

Report

Cabinet



Part 1

Date: 13 February 2019

Item No: 7

Subject 2019/20 Budget and Medium Term Financial Projections

Purpose To present the consultation results and final proposals for the 2019/20 budget; and ask Cabinet to recommend a final budget and council tax level to full Council on 26 February 2019.

Author Head of Finance

Ward General

Summary Local Government continues to be under significant financial pressure. This comes from increasing demand for essential services and lower funding. As a growing city, Newport has to deal with pressures coming out of new developments and the increasing demand and costs that come with that.

Within this context, Newport has continued to manage its finances well, has good financial resilience and performance, although relatively poorly funded due to its low council tax level.

It has a new Corporate Plan and the medium term financial projections include the delivery of an ambitious plan and aspirations within that.

Further funding from Welsh Government was highlighted to Cabinet in its December meeting when the draft budget was agreed. This report confirms funding allocations and sets out the current position on the budget for 2019/20 enabling Cabinet to make final decisions, including recommending a council tax level to Council.

The draft proposals for 2019/20, agreed in the December Cabinet meeting have been subject to detailed consultation which is outlined in the report.

The final proposals for the 2019/20 budget are explained and detailed in this report and its appendices.

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Appendix:

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Proposal Cabinet is asked:

Medium term financial projections (section 6)

1. To note the formal consultation meetings on the budget as outlined in section 3 and the feedback received, shown in appendices 1 to 4
2. To note the equalities impact assessment summary on the budget proposals, shown in appendix 10
3. To agree the implementation of the full four-year change/ savings programme, including all budget investments and saving options (appendices 6 - 7), as summarised within the medium term financial projections (appendix 8), noting they are subject to on-going review and updating
4. To agree the 2019/20 fees and charges of the council shown in appendix 12

Overall revenue budget and resulting council tax 19/20 (section 7 and 9)

5. To note the Head of Finance's recommendations that minimum General Fund balances be maintained at £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, and the adequacy of the general reserves in the context of other earmarked reserves and a revenue budget contingency of c£1.5million
6. To note the current level of council tax for Newport City Council and the monetary value of various percentage increase and how this compares to levels of council tax at other councils as shown in table 7

7. To review changes to the draft budget proposals shown in appendix 9, and which are included in the list of budget investments and savings in appendices 6 and 7
8. To recommend an overall net budget for the City Council and resulting council tax to the Council, noting that a formal resolution including the Police and Crime Commissioner for Gwent and Community Councils' precepts will be presented to Council on the 26 February
9. To approve expenditure and use of the Invest to Save reserve in line with summary shown in appendix 11b, noting they are based on detailed business cases reviewed by Cabinet in their December 2018 meeting

Action by Head of Finance - finalise council tax calculations for Council's February meeting and subsequent billing

Timetable Immediate

This report was prepared after consultation with:

- Chief Executive
- Strategic Directors
- Head of Law and Regulation
- Head of People and Business Change

Signed

1 Background

- 1.1 Our Corporate Plan for 2017 – 2022 – “Building on Success: Building a Better Newport” sets out the key priorities which underpin the budget proposals outlined in this report.
- 1.2 The Council has a clear mission statement – “Improving People’s Lives”, which is aligned to the aspirations set out in the Well Being of Future Generations Act. The plan outlines how we will put this mission into practise, through the well- being objectives which have been adopted:
- Improve skills, educational outcomes and employment opportunities
 - Promote economic growth and regeneration whilst protecting the environment
 - Enable people to be healthy, independent and resilient
 - Build cohesive and sustainable communities
- 1.3 Every day this mission is executed through around 800 discrete activities in various service delivery methods, ranging from services the council delivers to services delivered in partnerships with a number of other organisations.
- 1.4 In organisational terms we have distilled these activities into four themes:
1. Resilient Communities
 2. Thriving City
 3. Aspirational People
 4. Modernised Council
- 1.5 Local Government continues to be under significant financial pressure and the proposed budget needs to be seen in this context. The table below sets out the overall projected expenditure for 2019/20 compared to the original budget set for 2018/19.

Table 1: 2019/20 proposed budget

	2019/20 £'000
Original budget 2018/19:	274,596
Cost Pressures (inc reserve tfr and Ctax reduction scheme)	14,562
Investments	411
Savings	(6,958)
Specific grants	(2,030)
Proposed budget 2019/20	280,581

These are indicative budgets for 2019/20. Final Cash limits will be agreed during February Council.

