

## **APPENDIX A**

### **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**23<sup>rd</sup> JANUARY 2020**

#### **A DISCUSSION PAPER PREPARED BY THE SENIOR LEADERSHIP TEAM IN RESPONSE TO THE 2020/2021 LOCAL GOVERNMENT SETTLEMENT**

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### **1.0 BACKGROUND**

- 1.1 The Constitution sets out the procedure, which must be adhered to when setting the Council's annual revenue budget. It is a specific requirement of the Constitution that the Council's Chief Officers first report to the Cabinet, to advise Members on the issues involved (see extract of the Constitution at Appendix 1). Following due consideration of that report, and after having conducted an appropriate budget consultation exercise, it will then be for the Cabinet to determine a strategy and recommend a budget to Council, for final approval. A timetable for this process is attached at Appendix 2.
- 1.2 Prior to determining its preferred budget strategy for the financial year ending the 31<sup>st</sup> March 2021, the Cabinet must consider:
- The Council's own financial position.
  - The financial and service implications of the Welsh Government's (WG) 2020-2021 local government settlement.
  - Our Cwm Taf – Cwm Taf Wellbeing Plan 2018 -2023.
  - The Council's Corporate Plan 2016 – 2020 and draft updated Corporate Plan 2020 - 2024.
  - The level of demand and the statutory basis for delivery of services.
  - The results of the General Budget Strategy consultation exercise.
- 1.3 If Members are to arrive at the best possible outcome for our residents, it will be important that an appropriate weighting is given to each of the key determinants in paragraph 1.2 above, so that relative resourcing and spending priorities can be properly determined.
- 1.4 Accurate and up-to-date information is readily available in respect of the Council's own financial position, and officers have now analysed the 2020/2021 local government settlement from Rhondda Cynon Taf's perspective.

### **2.0 THE COUNCIL'S FINANCIAL POSITION**

- 2.1 Members have continued to receive regular updates on the financial position and projections for this Council during 2019/20. A key starting point and important consideration is the annual statement of accounts. At the Council meeting on the 31<sup>st</sup> July 2019, I presented the Council's audited accounts, which reported General Fund Balances amounting to £10.498M.

- 2.2 Given the continuing financial pressures the Council is working under, it remains my view, that the Council should hold a minimum of £10M as General Fund Balances, (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward.
- 2.3 Members will be aware that in addition to General Fund Reserves, the Council also holds a number of earmarked reserves that are kept under continuous review and are assessed each year by the Wales Audit Office. Members will be aware that included in these Reserves is a Medium Term Financial Planning and Service Transformation Reserve that has successfully supported transitional funding as part of the Council's Medium Term Service Planning arrangements. It has achieved this through helping to smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. The starting point for the Medium Term Financial Planning and Service Transformation Reserve as at the 31<sup>st</sup> March 2019 is £3.303M. As part of our ongoing strategy, we have continued to identify and deliver savings in-year which means we have been able to increase the level of transitional funding available and the latest position is that this reserve has now increased to £4.363M (additional in year savings to date of £0.606M plus the reinstatement of resources (£0.454M) following confirmation of government funding in respect of the firefighters pension cost increases by South Wales Fire and Rescue Authority).
- 2.4 The Wales Audit Office continues to emphasise that we must remain disciplined, if we are to maintain our long-term goal of driving forward continuous improvement of key services, though this becomes increasingly harder to achieve following a period of such severe financial pressures.
- 2.5 I believe the Wales Audit Office assessment is an accurate one and it is clear that Members continue to take their fiduciary duty extremely seriously as evidenced by the positive reports received from the regulators and the track record of budgetary control across services. The challenge, therefore, is to construct a prudent, equitable and fair revenue budget for the financial year ending the 31<sup>st</sup> March 2021. This must involve an approach which publicly demonstrates sound financial stewardship; which does not take unnecessary risks; which maximises income generation; continues to deliver year on year efficiency savings and which delivers the services that are needed and we can afford, as well as protecting as many jobs as possible.

