

Name of Committee:	Cabinet
Date of Meeting:	15/07/2019
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Budget Strategy 2020/21
Purpose of Report:	To submit the Budget Strategy 2020/21, including the proposed Budget Process and Timetable for approval.
Report Owner:	Report of the Leader
Responsible Officer:	Carys Lord Head of Finance/ Section 151 officer
Elected Member and Officer Consultation:	This report does not require Ward Member consultation
Policy Framework:	This report is a matter for Executive decision by the Cabinet. However, Council must approve the final 2020/21 budget proposals.
<p>Executive Summary:</p> <ul style="list-style-type: none"> The Budget Strategy outlines the process and timetable for setting the 2020/21 budget. 	

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1. Recommendation

- 1.1 That Cabinet approves the Budget Strategy for 2020/21, including the requirement for Directors to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance.
- 1.2 That Directors be requested to continue to progress the Reshaping Services Programme.
- 1.3 That Cabinet approves the following timetable for the 2020/21 Budget Process, subject to any amendments being required to meet the statutory deadline, as a result of changes in the timing of Welsh Government settlement announcements.

Timetable for the 2020/21 Budget Process	To be completed no later than
Cabinet consider the initial budget proposals	18th November 2019
Lead Scrutiny Committee responds to consultation and makes recommendations on budget proposals	19th December 2019
Cabinet makes its final proposals on the budget	3rd February 2020
Meeting of Council to consider budget and council tax resolution	24th February 2020

2. Reasons for Recommendations

- 2.1 To enable the 2020/21 budget process to be commenced.

3. Background

- 3.1 To enable the budget process to commence, on an annual basis Cabinet is required to approve the Budget Strategy for the coming financial year.

4. Key Issues for Consideration

- 4.1** As part of the final settlement figures for 2019/20, Welsh Government (WG) did not provide any indication of what the settlement would be for 2020/21. The Final Revenue Budget Proposals for 2019/20 modelled a 1% reduction for both 2020/21 and 2021/22. This level of reduction was believed to be prudent as there had been no indication from WG that there would be a positive settlement for local authorities in future years. Subsequently, WG have advised that future settlements will remain challenging. There also remains uncertainty surrounding Britain's exit from the European Union. This uncertainty does not provide any basis for sound forward planning.
- 4.2** The establishment of the National Living Wage introduced from April 2016 continues to have a significant impact upon the Council, with further increases proposed over the coming years. In addition, the consequence of further welfare reform changes could have a knock on effect for councils in terms of higher arrears, increased homelessness and greater demand for social services and other intervention. There is significant pressure on the Council's Childrens Services budget and the Waste Management Services budget.
- 4.3** As part of the Final Revenue Budget Proposals for 2019/20, the total level of savings projected for 2020/21 and 2021/22, excluding Schools, could be between £10.452m and £14.742m dependent on whether Council Tax is increased by 2.1% (being CPI in December 2018) or 4.9% (being the proposed level of increase for 2019/20). This level of saving will, however, need to be reviewed as part of the next MTFP, which will be presented to Cabinet in September 2019. With the required savings levels being at such a level, it was acknowledged that savings from efficiencies alone are not sufficient and substantial savings would need to be found through the fundamental reshaping of Council services.
- 4.4** Taking into consideration the above financial situation, the Budget Strategy for 2020/21 proposes that in order to establish a baseline, services should prepare initial revenue budgets based on the cost of providing the current level of service and approved policy decisions and including the existing savings targets. This means the cost of price increases and any allowable pay awards should be included as advised by the Head of Finance.
- 4.5** Increases to budgets approved during the course of a financial year can restrict the freedom the Council has to allocate its resources to priorities during the following budget cycle when it is aware of all the competing demands. Consequently :
- Supplementary estimates will only increase the base budget if Council has given specific approval to this effect. Increases met by virement within a year will not be treated as committed growth;

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- Directors should find the cost of increments and staff changes from their base budget unless the relevant specific approval has been given for additional funding;
- The effect of replacing grant from outside bodies that has discontinued will not be treated as committed growth. In addition, before any project or initiative that is to be met either wholly or partly by way of grant may proceed, the exit strategy must be approved;
- Certain items of unavoidable committed growth will continue and these include the effect of interest changes and the financing cost of the capital programme, increases in taxes, increases in levies and precepts charged by outside bodies and changes to housing benefits net expenditure;
- Services will be expected to achieve savings already approved by Cabinet as part of the 2019/20 final budget proposals and Directors are asked to continue work on achieving their Reshaping Services savings targets; and
- It is envisaged that the costs of service development will need to be met from within the respective directorates.