2 Financial summary

- 2.1 Financial pressures and demands on our services were explained when agreeing the draft budget in December Cabinet. These cost pressures include:
- Pay and inflationary cost increases
 - Significant increases in demand led services – children’s social care, adult’s social care and special educational needs
 - Cost of new schools

- 2.2 These cost pressures were further exacerbated when the draft settlement received from Welsh Government (WG) confirmed that there would be a minimal increase in the level of funding that would be received for 2019/20. This was a significant issue for Newport given that over 75% of the Councils net revenue budget is from WG in the form of the Revenue Settlement Grant (RSG). At that stage, further updates were required in respect of:
- Potential pressures requiring funding given that demand for services continue on an upward trajectory
 - Additional funding signalled by WG for the final settlement and other, new, specific grants
- 2.3 The budget process has continued since Cabinet agreed the detailed budget proposals for consultation in December 2018. Since that time the funding position for 2019/20 has improved by £1.2m as a result the better final settlement and the increased tax base, giving rise to an increase in council tax income. A full reconciliation of movements since December Cabinet can be found in appendix 9.
- 2.4 Whilst the position for 2019/20 has eased slightly the medium term outlook is still very uncertain which makes planning for the future extremely challenging.

3 Budget consultation

- 3.1 The budget proposals agreed by Cabinet in December have been consulted on through a range of stakeholder groups and formats which are as follows:
- With Trade Unions via the Employee Partnership Forum on 10 January 2019 (minutes included within appendix 1)
 - With all Scrutiny Committees in their January 2019 meetings where Members discussed the detailed change/ saving proposals plus the MTFP. Their reports and conclusions are included in appendix 2
 - With the Schools' Forum on 23 January 2019. Responses are included in appendix 3
 - With the public from 13 December 2018 to 30 January 2019. An analysis of responses is included at appendix 4
 - Newport Fairness Commission has reviewed the proposals in terms of their parameters of fairness – their response is included in appendix 4a.
- 3.2 In summary, there was a general acknowledgement of the financial pressures facing the Council. Whilst comments were made on a range of budget proposals, the main focus of comments are set out within appendix 4.

Public Consultation

- 3.3 During the 2019/20 formal budget consultation stage people were engaged, which is a 21% increase on the previous year (416 responses). This is thought to be as a result of innovative use of technology through bus Wi-Fi surveys and an improved collaborative approach to consultation which was developed during consultation on the wellbeing assessment, which itself received over 5,000 responses.
- 3.4 During the budget consultation we have carried out a number of awareness exercises with the public, which included:

- A pre-budget public survey to identify the services that matter most to people, as a means of informing medium term budget planning. This survey will recommence in March and will form part of an approach to make engagement on the budget and service planning a yearly process
 - Carrying out an online survey via the public Wi-Fi on Newport buses that received 3,968 responses
 - An in-depth online survey which received 238 responses and over 200 comments on proposals
 - A significant number of responses through e-mails, letters and social media
 - Holding a public budget event at the Newport Centre involving the Chief Executive and Strategic Directors. This gave members of the public an opportunity to find out more about the financial pressures the Council faces, the already steps taken to deliver savings and to give feedback on the proposals for 2019/20. The points raised in this event have been included in this report along with the proposals they relate to
 - Promotion via the media to all households using Newport Matters, Council Facebook & Twitter and Council Website
 - Requesting partner networks to circulate details of the consultation e.g. One Newport Network, Newport Youth Council, the Partnership Engagement Group and Voluntary Sector Network
 - Consultation with Newport Fairness Commission – their response is included as appendix
 - A session with Newport Youth Council facilitated by the Fairness Commission to allow young people to give their views on the budget proposals for 2019/20.
- 3.5 The Council received 29 responses from Newport schools on their view of the proposed budget for 2019/20. Included in these responses were letters from the Conference of Secondary Head teachers (CONSHE) and Newport Association of Primary Head teachers. (NAPHs). These letters represented the collective views of all schools within the city. All correspondence recognised and referenced the ‘pressures currently being placed on Newport City Council’ and the challenges it faces in delivering front line services in the backdrop of austerity, but also noted the increased challenges which schools face with limited funding. These challenges include; less support for vulnerable pupils, larger class sizes, reduced curriculum and extra curriculum opportunities, greater demands on school based staff and teachers (with less staff available), a reduction in classroom and learning resources and the decline of building maintenance.
- 3.6 The 29 school letters are not included in the report pack due to their high volume, but have been shared with the Leader and Cabinet Member for Education and Skills. School responses also included; steps they had previously taken to address budget reductions, future actions which may be taken and the potential impact.