### **3.0 THE 2020/2021 LOCAL GOVERNMENT SETTLEMENT**

- 3.1 The timing of the Local Government Settlement for 2020/21 has been extremely uncertain throughout the Autumn period as a consequence of the originally planned Comprehensive Spending Review, Brexit and latterly, the General Election.
- 3.2 On the 16<sup>th</sup> December 2019, the Minister for Housing and Local Government (Julie James AM) announced the Provisional 2020/2021 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 3.
- 3.3 The "headlines" of the 2020/2021 Provisional Settlement are as follows:-

- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2020/2021 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 4.3% (+£184M).
- b. The settlement for Rhondda Cynon Taf, amounts to an increase of **4.5%** which is above the average of 4.3%. Settlement figures across Wales range from 3.0% to 5.4%.
- c. No 'floor' protection has been included for 2020/21.
- d. The Settlement figures for 2020/21 include transfers into the settlement in respect of NHS Funded Nursing Care (£1.9M), the Teachers Pay Grant (£12.0M) and the Teachers Pensions Grant (£39.1M). There is also a transfer in respect of the Coastal Risk Management Programme (not applicable to this Council). The values for this Council are £0.146M, £0.990M and £3.222M respectively. Whilst the part year (2019/20) implications of the Teachers Pay Grant and Teachers Pension Grant transfer into the settlement, the additional full year implications are to be funded from within the settlement increase.
- e. There is no indication of settlement levels beyond 2020/21.
- f. Provisional figures and indicative estimates are included for specific grants, at an all Wales level. Of particular note, would be the continuation and increase (from £30M to £40M) in the Social Care Workforce and Sustainability Pressures Grant. This funds our core base budget.
- g. The Council's General Capital Funding allocation has increased by £0.236M to £13.677M.

#### **4.0 IMPLICATIONS OF THE 2020/2021 PROVISIONAL SETTLEMENT**

- 4.1 The provisional settlement indicates that our 2020/2021 RSG and NDR funding will total £388.666M.
- 4.2 In anticipation of the 2020/2021 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-
  - Estimated employee costs, pension costs and National Insurance Contribution levels;
  - Non-pay (i.e. goods and services) inflation, including energy and fuel;
  - Corporate financing requirements and levies; and
  - Full year effects of any additional burdens imposed on the Council.
- 4.3 The Provisional Settlement is better than modelled in the most recent Medium Term Financial Plan and recognises some of the intense funding pressures which are being experienced across local government in general but also within Rhondda Cynon Taf.
- 4.4 Members have continued to receive updates on the projections of the Council's revenue budget position for the period to 2022/23, as part of our Medium Term

Financial Planning (MTPF) arrangements. The latest of these assessments was considered by Council on the 31<sup>st</sup> July 2019 where, based on the financial projections at that time, a starting point budget gap of £15.591M was projected which increased to £24.307M in the absence of One Off Funding provided during 2019/20 continuing and without costs associated with the Teachers Pension Fund increases being funded.

- 4.5 The continuation of funding for one off and teachers pension costs has now been clarified through the provisional settlement and so we can now update our modelling with greater certainty in this regard. The provisional settlement also includes an increase to the Social Care Workforce and Sustainability Pressures Grant. The impact of this funding confirmation is shown in table 1 below.

Table 1 : Confirmation of One-Off Funding

	<b>£'000</b>
<b>Budget Gap at MTPF (July 2019)</b>	<b>24,307</b>
One off Funding transferred into base at Provisional Settlement	- 4,212
Continuation and Increase in Social Services Grant	- 3,400
<b>Revised Budget Gap</b>	<b>16,695</b>