4.6 Having regard to the above, it is therefore proposed in respect of the 2020/21 Budget Process that Directors be instructed to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance. Preparation should be on the following basis :

- Capital charges, central accommodation costs and central support costs to be estimated centrally;
- Services to prepare baseline budgets on current service levels as set out in the 2019/20 Final Revenue Budget report;
- Budgets to be broken down subjectively and objectively in as much detail as deemed appropriate by the Head of Finance;
- Budget reports to include adjustments to the 2019/20 estimates where appropriate;
- Full account to be taken of the revenue costs, other than debt charges of new capital schemes coming into use;
- Minimum savings targets to be met initially as detailed in the 2019/20 Final Revenue Budget report;
- Directors will continue to draw up Service Plans that set out the aims and objectives for the service and any possible future developments and efficiencies;
- As part of the Capital Strategy for 2019/20 to 2023/24, a 5-year programme was set for the Council. This will, however, have to be reviewed and formal bids must be made for all capital schemes, irrespective of whether they may be present in the current Capital Programme. It will be the responsibility of each Director to co-ordinate capital bids for their services and to ensure that, in view of the limited resources that will be available, only the highest priority bids are submitted in the approved format in accordance with the Council's

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approved project management methodology (including business plans where applicable). To this end the principles of the Well-being of Future Generations Act, including sustainable development and better carbon management will be incorporated and evaluated; and

- As stated previously, it is expected that the revenue costs of service development will need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids are initially to be made. However, services may still be asked to identify and prioritise any burgeoning revenue cost pressures for consideration.

4.7 The proposed timetable for the 2020/21 Budget is for Cabinet to make its initial revenue and capital budget proposals in November 2019. The capital bids considered and prioritised will include those recommended by the Insight Board. Each Scrutiny Committee will be consulted and will receive the relevant initial proposals of the Cabinet in December 2019.

- Scrutiny Committees will be asked to make recommendations on the proposals. Corporate Performance and Resources Scrutiny Committee will act as the lead scrutiny committee in this respect;
- The budget will then be considered by the Budget Working Group, which will submit its recommendations to Cabinet by February 2020 Cabinet will formulate its final proposals and submit them to a meeting of Full Council to be held in February 2020, having first taken any response from the lead Scrutiny Committee into account. At this stage, it is not anticipated that WG will change announcement dates from the normal timeframes, however, it may be necessary for Scrutiny Committees, Cabinet and Council to hold special meetings in order to ensure that the budget may be approved within the statutory deadline; and
- Membership of the Budget Working Group will consist of the Leader, Deputy Leader, Managing Director and Head of Finance.

5. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

5.1 The budget process will need to ensure that it demonstrates the Council's commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need. Even with reductions in funding,

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where practical, the Council will strive to maintain services which contribute to this agenda.

- 5.2 The budget setting process will reflect the 5 ways of working approach undertaken by the Council.
- 5.3 **Looking to the long term** - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- 5.4 **Taking an integrated approach** - The budget proposals highlight and encourages ways of working with partners.
- 5.5 **Involving the population in decisions** – As part of the budget proposal process there will be engagement with residents, customers and partners.
- 5.6 **Working in a collaborative way** – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
- 5.7 **Understanding the root cause of issues and preventing them** – The budget process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

6. Resources and Legal Considerations

Financial

- 6.1 There is still considerable uncertainty surrounding the predictions of expected resources and anticipated reductions in public sector funding. Every 1% reduction in Aggregate External Finance (the funding received from WG through Revenue Support grant and the Non Domestic Rates Pool) reduces funding by approximately £1.5m for the Vale of Glamorgan Council. This clearly has major implications for the Council.
- 6.2 It will be important to ensure that appropriate consultation takes place with the Trade Unions in relation to the staffing implications of the budget process. The level of consultation will increase over the coming months.

Legal (Including Equalities)

- 6.3 The Council is required under statute to fix the level of council tax for 2020/21 by 11th March 2020 and in order to do so will have to agree a balanced budget by the same date.

7. Background Papers

Final Proposals for the Revenue budget 2019/20 - Council 8th March 2019