4 Welsh Government funding and council tax base

- 4.1 As noted above, in October and November 2018, the WG signalled additional funding for the final RSG plus additional specific revenue and capital grants.

RSG final grant

- 4.2 The Council received its final [RSG settlement from Welsh Government](#) (web link) on 19 December 2018. Overall, it confirmed that the Council would receive £214,343k for 2019/20. After allowing for net specific grant transfers into the RSG, and new

responsibilities being funded, this is a cash increase of £563k (0.26%) from the current years funding and an improvement of £227k from the draft settlement amount.

- 4.3 This represented the Council's share of the additional 'general' £13m put into the RSG and £7m to increase the capital limit in charging for residential care to £50,000, commencing from April 2019.

Tax Base

- 4.4 The tax base is the estimated number of Band D equivalent properties within the City. As this number increases, it generates additional income through council tax, however, a reduction is made to the Council's settlement from WG if any increase is disproportionate to average increases across Wales.
- 4.5 The Head of Finance has set the tax-base for 2019/20 and it will increase by almost 1.2% (58,465.51 in 2018/19 to 59,165.99 in 2019/20), significantly higher than the all Wales average of 0.5%-0.8% over the last few years. This resulted in £634k increase in council tax income but reduced the RSG increase above by £391k.

New specific grants

- 4.6 Whilst most new specific grants announced were for the current 2018/19 financial year, a number of new revenue grants were included for 2019/20, as follows:
- £1,500k for social care
 - £390k to help authorities meet the cost pressures of implementing teachers' pay award
 - £140k to help prevent children being taken into care.
- 4.7 These have been allocated as per the expected conditions of the grants and reflected within the service area budgets in appendix 5 to help fund the additional budget pressures highlighted below. This brings with it some risk for the future financial year as these are also one-off, though it is hoped that they will transfer into the RSG in 2020/21. Whilst detailed grant conditions have not been confirmed for these, WG have indicated that the grant conditions, in particular on specific spend areas/ objectives will be 'general' in nature and therefore can be included in the base budget.
- 4.8 In addition to the above, a further significant investment (£30m across Wales) in the form of specific grants for social care is being directed through Regional Partnership Boards. These are not included in the final budget as details remain uncertain. Updates will be reported within the in-year budget monitoring reports.

The following table summarises the above improvement in Council funding expected for 2019/20.

Table 2: 2019/20 additional funding

	2019/20 £'000
Increase in RSG	-954
Less adj. for higher increase in tax base	391
Net increase in RSG	-563
Increase in council tax income from increased tax base	-634
New specific grants	-2,030
Total new funding	-3,227

4.9 Also included is an additional £2.4m funding to local authorities, for them to provide additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues. There is no obligation for councils to use it for this purpose as the RSG is un-hypothecated and the Cabinet have considered this. Given:

- The current statutory rates discount scheme will continue in 2019/20
- A revenue budget of £60k already exists to support businesses
- Other grant schemes for making of loans etc. are also available
- The Council supports businesses and re-development through other routes such as making of loans etc.

It was decided not to make further allocations.

Further spending pressures

4.10 The draft budget included £3,795k of budget investment to fund the anticipated increase in social care/ SEN demand. In the current year however, demand in these areas have increased much more significantly than anticipated back in early summer when the draft budget investments were calculated. The current years' financial forecast is a key component in setting the 2019/20 budget. The draft budget report at the December Cabinet identified some £1.3m of these unfunded costs and noted that a solution to this would be found at this stage, with the additional WG funding and grants. Since that time, the level of demand and subsequent overspending has increased further to c£1.9m – details can be seen within table 3. Whilst this can fluctuate as demand changes, officer's view is that this is a permanent increase in demand, therefore requiring funding. The additional investment is noted below and is included in the list of budget pressures/ investment in appendix 6 and service area cash limits in appendix 5.