- 4.6 We have also during the last few months continued to refresh our base budget requirements for 2020/21. Inescapable budget pressures have now been updated and include additional costs in respect of :
- specialist accommodation requirements within social care settings (£1.8M)
  - demographic demand led pressures in social care (£1.5M)
  - provision of recycling bags - dry and food waste (£0.2M)
  - running costs of the Ron Jones Athletics Stadium (£0.15M)
  - Free School Meals (£0.3M)
  - Home Tuition (£0.1M)
- 4.7 Inflation and Pay pressures include providing adequate provision for teaching and non-teaching pay awards, updated costs for the funding of voluntary retirements and additional workforce costs in respect of all our services including Social Care. These additional costs have been offset by a reduction in pension costs associated with the Local Government Pension Scheme.
- 4.8 Members will also recall the decision which was made in December 2015 to terminate the Council's PFI scheme at Garth Olwg. The arrangement formally ended in January 2017, but there have been legal issues to conclude since that point. On the 21<sup>st</sup> November 2019, the legal process was finally concluded and the financial implications of this can now be factored into the Council's ongoing revenue budget requirement. This amounts to an ongoing revenue base budget saving of £2.527M.
- 4.9 Other updates include an increase to our estimated Capital Charges and a required on-going cost associated with our digital programme which will facilitate future release of efficiencies through greater productivity, agile working and reductions in our office accommodation requirements.
- 4.10 These updates are summarised in table 2 below.

Table 2 : Base Budget Updates

<b>Base Budget Updates</b>	<b>£'000</b>
Inescapable Budget Pressures	4,060
Inflation and Pay	2,030
Capital Charges	750
Digital Programme	1,000
PFI Reduction	- 2,527
<b>Total Base Budget Updates</b>	<b>5,313</b>

- 4.11 As already referenced, the provisional settlement provides clarity on the funding available to schools and alongside their resource requirement. This has now been updated to reflect the school budget requirement.
- 4.12 As referenced at section 3, the provisional settlement provides this Council with an uplift of 4.5%. This compares with the MTFP assumption, based on planning information available at that time, of a 0% uplift. The impact of our updated tax base can also now be reflected.
- 4.13 The combined effects of the above updates is shown in table 3 below.

Table 3 : Revised Budget Gap at Provisional Settlement

	<b>£'000</b>
<b>Revised Budget Gap</b>	<b>16,695</b>
Base Updates	5,313
Additional Resource for Schools	4,036
Provisional Settlement - Additional Resources to MTFP Assumptions	- 17,342
<b>Revised Budget Gap</b>	<b>8,702</b>

- 4.14 In order to close the remaining budget gap, savings proposals were set out in the July MTFP (relating to the Materials Recycling Facility, Day Centres, Office Accommodation and Home Care Charges) amounting to £1.199M.
- 4.15 In addition, an efficiency target was set at £6M and since this point, services have been working to identify proposals to deliver to this target without impacting on front line services. It is confirmed that this target has now been met and can therefore be included in the Council's base budget requirement for next year.
- 4.16 On the 10<sup>th</sup> December 2019, the Llwydcoed Crematorium Joint Committee considered and agreed a report which proposed an annual redistribution from the accounts of the Joint Committee to Rhondda Cynon Taf and Merthyr Councils. For this Council an amount of £0.182M can be factored into our ongoing budget requirement.
- 4.17 The impact of these now agreed budget reduction measures is shown in table 4 below.

Table 4 : Confirmed Savings and Remaining Budget Gap

	£'000
<b>Revised Budget Gap</b>	<b>8,702</b>
Savings Already Identified (per MTFP)	- 1,199
Efficiency Target	- 6,000
Llwydcoed Crematorium	- 182
<b>Remaining Budget Gap</b>	<b>1,321</b>

4.18 This reflects the position which was reported to Council on the 15<sup>th</sup> January 2020 and it is against this backdrop that we must consider our budget strategy for 2020/21.

## **5.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2020/2021**

5.1 Notwithstanding the more positive settlement from WG for 2020/21, it does follow a sustained period of real term reductions to our funding levels and it is against this context that we need to develop a balanced budget for next year. There remain significant pressures upon many of our services together with a limited ability to increase Council Tax income, and a low tax base. Within these parameters, we will therefore need to take appropriate decisions to ensure that next year's budget is equitable for all, does not compromise our financial stability and protects and develops our key services.

