

Report to	County Council
Date of meeting	28 th January 2020
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Budget 2020/21 - Final Proposals

1. What is the report about?

The report sets out the implications of the Local Government Settlement 2020/21 and proposals to finalise the budget for 2020/21.

2. What is the reason for making this report?

2.1 The Council is legally required to set a balanced and deliverable budget before the start of each financial year and to set the resulting level of Council Tax to allow bills to be sent to residents.

2.2 To provide an overview of the budget process and the impact of the Local Government Settlement and to approve the budget for 2020/21, including the level of Council Tax.

3. What are the Recommendations?

3.1 To note the impact of the Draft Local Government Settlement 2020/21.

3.2 That Council approves the proposals outlined in Appendix 1, and detailed in Section 4, in order to finalise the budget for 2020/21.

3.3 That Council approve the average Council Tax rise of 4.3% proposed.

3.4 That Council delegate authority to the Head of Finance and Property in consultation with the Lead Member for Finance to adjust the use of cash included in the budget

proposals by up to £500k if there is movement between the draft and final settlement figures in order to allow the setting of Council Tax in a timely manner.

3.5 That Council confirms that it has read, understood and taken account of the Well-being Impact Assessment.

4. Report details

4.1 The Draft Local Government Settlement for 2020/21 was received by the council on 16th December and resulted in a positive settlement of +4.3%, which was also the Welsh average position. The Final Settlement is expected on the 25th February but Welsh Government (WG) have indicated that there should be very few changes.

4.2 As part of the settlement there were 'transfers in' of £1.794m mainly relating to grant transfers for part year for Teachers Pay and Teachers Pension Grant. The full year effect of these grants need to be funded from the general settlement.

4.3 The final proposals to balance the 2020/21 budget are shown in the Medium Term Financial Plan (MTFP) in Appendix 1. The main areas of growth and pressures are:

- Pay pressures of £1.124m
- Price and energy inflation of £250k
- Fire Service Levy of £93k
- Allowance for increase in Council Tax Reduction Scheme of £350k
- Schools inflationary pressures are recognised amounting to £2.852m
- Schools demographic pressure of £716k
- £2.6m to recognise demand pressures and forecasts in Community Support Services as part of the council's long term strategy to manage care budgets
- £1.546m to recognise existing pressures in Education and Children's Services relating to Out of County Placements and Recoupment.
- £1.4m pressures in Waste Services have been recognised based on in year pressures
- A further £600k pressure recognised relating to School Transport
- £529k pressure has been included to fund Corporate Plan Priorities
- In light of the scale of the pressures a contingency of £358k has been included

4.4 The pressures identified above amount to £12.418m. The impact of using £2m of cash in 19/20 (which has the effect of just delaying the need to identify savings) means that the

total shortfall amounted to £14.418m. A draft settlement of +10% would have been required in order to fund all these pressures. The +4.3% settlement generates £6.219m additional revenue leaving a funding gap of £8.199m. The following items are included in the proposals in order to bridge that gap:

- £2m savings has been included due to the triennial actuarial review of the Clwyd Pension Fund. The review highlighted the better than predicted performance of the fund overall and for DCC in particular. The impact means that the annual deficit repayment payments can reduce substantially while maintaining the 'flightpath' of having a fully funded scheme by 2033.
- Services were initially tasked with finding 5.5% of savings which would have generated c£6m of savings – but would also have involved redundancies and cuts to services. Due to the better than expected settlement, and following an intensive scrutiny of all proposals by the Budget Board, only those savings that form part of the day-to-day decisions of Heads of Service and have little or no impact on services to the public have been taken forward. The savings were circulated to elected members in December and have been posted on the library section of Modern.gov. All proposals only require delegated decisions, either to heads of service or lead members, and therefore no specific Cabinet or Council decisions are required. The proposals contribute £1.756m in total.
- Schools had, from the early summer, been asked to find 2% efficiency savings (£1.385m). Due to the better than expected settlement this has now been reduced to 1% (£0.692m). As school budgets are devolved, it will be for each governing body to determine how the savings will be delivered.
- It is recommended that £685k of the cash, which has already been earmarked to help smooth the budget reductions, is used for 2020/21. This figure was originally £1.085m.
- It is recommended that the Council Tax increases by 4.3% which will generate £2.298m additional revenue. This compares to last year's increase of 6.35% and also shows a reduction of 0.5% compared to the 4.8% which had previously been assumed for 2020/21, therefore recognising the better than expected settlement.
- Finally the Council Tax Base has increased more than expected this year which means that additional Council Tax of £486k is projected. The Base also impacts on the Revenue Support Grant and this has benefitted the council by £282k.

In addition the reduction in the requirement for cash will result in £400k remaining in the Budget Mitigation Reserve which is recommended to be released to help fund the initial stages of the Zero Carbon Target project and the pressures relating to Ash die-back (proposal is to allocate £200k to each project). This funding will allow the projects to produce detailed spending plans which can be considered and incorporated in next year's budget considerations.

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

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities. The proposals include allocations to continue to support priorities.

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

Details are set out in Section 4.

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

Well-being Impact Assessments for the Council Tax increase is included in Appendix 3.

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

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. The School Budget Forum have been included in the proposals through-out the year. Trade Unions have been consulted through Local Joint Consultative Committee. This year also saw an engagement exercise with the public using social media, the experience of which will be built on in future years (see Appendix 4).

9. Chief Finance Officer Statement

9.1 The aim of the budget process is to ensure that the council delivers a balanced budget. The uncertainty over the level and timing of financial settlements this year has

made financial planning even more challenging. However the draft settlement when it was finally issued made a welcome return to positive settlements which hopefully recognise the important work Local Government delivers and the pressures that it faces.

9.2 The proposals set out in this report offer a balanced approach which takes into account the following principles:

- Aim to recognise and remedy in year and forecast service pressures as much as possible in order to build in resilience.
- Ensure services are challenged to deliver efficient services, but to try and minimise the impact of proposals on services users and staff.
- Keep Council Tax increases as low as practicable.
- Limit the use of Cash which only delays the need to identify savings.
- Maintain funding for corporate priorities.

9.3 Due to the very late date for the Final Settlement it is recommended that Cabinet and Council delegate authority to the Head of Finance and Property in consultation with the Lead Member for Finance to adjust the use of cash included in the budget proposals by up to £500k. WG has indicated that there are unlikely to be any material changes, however it is sensible to have a contingency plan agreed beforehand.

9.4 If the proposals in this report are not accepted, alternative proposals must be submitted to balance the budget.

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. Failure to agree these proposals without viable alternatives will risk achieving a balanced budget for 2020/21.

11. Power to make the decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.