Table 3: Additional budget investments

	2019/20 £'000
Adult Services	
Demand on Community Care budget – numbers have increased from 892 to an average of 927 since May. This is non-residential.	203
Children & Young People Services	
Fostering Service – May budget pressures were based on assumption of 37 Independent Fostering placements (IFAs), but these have continued to grow at a significant rate and average currently at 53. The increase is based on average of 50 placements.	502
Inter-Agency Adoption (SE Wales Consortium) – there has been an unexpected price increase of £4k of provider fees per adoption which for 12 placements is a pressure of £48k.	48
Out of Area Residential Placements – Estimated average of 20 placements in May 2018, which was a significant increase on previous years. Currently the average stands at 24 as at November 2018, though month to month this figure can be higher.	520
Education Services	
SEN Provision – budget monitoring has flagged significant budget shortfalls within the SEN provision over and above what is currently included as a pressure. This includes provision at the Bridge Achievement Centre (£226k overspend); Newport Live (£224k); and Catch 22 (£44k) .	494
Breakfast Clubs – Original budget pressure based on breakfast clubs being offered at 38 schools. It is anticipated that an additional 4 clubs are open in 2019/20 and in 2020/21 all primary schools will offer breakfast club provision.	91
Additional investment required	1,858

5 Schools position

- 5.1 Cabinet considered the schools' funding position during their December meeting which included a cash increase of £3,178k for the overall school budget. It is now proposed that schools receive investment of £3,568k in 2019/20. This has increased since the December update by £390k due to a new specific grant to fund teachers' pay award. It is unknown, however, whether the additional funding will continue beyond 2019/20. The total proposed investment represents a 3.8% growth in school's budget but will still require savings to be made, up to a similar amount, given the additional cost of new/ growing schools in particular.

Table 4: Proposed schools funding 2019/20 to 2022/23

	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000
Investment into schools 2019/20 (inc specific grant)	3,568	0	0	0
Teachers - Pay award and increments	0	1,447	1,276	1,168
Non Teaching school staff - pay award and increments	0	628	547	522
Contract & Income Inflation	0	82	83	83
New Schools	0	1,931	1,688	1,446
Secondary School Transitions	0	432	738	1,024
Reduced Class Sizes	0	0	39	28
	3,568	4,520	4,370	4,272
Proposed growth as a % of net budget	3.8%	4.9%	4.7%	4.6%

- 5.2 This level of increase gives rise to significant savings requirement in 2019/20 for schools to produce balanced budget. Schools will need to cover 2019/20 cost increases over and above the proposed additional funding but also Cabinet will be aware that in the current year, schools are overspending and are having to drawn down £1,920k from reserves. This will not be possible again during 2019/20, at current levels, as it is estimated that at the end of 2018/19, £1,937k will remain in schools' reserves.
- 5.3 Indicative grant allocations have been received from the Education Achievement Service (EAS). The Pupil Deprivation Grant (PDG) remains at 2018/19 levels and the Education Improvement Grant (EIG) appears to have a small increase of approx. 3% (£178,634 exc additional money for the growing and new school). It should be noted that these are indicative figures and subject to final confirmation.
- 5.4 In recognising the challenges the draft budget assumptions give, school funding in overall terms has increased over the last few years and is better than other parts of the council. The table below sets out the proposed percentage change to cash limits in 2019/20 for both schools and other areas of the council. This excludes the impact of specific grants that have transferred into the RSG (£276k) and estimated specific grants (£2,030k) but includes new responsibilities (£302k).

Table 5: Budget changes for schools and other areas of the council

(£'000)	2018/19 Base	Inflation	Other pressures	savings	2019/20 Est cash limit	Growth/ (Reduction) in cash limit	Growth/ (Reduction) as % of net budget
Schools	92,977	0	3,568	0	96,545	3,568	3.8%
Other	181,619	3,402	5,972	-6,958	184,036	2,417	1.3%
	274,596	3,402	9,540	-6,958	280,581	5,985	

- 5.5 Budget proposals currently make no allowance for the proposed increase to teachers' pensions employer contributions. It is proposed that employer contributions increase from 16.48% to 23.6% from September 2019 which will see costs increase by £2.2m in 2019/20 and a further £1.9m over the three years to 2022/23. It is anticipated, similarly to other Welsh Councils, that this will be funded by one off grant from WG which will be passported to schools. Ongoing, the Department for Education have confirmed that the funding will be included within the 'Comprehensive Spending Review' (CSR) which is to be announced in 2019. This, therefore, provides a level of uncertainty over the medium term.