5.2 I touched upon the Council's overall financial position in Section 2 of the report. In my view, it is vital that we continue with the strategy we have adopted to date that takes account of the importance of sound financial management, including the level of General Fund balances and appropriate use of the "Medium Term Financial Planning and Service Transformation Reserve" as transitional funding, whilst targeting any available resources toward our high priority, customer-focused public services.

5.3 Every year, there are certain corporate financial provisions that must be "top sliced" locally, before service budgets can be allocated. Next year will be no different. There will be a requirement for:

- a) A provision to meet levies from External Bodies;
- b) A provision for Capital Charges;
- c) A provision for all other "Miscellaneous Finance" items (Audit Fees, Insurance Costs, Bank Charges, etc.) which are non-specific to any particular Service Group; and
- d) Resources to fund the Council Tax Reduction Scheme.

5.4 As part of our updated budget requirement, appropriate sums have been set aside for these corporate financial requirements.

## **6.0 COUNCIL TAX LEVELS**

6.1 This Council has always acted reasonably when setting its Council Tax, balancing the impact upon services and the ability of the public to pay, recognising that those eligible will receive support through the Welsh Government's Council Tax Reduction Scheme (CTRS). The original modelled

proposal was to increase Council Tax in 2020/21 by 3.00%. This was consistent with the level which we have used in our modelling for some time and is a lower level of increase than we have implemented over recent years. It is now proposed that Council Tax be increased by **2.85%** for next year. This will increase the remaining budget gap by £0.132M.

- 6.2 Members will be aware that the costs of the CTRS impacts on the net income generated through any increase in Council Tax. A 1% increase in Council Tax will generate an additional income for the Council of £1.126M (at the 2020/21 tax base level), but will also cost £0.243M in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £0.883M, or stated another way, 22% of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

## **7.0 SCHOOLS BUDGET (ISB)**

- 7.1 Members have always viewed our schools as being a key priority and have ensured that they have been treated favourably in comparison with other council services.
- 7.2 As part of the initial budget modelling assumptions (July 2019) a £1.5M cash uplift for schools had been built into the Medium Term Financial Plan.
- 7.3 Following the clarity provided through the provisional settlement with regard to funding for Teachers Pension Costs and Teachers Pay award (2019) costs, these amounts have now been passed on, fully, to our schools. In addition, funding is also provided to cover, in full, pay and non-pay inflation and pressures, including the baselining of one-off and passported funding (£2.5M) which was provided for the 2019/20 budget. Schools are therefore fully funded for 2020/21.
- 7.4 In overall terms, the proposal sees the Schools Budget (ISB) increase from £148.9M to £161.6M, an increase of £12.7M, or 8.5%.

## **8.0 BUDGET STRATEGY PROPOSALS**

- 8.1 This Council has taken a proactive approach to dealing with the continued real term reductions in resources it has received in recent years and has continued to deliver saving proposals early with a clear focus maintained across the medium term planning horizon. The Council has continued to deliver robust, balanced budgets and taken the opportunity to use our Medium Term Financial Planning and Service Transformation Reserve, as transition funding, to sensibly support the overall budget strategy. This approach is one which I would recommend is continued.
- 8.2 The Cabinet have always been focussed on protecting our front line services and have taken any opportunities to prioritise or reallocate resources to areas of priority.
- 8.3 For 2020/21, the following proposals are set out for Cabinet's consideration.

### **a. NDR Local Relief Scheme**

Cabinet have already initiated a consultation on a proposal to introduce a local discretionary relief scheme for Non Domestic Rates (NDR). The

consultation closes on the 24<sup>th</sup> January and Cabinet will subsequently determine how they wish to progress. As referenced in the Cabinet report, resources have already been set aside in the Medium Term Financial Plan to provide further support to our town centres and businesses so there is no further financial impact on our base budget.

