

THE VALE OF GLAMORGAN COUNCIL

COUNCIL: 26TH FEBRUARY, 2020

REFERENCE FROM CABINET: 10TH FEBRUARY, 2020

“C225 REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE: 5TH FEBRUARY 2020 - FINAL PROPOSALS FOR THE REVENUE BUDGET 2020/21 (REF) – (Urgent by reason of the need to obtain Cabinet approval in sufficient time to allow meaningful consultation at full Council on 26th February, 2020)

The Section 151 Officer / Head of Finance presented the reference from Cabinet of 3rd February (which was tabled at the meeting), together with the report and its appendices (as included on the agenda) which set out final proposals in respect of the final revenue budget for the financial year 2020/21, for the consideration of Committee Members, before referring any comments to Cabinet ahead of recommendations being made to Council.

The officer began by stating that the provisional settlement from Welsh Government (WG), when considering adjustments, was an increase of £6.626m (4.29%) from the previous year. The final settlement was not due to be received until 25th February, 2020. The officer then highlighted that in setting the proposed budget for 2020/21, funding had been provided towards cost pressures, including the remainder of the cost pressure associated with the increase in employer's contributions into the Teachers' Pensions Fund. This was estimated to cost the Council £1.204m in 2020/21. The Council proposed to provide funding to schools to fully fund this pressure.

An efficiency target of £247k had been proposed for 2020/21 which the officer explained would cover all service areas and was at a level which was significantly lower than the targets that had to be set in previous years. It had become increasingly difficult for services to deliver further savings without reducing service provision following £59m of savings which had been achieved in the last 10 years. It was considered that the target set for 2020/21 was of a level that could be achieved by services.

In order to deliver these budget proposals, the Head of Service remarked that it would be necessary to use £1m from the Council Fund reserve in 2020/21, as previously approved as part of the 2019/20 budget proposals. Although this was not ideal as it would move the financial pressure onto future years where higher levels of savings would need to be achieved, however it had been considered to be an appropriate approach.

It was proposed that the Band D Council Tax rate be set at £1,306.08 for 2020/21, which was an increase of 4.9% from the current year.

In light of no indication being received from WG for future years' settlements, it was considered prudent to assume that there may be a flatlined settlement going forward. If Council Tax continued to increase by 4.9% this could result in the possible total shortfall in funding for 2021/22 and 2022/23 of £10.596m. Whilst it had been possible to set efficiency targets at a lower level in 2020/21 this may not be the case going forward and in light of projected levels of shortfall in future years, services were requested to continue to plan ways of achieving further efficiencies which would be innovative and transformational with regard to service delivery.

The Council Fund provided cover for unforeseen expenditure whilst, in the short term, maintaining a working balance. Unforeseen expenditure could be substantial, and several instances could occur in a year. The level of pressure on Directorates in 2019/20 had evidenced this with overspends being reported in three of the Directorates. Whilst there was no set requirement for the minimum level for the Council Fund Reserve, the officer noted some commentators used 5% of the net budget as a guide. For the Vale of Glamorgan this was currently about £12m. However, in view of the prudent approach the Council took with regard to Specific Reserves, it was proposed that £10m should be the revised minimum level for this reserve.

A Committee Member stated that whilst he was pleased to hear that there had been an increase in the settlement the Local Authority was anticipating it would receive from WG for the financial year 2020/21, he was unimpressed by the proposal to increase Council Tax at a rate that was several times higher than that of inflation. He also noted that with regard to efficiency savings, the anticipated saving of £165k that the Head of Neighbourhood Services and Transport had outlined to Committee previously as part of the report 'Withdrawal of Discretionary Funding for Fare Paying School Transport Services' had not been included in the report and queried why this was the case. The officer replied that the saving that the Committee Member was referring to had been part of the budget for the preceding financial year and had therefore not been included in the report in question.

Another Committee Member noted that the report cited 5% of a Local Authority's net budget as the guideline minimum level for the Council Fund Reserve and asked the officer whether there was information available regarding what level other Local Authorities were setting for the same and other reserves, as it could provide useful context for Committee Members when considering such matters. The Chairman agreed that it would be a useful exercise to look at the reserves of other Local Authorities, and that it could provide some clarity as to why other Local Authorities were reported to have such high levels of reserves in comparison to those of the Vale of Glamorgan. The Chairman added that it would be necessary to use Council Tax to increase the Local Authority's Council Tax Base and mitigate the effects of the demographic time bomb that it was facing.

In response to the query as to why the level of reserve had been suggested at £10m, the Section 151 Officer advised that in view of the potential service area overspends as highlighted in another report on the same agenda, the current minimum level for the Council Fund of £7m was considered should be increased. The figure of £10m was therefore being proposed as an appropriate buffer for the Local Authority. In

response to the query relating to the reserve levels set by other Local Authorities, the officer advised that the Wales Audit Office (WAO) had a few years previously published a report detailing Local Authority reserves in Wales which she offered to circulate to Committee Members for their information. The Head of Service advised that she could also approach the Welsh Local Government Association to ascertain if they had any more up to date information on this matter. The Chairman requested that this be carried out with a view to a report on the matter being tabled for discussion at a future Scrutiny Committee meeting.

A Member requested that the details at Appendix H with regard to the reserves held by the Authority should be highlighted when the report was discussed at Council.

Having considered the report and there being no further questions, it was subsequently

RECOMMENDED –

- (1) T H A T, having reviewed the Final Proposals for the Revenue Budget 2020/21, the report be noted.
- (2) T H A T the Wales Audit Office report as highlighted above in respect of Local Authority reserves in Wales be forwarded to all Members of the Committee for their information.
- (3) T H A T the Committee receives a report to a future meeting to provide the opportunity for further analysis and consideration of Local Authority reserves.
- (4) T H A T the details as outlined at Appendix H to the report be highlighted to Full Council when the report is to be presented.

Reasons for recommendations

- (1) In view of the contents contained therein.
- (2&3) In order that the Committee receives further information regarding the reserve levels set by other Local Authorities and for further consideration to be undertaken.
- (4) In order that Cabinet consider the Scrutiny Committee's view before making a final proposal on the budget and for clarification purposes."

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Cabinet, having considered the recommendations of the Corporate Performance and Resources Scrutiny Committee,

RESOLVED –

- (1) T H A T the report be noted.

(2) T H A T the Wales Audit Office report, as highlighted above in respect of Local Authority reserves in Wales, be forwarded to all Members of the Council for their information.

(3) T H A T the details as outlined at Appendix H to the report be highlighted to Full Council by the Leader when the report is to be presented.

Reasons for decisions

(1) In view of the contents of the report.

(2&3) For information.”