6 Medium term financial projections

- 6.1 The Council's future plans and its change/ savings programme will need to ensure a strategic approach is taken on the future direction of council services. The current 'medium term financial projections' (MTFP) included in appendix 8 includes funding for the key priorities and promises set out in the plan. In light of the medium term financial sustainability challenge, further work is required to ensure the budget is balanced over the medium term whilst meeting our duties under the well-being objectives.
- 6.2 The MTFP is the articulation of the financial challenges, the current organisational change programmes and savings over the next four years. It includes those service changes/ savings which have already been approved for these years from the February 2018 Cabinet meeting as well as new proposals. Whilst the Council is required to set a balanced budget for 2019/20, this is to the backdrop of sustaining over £45m of savings over the last five years, future uncertainties such as the impact of future pay awards, public sector pension valuations, increases to teachers' pension, WG financial settlements and Brexit. The current projections, therefore, will inevitably develop and change as assumptions are updated or confirmed for future years.
- 6.3 The detailed assumptions used in the MTFP were noted in the December 2018 Cabinet meeting when the draft budget and MTFP were agreed for consultation.
- 6.4 Cabinet is asked to take a strategic and medium term view and following this consultation period, recommended to agree the implementation of the MTFP including all budget investments and saving options (appendix 6 and 7), as summarised within appendix 8.
- 6.5 As set out in table 2, the 2019/20 budget makes use of additional grant funding confirmed by WG, in particular within social care. These grants have not been confirmed beyond 2019/20 and whilst it is hoped that this funding will be continued, there is a potential risk should this not be the case. Updates will be reported to Cabinet once the position is known.
- 6.6 A key issue for the Councils medium term financial projections is the future funding levels for Local Government. As noted above, there is uncertainty on the continuation of the additional funding allocated to Local Government for 2019/20 and in 2019, the UK Chancellor will set out a five-year path for departmental spending through the CSR. It is this which will have the significant impact on future funding levels, as well as WG decisions thereafter, in particular on the balance of spending between the NHS and other parts of the Welsh public sector.

7 2019/20 budget requirement

- 7.1 As noted above, the final proposed budget has developed significantly given additional funding and grants, which have been invested in social care and education, including schools. Final proposed funding levels for service areas, based on the draft proposals, are shown in appendix 5 with the detailed budget investments / pressures and savings shown in appendix 6 and 7 respectively. Proposals for 2019/20 include over £9m of budget investments/ pressures over and above the costs of inflation. The most significant areas of additional expenditure are linked to:

- £3,898k for increasing demand in social care demand for both children and adult services

- £3,568k investment in school budgets
- £1,664k due to increasing demand for SEN provision
- £525k costs associated with increasing pressures placed on City as a result of growth and development
- £276k due to transfers into the RSG in respect of free school meals
- £220k investment to deliver the promises set out within the Corporate Plan.

7.2 As is the case each year, WG transfers some specific grants into the Council's overall grant settlement. The proposals make the assumption that these are included in those service area budgets which were funded from the specific grants. This allows continuation of those services in the first year. Service funding levels shown within appendix 5 reflect these transfers.

7.3 For 2019/20, the WG also transferred 'new responsibilities' to local councils and the settlement included provision for the cost of this. The new responsibilities relate to increasing the capital limit threshold for residential care. This new responsibility has also been included within appendix 5.

7.4 Significant specific grants are received from WG each year and at this time we still await the finer details of funding levels for 2019/20. It is likely that we will see decreases in some of these grants. It is proposed, in line with the Council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to resolve them. This may involve reducing/ stopping services that WG specific grants no longer fund.

7.5 The need to identify a significant level of savings to balance the budget, both for 2019/20 and the next three years was recognised at the early stages of budget preparation and a robust process has identified new savings of £5,529k of savings over the four years, of which £4,976k is for 2019/20. These are in addition to already agreed savings of £2,028k of savings over the next four years, of which £1,982k is for 2019/20. The savings are shown in appendix 7.

7.6 There have been over £38m of investments between 2013/14 and 2017/18 over and above inflation. This has been incorporated into budget planning and investment allocated to services to ensure that the best possible services are provided to the people of Newport. The necessary investment seeks to continue as the Authority faces more and more difficult decisions.

8 Risk, reserves, financial resilience and performance

8.1 The proposed budget includes a number of assumptions in terms of income and expenditure levels over the medium term. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below.