**b. Youth Engagement / Youth Offending**

The Council recognises the ongoing need to work proactively across our services, with our schools and partners to ensure the effectiveness of our youth engagement activities both within and outside of a school environment and to ensure that there are opportunities for young people across the County Borough to reach their full potential and overcome barriers to learning and progression. Our current core spend on Youth Engagement amounts to £1.9M and it is proposed that an additional revenue investment of £250k is made in this area, representing a budget increase of over 13%.

**c. Paddling Pools**

Following a number of voluntary groups being able to open paddling pools during last summer, the Council will now work wider with community groups and put in place a package of bespoke support that will enable further paddling pools to open throughout the summer holiday period going forward (subject to the preparedness of community groups). £50k is proposed to be included within the budget strategy for this purpose.

**d. Prudential Borrowing for Investment in our Infrastructure**

Following the investment of over £95M being made in our infrastructure and corporate priorities since 2015, it is proposed to set aside £500k of our revenue resource to enable, through the use of prudential borrowing powers, £7.5M of capital resource to be further invested in our priority investment areas. This will include strategic highways developments, parks and green spaces and continued investment in extra care facilities. Full details of this spend will be set out in the forthcoming updated capital programme.

**e. Supporting the Muni Arts Centre**

The Council has been working with Awen Cultural Trust to secure a sustainable future for the Muni Arts Centre alongside an ambitious longer term plan to substantially refurbish the Centre. Whilst these longer term plans are being developed along with a potential funding package, it is confirmed that the initial plan is to reopen the venue during the summer of 2020 (following initial maintenance works). In order to support the reopening, whilst the longer term vision is being developed, there is a need for a revenue contribution to be made amounting to £140k per annum. The revenue support will be ring-fenced and the part year revenue budget requirement is £105k.

**f. Fees and Charges**

A final report on the proposed level of Fees & Charges for 2020/21 will be presented to Cabinet on the 20<sup>th</sup> February 2020. Following the initial (Phase



1) consultation exercise undertaken during late November and December, the Cabinet's draft proposals with regard to fees and charges would see a standard increase of 1.5% (CPI), with a number of specific exceptions :

<b>Area of Charge</b>	<b>Proposed Exception</b>
Leisure for Life	Freeze
Car Park Charges	Freeze
Summer and Winter Playing Fees (sports clubs)	Freeze
Meals on Wheels / Day Centre Meals	10p per meal
School Meals	5p per meal
Lido	50p Adult Swim

The impact of these draft proposals would cost £6k.

**g. Home to School Transport Re-tender Savings**

Following a number of successful retendering exercises over recent years, delivering reduced costs of our provision, a review of the Home to School Transport budget has now concluded that £810k can be released from the base budget requirement.

**h. Council Tax Reduction Scheme (CTRS)**

Members will be aware through the quarterly performance reports this year that the costs associated with the CTRS have been consistently below budget. As at Quarter 2 (reported 21<sup>st</sup> November 2019), the projected underspend in this area was £0.352M. Further work on caseloads and demand has now been concluded and the proposal is to reduce the base budget in 2020/21 by £0.350M. It should be noted that whilst this takes the budget to £24.680M, this is still in excess of the Welsh Government funding for this area which for 2020/21 totals £21.564M.

**i. Supported Accommodation Strategy and Savings**

In addition to the Council's ongoing investment in developing extra care facilities, Cabinet have also agreed to capital investment in developing supported accommodation at Penllew Court and Crown Avenue. These facilities are now nearing completion and will be available for occupancy during 2020/21. The revenue savings (part year) which we can now build into our base budget for 2020/21 is £400k.

8.4 The implications of the above strategy proposals, including the proposed reduction in the level of Council Tax increase, on the remaining budget gap position is shown in the table 5 below.

