/25 to be robust. Key assumptions underlying this include:

#### Short-term

- Savings are delivered in full/on-time, including outstanding savings from previous years.
- Service area budgets are managed, in total, within resources allocated with particular emphasis on children's social care, housing services, and property/assets related areas which have the more significant levels of over-spending in the current financial year.
- Schools produce sustainable budgets with funding levels available to them.
- Maintenance of the current, and funding of any new, earmarked reserves and provisions covering material risks as part of the 2023/24 year-end process and from in-year 2024/25 monitoring, as appropriate.

- The Council receiving the expected funding for increased teacher's pension costs which is material at nearly £3.5m and taking the action needed to manage that risk if required.
- The Council managing financial issues coming out of specific grant funding levels when these are known, over and above the funding available from the Cabinet's budget to provide mitigation to key areas.

### Medium-Term

- The development, approval, implementation, and appropriate governance arrangements of transformation projects and plans for managing the current significant financial challenges on cost and demand in children's social care and homelessness service areas.
- The approval of a Council wide transformation programme and associated governance to contribute towards financial sustainability in light of uncertain but likely challenging financial position in the medium term.

5.4 In concluding that the proposals are robust, the Chief Financial Officer has placed reliance on the budget process that has been followed, and the assurances provided by Heads of Service and Directors. All service areas have been engaged on the budget development over the summer 2023 to date. In developing the budget, appropriate demographic, price growth, known demand changes and deliverable savings have been developed and considered, based on the latest available information and intelligence.

5.5 Of relevance is also the financial challenges and impacts the Council is facing and managing, including (i) significant service area overspending, which was c£4.7m in the last budget monitor reviewed by Cabinet (ii) short term nature of the additional revenue budget contingency contributing to the full mitigation of the current year service area's overspending, provided from the pre-funded capital financing budget. This should substantially reduce after 2024/25 (iii) significant on-going demand on some services in particular children's social care and housing/homelessness (iv) school budgets currently balanced by the use of reserves (v) the likely overspending in Housing services for 2024/25 only as it implements its transformation changes which will impact on demand and budgets in the following year and reduce costs down to budget levels (vi) relatively low funding resulting from a lower Council Tax rate than nearly all other Welsh Councils, and (vii) on-going undelivered prior year savings, currently £1.1m.

5.6 In the context of the challenging economic climate and the above issues, the 2024/25 budget has the following areas of mitigation which will be available to support the budget challenges and risks set out in Appendix 5 and the summary above:

- existing revenue contingency budget £1.373m which will rise to £1.6m with these budget proposals.
- existing revenue budgets not yet committed (capital financing budget), and which are set aside to manage revenue budget risks in the short-term (2024/25 only) at c£2.2m; which will rise to nearly £3m with these budget proposals.
- specific reserves earmarked for uncertainty on pay costs increase at £1.4m.
- specific school reserves forecast at c£10m.
- investment in revenue budgets to mitigate current levels of overspending and risks on an on-going basis.

The combination of the revenue budget contingencies, both permanent and temporary; and Earmarked Reserves with General Fund Balances together are proportionate and adequate when assessed against the balance of identified risk for next year.

Notwithstanding the above, the Chief Financial Officer/s151 officer would make the Council aware of the following:



- The Council's 'general reserves' is lower than ideally needed. They represent only 1.7% of the Council's net budget or 2.6% excluding school's net budgets. Whilst general reserves have inherent limitations in their use; they are still an integral part of the Council's financial plans for managing unexpected, significant or prolonged 'financial stresses'. All Council reserves are earmarked and those used for risk are specific to particular risks / issues and therefore beyond these, the general reserves provide limited risk mitigation. In the short term, as noted in Appendix 5, existing reserves could and would need to be re-purposed, but this will have impact on their intended use and/or create additional financial pressures. As earmarked reserves are utilised/reduced over the medium-term; this current potential mitigation they provide will reduce.
  - An increase in the level of the Council's general reserves over the short-medium term is required.
- There is no financial reserves capacity to manage the likely very challenging (but, also uncertain) financial outlook as outlined in the MTFP. Whilst use of reserves is not recommended for base budget funding; they can be useful where 'timing' may be the issue to smooth out delivery of agreed savings in a medium-term transformation plan vs saving requirement, for example. The current Invest to Transform reserve is specifically earmarked for funding costs of the transformation plan and individual projects.
  - As part of the MTFP updates through 2024/25 and as part of the accounts closure for the current 2023/24 year; it will be prudent to review and, if deemed necessary, identify financial capacities for available resources to support the MTFP budget process.
- The Council's Invest to Transform reserve is set to reduce to below minimum balance level, as per the protocol, and whilst this will continue to be able to provide funds required to transform services in the short term, the financial capacity required to fund costs of an organisational wide transformational programme will likely be significant over the medium term.
  - In line with the Council agreed protocol, further funding should be identified for the Invest to Transform reserve - from underspending in the 2023/24 and/or 2024/25 budget to provide financial capacity to cover the costs of delivering specific projects over the medium term.

## **6 2024/25 proposed Council Tax**

- 6.1 Newport continues to have one of the lowest Council Tax rates in Wales, amongst the lowest in the UK. Whilst changes in Council Tax levels are usually noted in percentage terms, the cash increase this delivers in Newport will be smaller relative to other local authorities as the starting position is lower.
- 6.2 Cabinet have recommended an 8.5% Council Tax increase to Council. This would result in Council Tax rates in the more common bands B-D in Newport of £1,164.68, £1,331.06, and £1,497.44 respectively which is an increase of £1.75 - £2.26 per week. Although the draft 2024/25 settlement was a welcomed uplift as it enables the Council to support major cost and demand pressures that the Council continues to face, it was not sufficient to mitigate, in full, the extent of the financial challenges being faced. Therefore, the key consideration for Cabinet has been to decide on the balance between Council Tax increases and the level of savings.
- 6.3 Based on the recommended Council Tax, the table below illustrates the net budget and funding recommended by Cabinet at its meeting on 14<sup>th</sup> February 2024.

**Table 1: 2024/25 available and required budget**

The table below shows the available and required budget funding with an 8.5% increase in Council Tax. In setting Council Tax, the Council needs to be aware of the need to set a balanced budget.	
<b>Council Tax at Band D at 8.5%</b>	£1,497.44
<b><u>Budget requirement</u></b>	<b>£000</b>
Base budget 2023/24	373,676
2024/25 Inflation	17,678
2024/25 use of reserve 'movement'	29
<b>DRAFT BASE BUDGET 2024/25 (before investments/savings)</b>	<b>391,383</b>
2024/25 Budget investments – (inc. increase of £1,229k required in Council Tax Reduction Scheme based on 8.5% Council Tax increase)	13,922
2024/25 budget savings	(5,280)
<b>DRAFT BASE BUDGET 2024/25</b>	<b>400,025</b>
<b><u>Draft funding available</u></b>	
Draft WG settlement	307,464
Current Council Tax at new tax base	84,641
Increased Council Tax @ 8.5%	7,195
Council Tax premiums	725
<b>Total</b>	<b>400,025</b>
<b>Balance</b>	<b>0</b>

- 6.4 The final budgets, as detailed in Appendix 1, incorporate the above recommendations. In finalising the budgets from the draft, the Cabinet was also mindful of the need to balance the issues and interests of service users, taxpayers, the current relatively low tax level, the medium-term financial outlook, service demands faced by services and risks. In addition, it should be noted that the Council Tax, even with the increase recommended, would still be lower than most other Welsh authorities.

#### **Community / Police precepts and Council Tax calculation**

- 6.5 The ultimate Council Tax calculation includes precept figures from The Police and Crime Commissioner for Gwent and precept figures from community councils within the city as well as the city council's own budget. These are shown in Appendix 2. The resulting Council Tax resolution is set out in Appendix 3. These are based on the budget proposals agreed by Cabinet on 14<sup>th</sup> February 2024.

## Risks

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

<b>Risk Title / Description</b>	<b>Risk Impact score of Risk if it occurs* (H/M/L)</b>	<b>Risk Probability of risk occurring (H/M/L)</b>	<b>Risk Mitigation Action(s)</b> What is the Council doing or what has it done to avoid the risk or reduce its effect?	<b>Risk Owner</b> Officer(s) responsible for dealing with the risk?
Previously agreed budget savings not delivered	L	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/ Directors
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	Heads of Service Head of Finance Directors
Unforeseen pressures	H	H	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance/ Heads of Service Directors

\* 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 and Cabinet, in setting the detailed budget and spending plans, considered these in detail in their February meeting. Details are included in the February 2024 budget report.

### Options Available and considered

The Council must approve a recommended Council Tax and resulting overall revenue budget for 2024/25 which is balanced and robust.

### Preferred Option and Why

Council has various options available to them on the level of Council Tax and therefore the overall total revenue budget for the Council.

### Comments of Chief Financial Officer

The 2024/25 budget has been very challenging with on-going demand for services increasing, and Cabinet approved a balanced budget on 14 February, requiring a Council Tax increase of 8.5%. As the report highlights, my assessment of the budget, as required by law, has been positively influenced by the availability of revenue budget contingency of which a significant element is temporary, and ultimately, the availability of total reserves, in the last resort. These are spelt out in detail in section 5 of the report. The budget estimates are as reasonably robust as they can be though the uncertainty of funding for the teacher's pensions costs increase is a significant factor.

The Council has a good track record of spending within its available budget and services will need to manage budgets as robustly as they can in 2024/25 and in that respects, major budget overspending areas and issues have been dealt with in this budget.

Whilst the Council budget must by law be set by the 11<sup>th</sup> of March, in practice the budget must be set earlier to meet Council Tax billing and collection arrangements deadlines. Not agreeing a budget at this meeting will result in potential significant impact on the collection of Council Tax and cash-flow.

### **Comments of Monitoring Officer**

The Local Government Finance Act 1992, as amended, ('LGFA 1992') requires the Council to set a balanced budget, including the level of the Council Tax. This means the income from all sources must meet the proposed expenditure. Best estimates must be employed to identify all anticipated expenditure and resources. The approval of the Council's budget and Council Tax, and the adoption of a financial strategy for the control of the Council's borrowing or capital expenditure are matters reserved, by law, to full Council. However, the Cabinet has responsibility for preparing, revising and submitting to Council estimates of the various amounts which must be aggregated in making the calculations required in order to set the budget and the Council Tax; and may make recommendations on the borrowing and capital expenditure strategy, (pursuant to the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007)).

Local authorities must decide every year how much income they are going to raise from Council Tax. This decision must be based on a budget that sets out estimates of what the Council plans to spend on services. As the Council Tax must be set at the start of the financial year and cannot be increased during the year, consideration must be given to risks and uncertainties and allowances made in funds for contingencies and reserves. The budget and the Council Tax must be set by 11th March in the preceding financial year. A failure to comply with the time limit may leave the Council open to challenge by way of judicial review. When the Council is considering its budget, it must have regard to the Section 151 Officer's report on the robustness of the estimates and the adequacy of the reserves in the budget proposals (section 25 of the Local Government Act 2003). This ensures that Members make their decision on the basis of authoritative advice. Members should provide clear reasons if they disagree with the professional advice of the Section 151 Officer.

All decisions taken by or on behalf of the Council must: be within the legal powers of the Council and of the body or person exercising powers on behalf of the Council, comply with any procedural requirement imposed by law, be undertaken in accordance with procedural requirements imposed by the Council e.g. procedure rules, be fully and properly informed, be properly motivated (i.e. for an appropriate, good and relevant reason), be taken having regard to the Council's fiduciary duty to its tax payers as elected members are trustees of the public interest and of its statutory purposes for which public powers are conferred on them, (this general duty requires the Council to act prudently and in good faith in the interests of those to whom the duty is owed) and otherwise be reasonable and proper in all the circumstances.

### **Comments of Head of People, Policy & Transformation**

The report provides Council with the 2024/25 Budget and Medium-Term Financial plan, which considers the implications and opportunities in the deployment of resources across a range of functions and services over the next three years, alongside seeking agreement on the Council Tax increase for 2024/25. The budget process has presented a distinct set of challenges this year, building on the unprecedented circumstances of the last few years, and the drastic economic changes and inflationary increases on a scale never seen before.

As outlined in the report, opportunities have been made available for the public to express their views through the consultation process and these were considered by Cabinet. All staff potentially affected by the budget proposals have been consulted with, or will be as and when necessary, and the relevant trade unions have made representations as outlined in February's Cabinet Report. Whilst potential impacts on frontline services have been minimised for 2024/25, the Councils workforce will nevertheless be impacted by proposals to deliver services in different ways or to reduce provision.

The financial planning is underpinned by the Council's Corporate Plan 2022-27 and supports its Well-being Objectives. The Council is also required to ensure it considers the impact of decisions taken now on future generations and also the impacts on protected equalities groups. This has been done through the use of

Fairness and Equality Impact Assessments which consider all key savings proposals. It should be noted that meeting the sustainable development principle is becoming increasingly difficult whilst the Council faces both immediate and long-term financial pressures and many achievable savings have already been made in previous years.

## **Scrutiny Committees**

All detailed proposals were reviewed by all Scrutiny Committees in their January 2024 meetings, as part of the wider budget proposals consultation undertaken and considered by Cabinet.

### **Fairness and Equality Impact Assessment:**

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The link to Fairness and Equality Impact Assessments (FEIAs) for individual savings proposals was appended to the February Cabinet report.

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has implications for the long-term planning of finances and service provision. The business cases used to develop savings proposals include specific linkage with Future Generation Act requirements of the “five ways of working”. Long term - The medium-term approach that is in place for financial planning within the Council is intended to bridge the gap between longer-term strategic aspirations and sustainable development concerns with the more immediate pressures of setting a balanced budget each year.

Prevention – Taken as a whole the proposed investments are geared towards sustaining preventative type services and focussing on some of the most vulnerable groups which should have the greatest impact over the longer term and will help to prevent negative outcomes getting worse.

Integration – The budget and medium-term financial plan has the overall aim of balancing resource allocation across services to support the range of strategic priorities and the delivery of the Council's change programme whilst ensuring financial sustainability.

Involvement – The budget is informed by insight gained from public engagement work, including previous budget consultations. Pre-budget public engagement on the relative prioritisation of Council services has informed the proposed budget investments. Newport Fairness Commission along with other stakeholders will be engaged as part of the consultation.

Collaboration – Whilst the budget and medium-term financial plan is a Council owned document it recognises that services are increasingly delivered in a collaborative public sector landscape with a greater emphasis on regional working e.g., through Corporate Joint Committees, Gwent-wide and South East Wales based partnerships.

The Well-being of Future Generations Act has involvement as one of the five ways of working under the sustainable development principle. Involvement in the development of this budget has included a seven-week period of public consultation and consultation with Trade Unions via the Employee Partnership Forum, with all Overview and Scrutiny Committees, with the Schools' Forum and with the Council's Fairness Commission.

## **Consultation**

Wide consultation on the budget has been undertaken, as outlined in section 4 of the report.

## **Background Papers**

Final Budget and MTFP: Final Proposals – 2024/25 presented to Cabinet on 14 February 2024.

Dated: 23<sup>rd</sup> February 2024