Financial risks

8.2 Any overspend in 2019/20 over and above the revenue contingency budget would be an issue. After taking account of the revenue contingency budget, no overspend is forecast for 2018/19 and the final proposed budget includes significant investment in the demand led areas of the budget currently overspending. Issues to draw to the attention of Cabinet include:

- The schools budget challenge is very significant and will require savings to be implemented for 2019/20. Individual schools are using most/ all of their reserves to fund their current 2018/19 financial year spending and this will no longer be available for most schools in 2019/20. The view on the robustness of the budget makes the assumption that schools will make the necessary savings required at this point but is a significant on-going risk.
- 8.3 New saving proposals over the four-year period amount to £5,529k, the vast majority of which relate to 2019/20. Timely implementation is key in ensuring savings and a balanced budget are achieved. Realistic part year assumptions have been made where implementation cannot be immediate but there is an inherent financial risk around achieving service changes in time to deliver the planned savings.
- 8.4 Significant one off costs will be required to implement the budget saving proposals set out in the MTFP. Forecasts indicate that there will be sufficient funds within this reserve to meet the one off costs over the medium term. A summary of the position is shown in appendix 11b based on the detailed budget proposals agreed by Cabinet in December 2018. Cabinet is requested to approve this expenditure, funded from the reserve, noting it will be regularly reported to Cabinet as part of revenue budget monitoring.
- 8.5 Inflationary increases in budgets have been set at a low level, consistent with most other Local Authorities. Invariably, this introduces a degree of financial risk as key inflationary pressures are not known with certainty at this time but this financial risk is no higher than in any other year.

Reserves

- 8.6 In terms of contingencies and reserves, the Head of Finance needs to review these in their totality in conjunction with the base budget and the financial risks associated with delivering the budget in 2019/20. This review should incorporate a medium term view and take into account key developments that may impact on the need for and use of one off resource.
- 8.7 Protection against budget risks is provided through earmarked reserves and contingencies. In addition, the Council has a number of earmarked reserves for known, but not always easily quantifiable, financial risks.
- 8.8 A 'rule of thumb' analysis for determining the level of general reserves suggests this is at least 5% of net revenue expenditure (excluding schools' budgets); unless a formal risk assessment justifies a lower level. This implies a level of c£9.1million for Newport.
- 8.9 In the context of the above and the financial risks inherent in the proposed budget, the Head of Finance recommends that the minimum level of general reserves remain at its current level of £6.5m, supported by the base general budget contingency of £1.5m.
- 8.10 An analysis of projected earmarked reserves can be found in appendix 11a.

Financial Resilience

- 8.11 A robust view is being taken in managing budget risks and protecting the financial health of the Council. In that respect, the Council's financial resilience is a key consideration and appendix 11 shows the current 'snapshot' of the key data and information showing an overview of the health of the Council at this time. Key headlines include:

- The Council maintains a good level of reserves. The contingency base budget and other risk reserves held by the Council are all taken into consideration when assessing the level of the general reserve, and help to mitigate the risk to the Council. A cautionary note should be made in respect of the decline in school reserves over the last few years. Schools are using reserves to manage spending and this is proving increasingly difficult to maintain. In future, schools will need to ensure that they manage within the approved annual budgets.
- The Council has identified and continues to monitor budget reductions of £8.6m in 2018/19. This is alongside delivering outturn within budget over recent years, despite the delivery of c£45m savings over the last 5 years. This needs to be viewed within the context of continued significant pressures within service areas, namely social care, education and schools into 2019/20, which have been highlighted as part of the budget monitoring process.
- Although the 2018/19 forecast overspending across service areas is significant this has been offset by one off underspending/ better income in non-service budget areas. A forecast underspend of almost £2m allows Cabinet to assess the potential for one off investment to support Corporate plan priorities and risks.
- In light of the continuing financial pressures and demands placed on the Council further savings of at least £33m need to be found by 2023.

8.12 Overall, the Council's financial resilience remains strong and it has financial capacity to develop and change services in response to continuing pressure on funding and increased demand for services.

Risk register and performance

8.13 As part of setting the Councils budget, key consideration is given to the risks the Council faces and the improvement objectives that the Council has put in place.

8.14 The Council maintains a corporate risk register which is regularly reviewed by the Corporate Leadership Team and Cabinet, as well as the Audit Committee from a procedural/ risk management framework viewpoint. The Council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required. The quarter 2 [corporate risk register](#) update (hyperlink) was presented to Cabinet in December.