Table 5 : Budget Strategy Proposals 2020/21

	£'000	£'000
<b>Remaining Budget Gap</b>		1,321
NDR Local Relief Scheme	-	
Additional Resources to Support Youth Engagement	250	
Paddling Pools	50	
Prudential Borrowing - Investment (£7.5M)	500	
Muni Arts Centre - Revenue Support	105	
Council Tax at 2.85%	132	
Fees and Charges	6	
Home to School Re-tender Savings	- 810	
CTRS	- 350	
Supported Accommodation Savings	- 400	- 517
<b>Remaining Budget Gap</b>		<b>804</b>

8.5 *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – We have for many years used our transition funding reserve sensibly as part of our balanced budget strategy, at a level which does not compromise the robustness of our budget and which can be replenished with some certainty, given our ongoing strategy of delivering savings early.

8.6 As previously referenced the reserve currently stands at £4.363M, having been replenished during this year (2019/20) by £1.060M to quarter 2. Accordingly, to address the remaining budget gap, it is proposed that an allocation of £0.804M is made from this reserve for 2020/21. This would facilitate a balanced budget for 2020/21 and would leave £3.559M in the reserve (subject to the year-end assessment of reserves). I am confident that processes are now sufficiently well embedded to ensure that savings are achieved in-year and that this reserve can continue to be replenished.

	£'000
<b>Remaining Budget Gap</b>	<b>804</b>
Use of Transition Funding	- 804
<b>Remaining Budget Gap</b>	<b>-</b>

8.7 The above provides a robust and balanced budget strategy which can be recommended to Cabinet and Council.

## **9.0 MEDIUM TERM FINANCIAL PLANNING**

9.1 Whilst the focus for this report is necessarily on 2020/21, the pressures on our services and the absence of any firm indications of future settlement levels means that our Medium Term Financial and Service Planning arrangements remain key to ensuring that financial stability is maintained as the cornerstone of our overall financial health as a Council.

9.2 Medium Term Service Planning remains extremely challenging in the absence of any indication or certainty of ongoing funding levels and it will be critical that

we maintain our flexibility to respond accordingly to annual settlement levels within the context of our own medium term planning arrangements.

- 9.3 The delivery of efficiency savings early and as part of our medium term planning has placed us extremely well in our ability to respond to funding challenges and uncertainties and continues to contribute to the delivery of a lean, efficient and effective organisation.
- 9.4 The future quantum of such savings however must be considered and reflected upon in light of what has been delivered to date (£95M over the last 10 years) and what can reasonably continue to be delivered without impacting on our front line services and having an unintended consequence elsewhere.

## **10.0 SERVICE PRIORITIES**

- 10.1 Even within a period of significantly reducing resources and hence financial pressure on all services, this Council remains committed as far as it possibly can to continue to deliver its key services, stronger communities and social justice. The Council's Corporate Plan 2016-2020 sets out that our key purpose is to provide a County Borough that has high aspirations, is confident and promotes opportunity for all.
- 10.2 Our future and ongoing aspirations are also set out in the new draft Corporate Plan "Making a Difference" 2020-2024 which is currently being consulted upon.
- 10.3 The Senior Leadership Team have had due regard to the new draft plan in formulating the proposals set out in this report.
- 10.4 In addition to our revenue base budget requirements, opportunities also continue to be taken to deliver investment in key strategic areas through one off funding made available via a risk based review of earmarked reserves and through identification of in-year savings opportunities. The Council has already invested over £95M (over and above the normal Capital Programme) in areas supporting key Corporate Plan priorities since October 2015, the latest investment (£5.8M) being agreed by Council in October 2019.
- 10.5 A report setting out the updated capital programme for 2020/21 to 2022/23 will be reported for Members consideration shortly.

