

<b>Report to</b>	Corporate Governance Committee
<b>Date of meeting</b>	20 <sup>th</sup> November 2019
<b>Lead Member / Officer</b>	Julian Thompson Hill
<b>Report author</b>	Steve Gadd, Chief Accountant
<b>Title</b>	Budget Process 2020/21

## **1. What is the report about?**

To provide an overview of the process to set the budget for 2020/21.

## **2. What is the reason for making this report?**

To provide information regarding the current budget process for 2020/21 and the key medium term financial planning assumptions in order to help inform the Corporate Governance Committee's oversight role in respect of the council's budget process.

## **3. What are the Recommendations?**

To consider the process and comment as appropriate.

## **4. Report details**

In January 2018, an internal board called the Reshaping the Council Board was established to:

- Define and deliver a Medium Term Financial Strategy to the end of 2022/23
- Ensure a balanced budget can be set each financial year within the programme
- Support the delivery of Corporate Priorities
- Provide a managed approach to becoming a smaller, well-run council

The Terms of Reference of the Board have been previously circulated to the Corporate Governance Committee. It is important to note that the Board is not a decision making body. Any proposals arising from the work of the Board will follow existing approval routes and will need to comply with existing consultation and wellbeing assessment requirements, etc.

The last report to this committee in March stated that planning for 2020/21 had already begun and a timetable was set out and included here as Appendix 1. The main assumptions at that stage were:

- 0% Revenue Support Grant Increase
- 3.8% increase in Council Tax
- Budget Gap of £5.4m
- Comprehensive Spending Review (CSR) was due at the UK level over the summer which would help confirm the level of funding available to the Welsh Government (WG).

The developing political situation has meant that the original timetable has needed to be re-drafted. In particular, it was confirmed that a summer CSR could not take place, but that this would take place in the autumn. WG made an announcement in July that gave very late indicative settlement dates (Draft Settlement on 10<sup>th</sup> December and Final Settlement on 3<sup>rd</sup> March). Despite the uncertainty it was decided to continue the work to identify savings of 5.5% and to further quantify the pressures in Community Support Services, Education and Childrens' Service, School Transport and Waste.

A surprise announcement was made at the end of the summer that the Chancellor of Exchequer would make a 1 year UK-level settlement announcement in September which resulted in circa £600m extra for funding for Wales. Although it was only for one year this appears to give some short term stability. On 17<sup>th</sup> September the WG made the following announcement: "The Welsh Government has made it very clear that health will continue to be our priority along with providing local government with the best possible settlement." This gives some hope that the Local Authority settlement will be better than originally predicted. The draft budget was also moved to the 3<sup>rd</sup> week of November, with the final budget in February, this has since been firmed up and the Draft Local Government Settlement is expected on the 26<sup>th</sup> November.

Following a review of pressures, the current MTFP is showing a budget gap of £6.2m, however the following elements have yet to be decided:

- RSG still assumed to be 0%, a 1% increase would generate £1.436m
- Council Tax still assumed to be 3.8%, a 0.5% inc/dec would equate to +/- £0.266m
- Services have identified £4.5m of possible savings which have been reviewed, prioritised and categorised by the Reshaping the Council Board and will be further reviewed by Cabinet/SLT on 21<sup>st</sup> November.
- The annual review of Corporately held budgets is close to completion.
- Use of cash – ideally would want to leave this lever to cope with any small changes between draft and final settlement.

A revised timetable detailing the key dates and consultation is included as Appendix 2. The key date for the wider membership is the Full Council Member Workshop on the 3<sup>rd</sup> December to review budget proposals informed by the draft settlement.

## **5. How does the decision contribute to the Corporate Priorities?**

Effective management of the council's budget and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

## **6. What will it cost and how will it affect other services?**

Based on current assumptions, the council is facing a potential budget gap of between £4m and £6m for each of the next three years.

## **7. What are the main conclusions of the Well-being Impact Assessment?**

Not applicable for this report. The budget process involves an assessment to inform whether individual budget proposals require an impact assessment. It is for Heads of Service to make this determination initially with further examination by the Budget Board to ensure consistency and appropriateness.

## **8. What consultations have been carried out with Scrutiny and others?**

Twice yearly reports to Corporate Governance Committee and regular reports to CET, SLT, School Budget Forum and Cabinet Briefing. The timetable at Appendix 1 details the consultations with City, Town and Community Councils, Full Council and the Union Joint Committee Consultation group.

## **9. Chief Finance Officer Statement**

The approach to the budget process has proved successful for 2019/20 and has proved flexible enough to cope with the delays and unknowns during the preparations for setting the 2020/21 budget.

The financial pressures the council is facing are driven mainly by external factors. The uncertainty over the level of funding from the Welsh Government from year to year is problematic from a financial planning perspective. It is hoped there will be more recognition from WG of the scale of the pressures facing councils going forward and the need for medium term settlement estimates to facilitate more detailed planning in future years.

## **10. What risks are there and is there anything we can do to reduce them?**

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. The process allows some flexibility in response to the funding settlement.

## **11. Power to make the decision**

Section 151 of the Local Government Finance Act 1972.