Equalities Impact Assessments (EIA)

8.15 In delivering its services, the Council has to be mindful of its duties to discharge its statutory obligations for Equal Pay, Disability Discrimination Act (DDA) and other equalities legislation including The Race Relations (Amendment) Act 2000 and the Equality Act 2006.

8.16 The Council carries out an impact assessment to identify equalities issues across the breadth of the budget as part of the MTFP and annual budget setting process to inform spending decisions. As part of the budget process, equalities implications are considered for all budget proposals and an EIA is carried out by the relevant service manager, supported by the council's policy team.

8.17 Appendix 10 provides an overarching impact assessment as well as the impact assessment for all those new saving proposals individually listed in appendix 7, showing any issues, after mitigation, of any equalities issues that Cabinet and Council need to be aware of.

9 2019/20 proposed council tax

- 9.1 The additional income received since draft settlement from RSG, specific grants and increase in tax base equates to c£3.2m compared to required investment in services of £13.6m. The resulting 'budget gap' has to be dealt with through making savings and increased council tax income. Whilst the draft budget proposal resulted in increased council tax income of £2.6m, it also included savings of £8.2m – a much higher amount. The 'balance' between these are challenging but if council tax income is not increased, more savings/ cuts to front line services need to be made, resulting in less resources to fund much needed services, in particular those that may support our most vulnerable population. The current position is shown below and Cabinet need to finalise the budget whilst confirming the balance of increased council tax income against making savings.
- 9.2 The proposed council tax increase of 6.95% is above the base assumptions of 4% made in future years. This additional 2.95% in monetary terms adds c£2m to the Councils overall funding. This is required as investment within social care and SEN stands at £5.6m in 2019/20.
- 9.3 The final settlement, as previously highlighted included an improved grant position and an increase in council tax base funding, has given a credit balance of £655k. Cabinet will decide on how this credit budget is to be utilised to give a balanced position.

Table 6: 2019/20 available and required budget

The table below shows the available and required budget funding with a 6.95% increase in council tax. Cabinet will be aware that beyond 2019/20 there has been a 4% increase implicit in our MTFP planning parameters. In setting council tax, the Council needs to be aware of the need to set a balanced budget.	
Council Tax at Band D at 6.95%	£1,130.61
Budget requirement	£000
Base budget 2018/19	274,596
Inflation & increments	4,394
Transfer to reserves	300
BASE BUDGET 2019/20 (before investments/savings)	279,290
Budget investments – (£9,564k shown in list of pressures less RSG grant tfr (£302k) plus increase of £1,017k required in council tax benefit based on 6.95% council tax increase)	10,279
Budget savings	(6,958)
Specific grants	(2,030)
DRAFT BASE BUDGET 2019/20	280,581
Funding available	
Final WG settlement	214,343
Current council tax at new tax base	62,546
Increased council tax @ 6.95%	4,347
Total	281,236
Balance available 'in hand'	(655)

9.4 Before Cabinet can recommend a budget to Council, it now requires decisions based on the figures shown in the above table. These decisions include:

- Delete specific saving items
- Providing additional capacity within services
- Fund new initiatives and policies
- The level of council tax increase required to balance the budget. A 0.1% change in council tax equates to £50k. The current MTFP assumes an increase of 6.95%.

9.5 For contextual purposes, the table below shows the weekly increases in council tax based on a number of scenarios and current values at other Welsh Councils. Given the low starting point on Newport council's tax, it will still be lower than most (if not all) of the council's shown, even at a 5% increase and the actual monetary increases in tax are low in themselves. Newport City Council proposed tax increase will maintain its position as one of the lowest in Wales.

Table 7: Scenarios illustrating weekly council tax increases

Weekly Increase	20p	41p	61p	81p	£1.02
Increase per annum	£ 10.57	£ 21.14	£ 31.71	£ 42.29	£ 52.86
Newport Band D tax 2019/20	£1,067.71 (1%)	£1,078.28 (2%)	£1,088.85 (3%)	£1,099.43 (4%)	£1,110.00 (5%)
Comparison with existing Band D council tax (rounded)					
Current year (2018/19) before any increase					
NEWPORT	£1,057				
Caerphilly	£1,058				
Wrexham	£1,093				
Cardiff	£1,155				
Torfaen	£1,242				
Swansea	£1,269				
Monmouthshire	£1,242				

Risks

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

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Budget savings not delivered	M	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
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	Directors / Heads of Service Head of Finance

Unforeseen Pressures	H	L	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance Directors / Heads of Service
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* 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

Options Available and considered

Taking a strategic and medium term view Cabinet should approve the four year change and efficiency programme as summarised in the MTFP, though they could approve 2019/20 proposals only. For 2019/20 Cabinet must agree a revenue budget and then the resulting council tax for Council. Cabinet have various options open to them on the detailed change and efficiency programmes contained within this report.