## **11.0 2020/2021 SERVICE GROUP BUDGETS**

- 11.1 The Council adopts a comprehensive budget challenge process involving finance officers and senior managers from each Service area, with a subsequent detailed review and assessment being conducted by the Senior Leadership Team, to ensure consistency and fairness across all service areas.
- 11.2 The 2019/2020 revenue budget and the regular performance monitoring reports are available to the Cabinet, to act as a benchmark to evaluate service delivery options, priorities and savings proposals. It is, of course, important to note that the current year's figures are for information purposes only and are not meant to represent a base service requirement, or target. Indeed, budget provision for next year could be more, or less, than the 2019/2020 levels, depending upon Members' decisions and spending priorities, and following the impact of the 2020/2021 local government settlement.

- 11.3 All of our services have recently completed their annual self-assessment exercise to support the preparation of delivery plans that will set out key actions for improvement and how progress will be measured. Funding will be a key consideration for these plans and the Senior Leadership Team's budget proposals are intended to underpin these improvements. This will allow the budget to be built "bottom up", on the basis of properly identified service need, within the framework provided by the Cwm Taf Wellbeing Plan and our own Corporate Plan.
- 11.4 Members will, of course, be keen to demonstrate that the Council is properly discharging all its statutory obligations, but with funding at a premium, will also wish to ensure that our services are being delivered in the most economic, efficient and effective manner. The basic principle which should, therefore, underpin the construction of the 2020/2021 budget, is that Members will look to target adequate funding towards the delivery of our key services whilst, at the same time, ensuring that the resultant Council Tax levied next year is reasonable and can be justified to our residents. Attached at Appendix 4 is an outline budget proposal, including efficiency and service funding requirements. This is based on a Council Tax increase of 2.85%.

## **12.0 THE 2020/2021 GENERAL BUDGET STRATEGY CONSULTATION PROCESS**

- 12.1 As in previous years, the Council has been keen to consult with the public and other interested stakeholders on its general budget strategy and how services are delivered.
- 12.2 The proposed approach to budget consultation for 2020/21 is set out in the Cabinet report dated 17<sup>th</sup> October 2019 and in the delegated decision of the Service Director for Democratic Services and Communication dated 14<sup>th</sup> November 2019. It comprises 2 phases as follows :
- Phase 1** - provided residents and stakeholders with the opportunity to feedback their views on some of the key strategic building blocks used to construct the Council's budget.
- Phase 2** - once Cabinet have agreed a draft budget strategy, and in light of the provisional local government settlement, then this draft strategy will itself be consulted upon as part of Phase 2.
- 12.3 The Phase 1 Consultation report has been available to support the preparation of these proposals, and is attached at Appendix 5.
- 12.4 The general budget consultation also incorporated the requirements to consult on discretions available locally for the Council Tax Reduction Scheme (which has been used to inform the Council's decision on its scheme for 2020/2021 as considered by Council on the 15<sup>th</sup> January 2020).
- 12.5 In addition, specific consultation activity was undertaken with the Finance & Performance Scrutiny Committee the minutes of which are attached at Appendix 6.

## **13.0 CONCLUSIONS**

- 13.1 On the 16<sup>th</sup> December 2019, the Minister for Housing and Local Government (Julie James AM) announced the Provisional 2020/2021 Local Government Settlement which showed this Council's increase in resources was set at 4.5%.
- 13.2 Whilst the Council's overall financial position remains sound, its level of General Fund Balances are not excessive. The Council must, therefore, retain its focus on holding a minimum level of General Fund Balances of £10M, in order to mitigate any risk of future budget instability. Alongside this, there is the opportunity to pragmatically use the Medium Term Financial Planning and Service Transformation Reserve as transitional funding without compromising the Council's financial stability, or reducing our General Fund Balances below £10M. As detailed in the report, the use of such transitional funding would produce a balanced budget for 2020/2021.
- 13.3 This Council has continued to deliver year on year robust and balanced budgets alongside an investment programme supporting key priorities. The challenge remains however, for positive and proactive management from the Senior Leadership Team and clear direction from Cabinet to produce a financially sustainable budget into the medium term in what continues to be an extremely challenging and uncertain financial climate.

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