Preferred Option and Why

That Cabinet continues to approve a four-year change and efficiency programme and the detailed projects over the four-year period.

Cabinet must set a balanced revenue budget and recommend the related council tax amount required for this level of spending to Council.

Comments of Chief Financial Officer

The key financial issues are contained within the body of the report, including the comments on the robustness of the budget and level of reserves.

The budget is being set in a challenging and uncertain environment and the Council has maintained good financial management to date which has contributed to a good level of financial resilience.

The budget here and the medium term financial projection plans in the funding required to deliver on its key corporate plan promises and aspirations, where required. The key assumptions in it will need to be kept under review and updated as necessary. In the context of on - going funding challenges/uncertainties and increased demand for services, it becomes more important to plan over the medium term to ensure the Council deliver sustainable services into the future whilst meeting the key objectives and commitments.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report at this stage. Cabinet is being asked to consider the budget consultation responses and agree the final savings proposals in order to deliver a balanced budget for 19/20. Where the relevant business cases are not delegated to Heads of Service and Cabinet Members in accordance with the Council's scheme of delegation, Cabinet are required to take the final decisions on those business cases in the light of the responses to the public consultation, prior to making a recommendation to Council regarding the budget for 19/20. The implementation of all these business cases are executive matters, with the exception of any consequential staffing proposals which are non-executive matters delegated to Heads of Service. However, whichever decision-making process applies,

all of the business cases have been the subject of equality and fairness impact assessments to ensure that the Council has regard to its public sector equality duties under the Equality Act and is also acting fairly in terms of the impact of the proposed changes on service delivery. In addition, where specific proposals require more focussed consultation with staff and key stakeholders, this will be carried out prior to the implementation of any proposed changes. The setting of the overall base budget and council tax rate for 19/20 is a matter for full Council as these are non-executive reserved matters under the Constitution. Therefore, Cabinet will need to recommend the final budget and the proposed Council tax increase to full Council for approval in accordance with the Local Government Finance Act.

Comments of Head of People and Business Change

The 2019/20 Budget and Medium Term Financial plan report gives Cabinet the opportunity to consider the implications and opportunities in the deployment of resources across a range of functions and services over the next four years. This is set against the backdrop of ongoing financial pressure which has created a challenging environment. Staff have been impacted by changes to date in a number of ways and the Council now employs significantly fewer staff than it did five years ago. Inevitably there will be further staffing impacts as a result of the financial settlement for 2019/20 and the extent of this will be finalised following the decision making process. All staff potentially impacted upon by this have been offered the opportunity to be consulted with and the relevant Trade Unions have made representations, contained within this report.

As part of the annual process in place a range of opportunities have been made available for the public to express their views and again these are included in the report for the consideration of Cabinet. Views have been gathered through face-to-face sessions, via email, letter and petition, via the on-line consultation pages and in sessions with Newport Fairness Commission and Newport Youth Council.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations. This has been done through the expanded use of the Fairness and Equality Impact Assessment process. It should be noted that this is becoming ever more difficult to do in the wake of on-going reductions in funding.

Comments of Cabinet Member

The Cabinet Member for Finance and the Chair of Cabinet confirm that they have approved this report.

Local issues

The budget proposals as shown affect the city as a whole although some specific proposals may affect certain localities more than others.

Scrutiny Committees

Comments from Scrutiny Committees are included in appendix 2 of the report

Equalities Impact Assessment and the Equalities Act 2010

The detail of Equalities Impact Assessment undertaken is included in appendix 10 of the report.

Children and Families (Wales) Measure

All proposals have been consulted on widely, as required.

Wellbeing of Future Generations (Wales) Act 2015

The Act is referenced in the report.

Crime and Disorder Act 1998

N/A

Consultation

Wide consultation on the budget has been undertaken, as outlined in section 3 of the report and within the appendices.

Background Papers

Dated: