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**THIS IS A MEETING WHICH THE PUBLIC ARE ENTITLED TO ATTEND**

21st January 2020

Dear Sir/Madam

**JOINT SCRUTINY COMMITTEE (BUDGET MONITORING)**

A meeting of the Joint Scrutiny Committee (Budget Monitoring) will be held in Council Chamber, Civic Centre, Ebbw Vale on Tuesday, 28th January, 2020 at 2.00 pm.

***Please note that a pre and post meeting will be held 30 minutes prior to the start and following the conclusion of the meeting for members of the committee.***

Yours faithfully

Michelle Morris  
Managing Director

**AGENDA**

**Pages**

**1. SIMULTANEOUS TRANSLATION**

You are welcome to use Welsh at the meeting, a minimum notice period of 3 working days is required should you wish to do so. A simultaneous translation

We welcome correspondence in the medium of Welsh or English. / Croesawn ohebiaith trwy gyfrwng y Gymraeg neu'r Saesneg.

will be provided if requested.

2. **APOLOGIES**

To receive.

3. **DECLARATIONS OF INTEREST AND  
DISPENSATIONS**

To receive.

4. **JOINT SCRUTINY COMMITTEE**

5 - 12

To consider the minutes of the meeting held on 18<sup>th</sup>  
November, 2019.

5. **REVENUE BUDGET 2020/2021 TO 2024/2025**

13 - 36

To consider the of the Chief Officer Resources.

To: Councillor S. Healy (Chair)  
Councillor G. Paulsen (Vice-Chair)  
Councillor M. Cook  
Councillor J. Holt  
Councillor C. Meredith  
Councillor G. Thomas  
Councillor P. Baldwin  
Councillor D. Bevan  
Councillor M. Cross  
Councillor G. A. Davies  
Councillor G. L. Davies  
Councillor M. Day  
Councillor P. Edwards  
Councillor L. Elias  
Councillor K. Hayden  
Councillor J. Hill  
Councillor W. Hodgins  
Councillor M. Holland  
Councillor H. McCarthy  
Councillor J. Millard  
Councillor M. Moore  
Councillor J. C. Morgan  
Councillor J. P. Morgan  
Councillor L. Parsons  
Councillor K. Pritchard  
Councillor K. Rowson  
Councillor T. Sharrem  
Councillor T. Smith

Councillor B. Summers  
Councillor S. Thomas  
Councillor H. Trollope  
Councillor J. Wilkins  
Councillor D. Wilkshire  
Councillor B. Willis  
Councillor L. Winnett

All other Members (for information)  
Manager Director  
Chief Officers

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**COUNTY BOROUGH OF BLAENAU GWENT**

**REPORT TO: THE CHAIR AND MEMBERS OF THE JOINT  
SCRUTINY COMMITTEE (BUDGET MONITORING)**

**SUBJECT: JOINT SCRUTINY COMMITTEE  
(BUDGET MONITORING) –  
18<sup>TH</sup> NOVEMBER, 2019**

**REPORT OF: DEMOCRATIC SUPPORT OFFICER**

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**PRESENT: COUNCILLOR S. HEALY (CHAIR)**

Councillors G. Paulsen  
D. Bevan  
M. Cook  
M. Cross  
P. Edwards  
L. Elias  
K. Hayden  
S. Healy  
J. Hill  
J. Holt  
C. Meredith  
M. Moore  
J. C. Morgan  
L. Parsons  
K. Pritchard  
T. Smith  
S. Thomas

**WITH: Corporate Director of Social Services  
Corporate Director of Education  
Corporate Director Regeneration & Community  
Services  
Chief Officer Resources  
Chief Officer Commercial  
Service Manager Accountancy  
Scrutiny & Democratic Officer/Advisor**

ITEM	SUBJECT	ACTION
No. 1	<p><b><u>SIMULTANEOUS TRANSLATION</u></b></p> <p>It was noted that no requests had been received for the simultaneous translation service.</p>	
No. 2	<p><b><u>APOLOGIES</u></b></p> <p>Apologies for absence were received from: -</p> <p>Councillors G.A. Davies, W. Hodgins, H. McCarthy, J. Millard, K. Rowson, T. Sharrem, B. Summers, H. Trollope, J. Wilkins, D. Wilkshire, B. Willis, L. Winnett</p> <p><b><u>Co-opted Member</u></b>  Mr. T. Baxter  Mr. A. Williams</p>	
No. 3	<p><b><u>DECLARATIONS OF INTERESTS AND DISPENSATIONS</u></b></p> <p>Councillors J.C. Morgan and P. Edwards declared an interest in the following item:-</p> <p>Item No. 8 – Capital Budget Monitoring April to September 2019/20 Financial Year</p>	
No. 4.	<p><b><u>JOINT SCRUTINY COMMITTEE (BUDGET MONITORING)</u></b></p> <p>The Minutes of the Joint Scrutiny Committee meeting held on 16<sup>th</sup> September, 2019 were submitted.</p> <p>Councillor M. Moore reported that her apologies had been submitted for the meeting, and Councillor J.C. Morgan pointed out that he left the meeting at the end of discussion on Item No. 10.</p> <p>The Committee AGREED, subject to the foregoing, that the Minutes be accepted as a true record of proceedings.</p>	

<p><b>No. 5</b></p>	<p><b><u>ACTION SHEET – 16<sup>TH</sup> SEPTEMBER, 2019</u></b></p> <p>The action sheet arising from the meeting of the Joint Scrutiny Committee (Budget Monitoring) held on 16<sup>th</sup> September, 2019 was considered, whereupon:-</p> <p><b><u>Civil Parking Enforcement</u></b></p> <p>The Chair reported that a Members’ Briefing Session had been convened for the 22<sup>nd</sup> November, 2019. He also requested that St. Illtyd’s Primary School and Swffryd Primary School be added to the list of priority areas for enforcement.</p> <p>The Committee AGREED, subject to the foregoing, that the Action Sheet be noted.</p>	
<p><b>No. 6</b></p>	<p><b><u>EXECUTIVE DECISION SHEET</u></b></p> <p>The Executive Decision Sheet was submitted for consideration.</p> <p>The Committee AGREED that the Decision Sheet be noted.</p>	
<p><b>No. 7</b></p>	<p><b><u>REVENUE BUDGET MONITORING – 2019/2020, FORECAST OUTTURN TO 31 MARCH 2020 (AS AT 30<sup>TH</sup> SEPTEMBER 2019)</u></b></p> <p>Consideration was given to the report of the Chief Officer Resources which provided the forecast financial outturn position across all portfolios for the financial year 2019/20 (as at 30<sup>th</sup> September, 2019) and to review the actions taken forward to move towards a balanced outturn position.</p> <p>The Officer said this was a positive report and stated that the overall forecast financial position across all portfolios at 31<sup>st</sup> March, 2020 was showing a relatively small adverse variance of £7,200 against a total net revenue budget of £147m. This was an improved position on the forecast position reported in quarter 1. She then spoke to the report and highlighted the main points contained therein.</p> <p><b><u>Environment - £259k adverse variance</u></b></p>	

A Member referred to Appendix 4 which outlined the actions to be taken to address the adverse variance, in particular reduction of town centre deep cleans and weed spraying. He pointed out that the current administration, in Council in July 2019, gave a commitment to prioritise street cleansing over the next 5 years, and the Member asked whether it was intended to move away from that priority.

He also referred to the development of a second HWRC in Roseheyworth and the associated revenue costs attached. He questioned whether it was financially viable for the Council in light of the adverse variance within the Environment Portfolio, and whether the HWRC had replaced the Leadership's priority for street cleansing. He expressed concern that the adverse variance within the Portfolio was after the virement of money into the portfolio, and prior to the HWRC being operational.

In response the Corporate Director Community Services & Regeneration said street cleansing remained a priority for the Council, but these actions were necessary to balance the budget. One of the key challenges was the increase in black bag sorting, but recycling continued to improve which would hopefully drive a reduction in costs in order to balance the budget, and then enable us to continue the activities that the Council committed to delivering.

Another Member asked whether some of the street cleansing activities could be undertaken 'in-house' in order to reduce costs.

The Corporate Director said some of the actions outlined in the report were short-term, and there would be opportunity to review and consider alternative opportunities as the budget progressed.

A Member said there was nothing in the report to suggest that politically the Council's priorities had changed. The report outlined the need for 'cut-backs' in order to balance the budget, and this may be required across all portfolios.

Social Services



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In relation to income generation, a Member asked whether there were any proposals to expand the facilities available at Augusta House.

The Corporate Director Social Services confirmed that a feasibility study was undertaken and Welsh Government funding had been secured to develop additional facilities for the wider Gwent area.

#### Cwmcrachen Caravan Site

In response to a question raised by a Member regarding the electricity supply issues at the site, the Corporate Director Community Services & Regeneration confirmed that discussions were ongoing with the energy company regarding the installation of individual metres at the site.

A Member asked whether the Authority could subsidise the cost of installation of the metres in order to speed up the process, and the Corporate Director undertook to investigate.

#### Festival Park

In response to a further question, the Corporate Director Community Services & Regeneration explained that the Authority had a management agreement with the owners of the site to keep the site maintained. However, detailed expenditure would be considered moving forward.

#### Sustainable Social Services Grant

A Member referred to the risk identified at section 5.2.3 of the report, i.e. the risk that the Sustainable Social Services Grant may not be awarded in future years, and asked whether there was any indication of this money coming through.

The Corporate Director of Social Services said there was no indication at the moment and this was likely due to the delay in the budget, but hopefully the money would be received.

#### Fees & Charges

	<p>A Member expressed concern regarding a number of the adverse variances within fees and charges, particularly licensing.</p> <p>In response the Corporate Director Community Services &amp; Regeneration said in relation to licensing fees, a proposal was submitted to the General Licensing Committee to change the fees to bring them more in line with the cost recovery model, however, the proposal was not accepted by the Committee.</p> <p><u>CCTV</u></p> <p>The Chair confirmed that a report would be submitted to the Corporate Overview Scrutiny Committee in January 2020.</p> <p><u>Dog Wardens</u></p> <p>In response to a question raised, the Corporate Director Community Services &amp; Regeneration said the current contract was the most efficient option at the moment, and was operating on a cost neutral basis.</p> <p>The Committee AGREED to recommend that the report be accepted and the Joint Budget Scrutiny:</p> <ul style="list-style-type: none"> <li>• Provided appropriate challenge to the financial outcomes in the report;</li> <li>• Considered the action plans attached at Appendix 4 developed to address the forecast adverse variances at the end of September 2019; and</li> <li>• Recommend that the Executive approve the budget virements attached at Appendix 5 which exceed £250,000.</li> </ul>	
<p><b>No. 8</b></p>	<p><b><u>CAPITAL BUDGET MONITORING – APRIL TO SEPTEMBER 2019 2019/2020 FINANCIAL YEAR</u></b></p> <p>Councillors J.C. Morgan and P. Edwards declared an interest in this item.</p> <p>Consideration was given to the report of the Chief Officer Resources.</p>	

	<p>The Chief Officer Resources presented the report which provided an overview of each Portfolio's actual and forecast capital expenditure against funding approvals for the 2019/2020 financial year.</p> <p>The Officer said this was another positive report, with the overall financial position at 30<sup>th</sup> September, 2019 showing a nil variance against a total capital budget of £19.16m. It was anticipated that all in year capital expenditure would be fully funded.</p> <p>A Member referred to the budget allocated for the Household Waste Recycling Centre and asked whether the proposed opening arrangements were included in the funding bid submitted to Welsh Government.</p> <p>In response the Corporate Director of Community Services &amp; Regeneration said as far as he was aware there was no stipulation within the bid in relation to opening arrangements.</p> <p><u><i>Band B Welsh Medium New Build</i></u></p> <p>In response to a question raised by a Member, the Corporate Director of Education confirmed that all avenues of revenue funding were currently being explored.</p> <p>The Committee AGREED to recommend that the report be accepted and the Joint Budget Committee:</p> <ul style="list-style-type: none"> <li>• Provided appropriate challenge to the financial outcomes in the report;</li> <li>• Continue to support appropriate financial control procedures agreed by Council;</li> <li>• Note the budgetary control and monitoring procedures in place to safeguard Authority funding;</li> <li>• Considered the funding proposals in relation to the Industrial Units Improvement Programme and Household Waste Recycling Centre (HWRC) projects and recommend to Executive Committee.</li> </ul>	
<p>No. 9</p>	<p><b><u>USE OF GENERAL AND EARMARKED RESERVES 2019/2020</u></b></p> <p>Consideration was given to report of the Chief Officer Resources.</p>	

The Chief Officer Resources presented the report which provided the forecast reserves position for 2019/2020 as at Quarter 2 (30<sup>th</sup> September, 2019). The forecast general reserve balance at 31<sup>st</sup> March, 2020 of £6.136m represented 4.58% of net revenue expenditure as reported in the 2018/19 Revenue Outturn forms. The general reserve would therefore be £0.775m which was above the 4% target level of £5.361m.

The Committee AGREED to recommend that the report be accepted and the Joint Budget Scrutiny Committee:

- Note the planned forecast increase of the General Reserve to 4.58% (above the 4% target level) for 2019/2020 and future years strengthening the Council's financial resilience;
- Consider the impact the £0.007m forecast adverse variance for 2019/2020 would have on the General Reserve target; and
- Continue to challenge budget overspends and implement appropriate service Action Plans, where required.

# Agenda Item 5

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

Committee: **Joint Budget Scrutiny**

Date of meeting: **28<sup>th</sup> January 2020**

Report Subject: **Revenue budget 2020/2021 to 2024/2025**

Portfolio Holder: **Councillor N. Daniels, Leader / Executive Member  
Corporate Services**

Report Submitted by: **R Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	14/01/20				28/01/20	29/01/20	06/02/20	

## 1. Purpose of the Report

- 1.1 This report is presented for Members to scrutinise and recommend to Executive / Council the revenue budget for 2020/21.

The report

- i) provides an update on the positive provisional local government settlement for 2020/21 and its impact upon the Council's budget
- ii) considers and proposes the detailed budget for 2020/21 and indicative budget for 2021/22
- iii) proposes the level of Council Tax increase for the 2020/2021 financial year in line with the Medium Term Financial Strategy assumptions.

## 2. Scope and Background

- 2.1 Members will be aware that a revised Medium Term Financial Strategy was agreed by Council in December 2019. This report updates Members with the latest financial position regarding the budget setting process following the announcement of the provisional local government settlement for 2020/21. The report covers the following:

Section	Contents
<b>2.8 – 2.19</b>	National Aggregate External Finance (AEF) Position
<b>2.20 – 2.26</b>	Blaenau Gwent AEF position
<b>5.1.4 - 5.1.5</b>	Aggregated External Finance (AEF) funding compared to MTFS
<b>5.1.6 – 5.1.8</b>	Cost Pressures and Growth
<b>5.1.9 - 5.1.10</b>	Revised funding gap
<b>5.1.11–5.1.18</b>	Treatment of Grants & new responsibilities transferring into the settlement
<b>5.1.19–5.1.24</b>	Bridging The Gap Programme
<b>5.1.25 -5.1.28</b>	Further Budget Considerations
<b>6.1.1</b>	Revenue Budget 2019/20 – half year position
<b>6.1.2</b>	General Revenue Reserves 2019/20 – half year position

- 2.2 The Provisional Settlement contains details of the revenue funding that Welsh Authorities can expect to receive in 2020/21 in order to allow them to set their budgets and determine levels of Council Tax for that year. It also provides details of the Capital funding that Authorities can expect to receive to fund their Capital Programmes. Indicative figures for the 2021/22 financial year and beyond have not been provided at this stage. The letter from the Minister is attached as Appendix 1.
- 2.3 Revenue funding from Welsh Government (WG) is provided in the form of Aggregate External Finance (AEF) which is made up of the Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR). This AEF funding is un-hypothecated i.e. it is not earmarked for specific services and it is up to individual Councils to decide how to allocate to services in order to fit with their priorities (while taking into account statutory responsibilities).
- 2.4 Revenue funding also comes in the form of specific grants, in which case the funding is earmarked for a particular purpose. It is the long term intention of the WG that the number of specific grants is reduced, with funding being transferred into the AEF, giving Local Authorities more flexibility on distributing funding to services. Hence, this form of funding should diminish over time.
- 2.5 Capital funding is provided in the form of General Capital funding, made up of an Un-hypothecated Supported Borrowing (USB) approval and General Capital Grant approval. The USB approval is a borrowing approval for which revenue support is provided within the AEF to cover debt financing costs i.e. principal and interest. It is un-hypothecated, meaning that borrowing can be carried out for any capital purpose. The General Capital Grant, is as its name suggests, a grant that can be used for any capital purpose.
- 2.6 The funding information contained within the provisional settlement has enabled this report to be produced, bringing together sections covering the revenue budget setting process.
- 2.7 The positive provisional settlement combined with the opportunities identified in the Bridging the Gap programme means that the Council is able to invest in key priorities, avoid cuts to services and enhance its financial resilience.
- 2.8 **National Position (All Wales)**
- 2.9 The overall headline increase in AEF quoted by WG is 3.9%, after taking into account transfers into the settlement. Compared to the Welsh average increase of 4.3%, this places Blaenau Gwent in the bottom third of the all-Wales table (see Appendix 2).
- 2.10 There have been four transfers into the settlement, as follows:-
- £39.112m for the teachers' pensions grant
  - £12.018m for the teachers' pay grant
  - £1.9m for NHS funded nursing care
  - £151k for the Coastal Risk Management Programme

- 2.11 It will be a matter for each council to decide whether to passport all or some of this funding to the relevant budget holders.
- 2.12 Certain Specific Revenue Grants data has only been published on an all-Wales basis, totalling £982m. Funding for some grants has increased eg Regional Consortia School Improvement Grant, PDG Access and Social Care Workforce and Sustainability Pressures Grant. In addition, there is a new grant for Additional Learning Needs. Some grants have decreased eg the Sustainable Waste Management Grant.
- 2.13 In terms of capital grants, there are some significant increases in the Targeted Regeneration Investment Programme, 21<sup>st</sup> Century Schools, Welsh Medium Education, Active Travel Fund and the Childcare Offer.
- 2.14 Further details of the specific grants for local government will be published alongside the final RSG settlement in February 2020.
- 2.15 As RSG increases range from 3% to 5.4%, the Minister has concluded that there is no need for a funding floor mechanism in this instance.
- 2.16 Although not specifically referenced in the Minister's letter, the current policy and funding arrangements for Council Tax Reduction Schemes (CTRS) continues into 2020/2021. Consequently, £244 million continues to be included in the Settlement for funding the Council Tax Support Scheme. This reflects the costs of the Scheme when it was first established in 2013/2014, but again means that any additional costs resulting from increases in council tax levels or caseload for 2020/2021 will fall to Local Authorities.
- 2.17 The non-hypothecated general capital funding for 2020-21 will be £198 million (including £20 million for public highways refurbishment grant) - an increase of £15 million over that announced in the Final Budget last year.
- 2.18 The Minister states this is a good settlement and one which should alleviate some of the anticipated pressures. The Minister also notes that the latest tax base figures have been used (and so there should be no amendment to the final settlement as a result of this), but cannot guarantee that there will be no further changes, resulting from a new UK Government.
- 2.19 The provisional settlement announcement marks the start of a seven week consultation period which ends on 3<sup>rd</sup> February 2020. After this the Minister will consider whether further amendments are to be made, before the final settlement is announced on 25<sup>th</sup> February 2020.
- 2.20 **Blaenau Gwent Position**
- 2.21 The headline increase for BGCBC after allowing for transfers is 3.9% (£4.3m), compared to the all Wales increase of 4.3%. Changes across Wales range from 5.4% for Newport to 3% for Monmouthshire.

This positive settlement combined with the opportunities identified in the Bridging the Gap programme means that subject to the recommendations in the report being agreed, the Council is able to agree a two year budget providing a level of certainty to Residents, Members and staff.

- 2.22 The Standard Spending Assessment (SSA) increase, quoted as 5.6%, is the lowest in Wales (compared to an all Wales increase of 6.4%).
- 2.23 The SSA is the detailed funding formula that is intended to reflect variations in the need to spend which might be expected if all Welsh Authorities responded in a similar way to the demand for services in their area. Indicators of need include population, pupil numbers, deprivation factors, population dispersion etc. The SSA is the mechanism for distributing RSG which enables Authorities to **theoretically** charge the same council tax for the provision of a similar standard of service. However, if Authorities don't spend at SSA level, then council tax levels will not be the same, which in practice, is what happens.
- 2.24 Changes in SSA data and formulae with a significant impact in Blaenau Gwent are explained below:
- Population** – Blaenau Gwent's population has increased by 0.2% compared to the Welsh average increase of 0.1%.
- Population indicators make up a large proportion of the cost driver indicators within the SSA formula.
- Education** – Primary pupil numbers have increased by 1.3% compared to the Welsh average reduction of 0.2%. Secondary school pupil numbers have fallen by 1%, compared to the Welsh average increase of 2%. Free School meals data has been frozen at the 2018 level.
- All these factors have resulted in an overall increase to Blaenau Gwent's Education SSA. For information, BGCBC has consistently spent above the Education SSA on the Education services it provides.
- Deprivation Indicators** - IS (Income Support)/ JSA (Job seekers Allowance) /PC (Pension Credit)/ UC (Universal Credit)/ not in employment claimants have fallen by 6% compared to the Welsh average decrease of 3%. This has had an impact on the SSA increase.
- 2.25 The Authority remains the highest receiver of Aggregate External Finance (RSG plus NNDR) on a per capita basis.
- 2.26 General Capital Funding has increased by £29,000 from 2019/2020 to £3.87 million.



### 3. **Options for Recommendation**

#### 3.1 **Option 1 (preferred option)**

- 3.1.1 Subject to the decisions on the following recommendations, Members recommend to Executive & Council the 2020/2021 revenue budget and high level indicative budget for 2021/2022 (as per Appendix 5 and para 6.4.1).
- 3.1.2 Members to provide comment on the outcomes within the overall provisional RSG Settlement and note the potential for further change in the Final RSG Settlement (paras 2.8 – 2.19).
- 3.1.3 Members to provide comment on the outcomes within the BGCBC provisional RSG Settlement and its impact upon the Medium Term Financial Strategy (paras 2.20 – 2.26)
- 3.1.4 Members to consider and recommend to Executive & Council the updated cost pressures and growth items (£2m in total) identified in Appendix 3 (paras 5.1.6 – 5.1.8) for inclusion in the Council’s budget.  
This includes the establishment of a cross cutting Transformation budget of £500,000 to be utilised to implement / deliver opportunities for Blaenau Gwent.
- 3.1.5 Members to consider the grants transferring into the settlement and recommend to Executive & Council “passporting” expenditure from these former specific grants / additional funding into the Council’s budget (paras 5.1.11 – 5.1.18).
- 3.1.6 Members consider and recommend to Executive & Council that any achievement of Bridging the Gap proposals which exceeds the in year budget requirement be transferred into an earmarked reserve to support medium term financial planning, specifically for the later years of the Medium Term Financial Strategy (para 5.1.28).
- 3.1.7 Members recommend to Executive & Council a Council tax increase of 4% for 2020/21 (para 5.1.3) as per the MTFs assumptions.

#### 3.2 **Option 2**

- 3.2.1 Members consider and suggest alternative proposals..

### 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

- 4.1 The budget setting process will enable a greater alignment between the Medium Term Financial Strategy (MTFS) and the Corporate Plan. This will be evidenced in the budget reports to Joint Scrutiny, Executive and Council.

5. **Implications Against Each Option**

5.1 Impact on Budget (short and long term impact)

5.1.1 The most recent iteration of the MTFS (agreed by Council on December 12<sup>th</sup> 2019) indicates (prior to the identification of budget reductions) funding gap figures of:-

5.1.2 **Table 1 – MTFS Funding Gap (as at 12<sup>th</sup> December 2019)**

2020/21	2021/22	2022/23	2023/24	2024/25	Total
£3.2m	£2.5m	£4.7m	£2.9m	£2.9m	£16.2m

5.1.3 These are based upon a number of assumptions including:

- cash flat level of funding from WG for 2020/2021 onwards
- a Council Tax increase of 4% per annum

5.1.4 AEF Funding Compared to MTFS

5.1.5 Clearly, the provisional settlement increase in funding of £4.3m (3.9%) for 2020/2021 for Blaenau Gwent is better than the MTFS modelled position of 0%. As a result of a better than anticipated settlement, the original funding gap can now be revised. Table 2 takes account of the provisional settlement and revised cost pressures.

5.1.6 Service Cost Pressures and Growth

5.1.7 Existing and new service cost pressures items totalling £1.095m for 2020/2021, £0.53m for 2021/2022, have been included in the MTFS and the funding gap identified above. £1m per annum has been assumed for 2022/2023 onwards.

5.1.8 Following the provisional settlement these have been reviewed and updated and now total £2m for the 2020/2021 financial year. These revised cost pressures and growth items are included at Appendix 3, the changes to those agreed by Council in December 2019 include::

- Teachers Pay and Pensions – The settlement only provided funding to cover the increase in costs for a 7 month period. The resulting cost pressure for the remaining 5 months of the financial year is assessed as £0.76m.
- Sustainable Waste Management Grant (£1.8m All Wales reduction in grant) – resulting in a cost pressure of £35,000, on top of the current years cost pressure of £50,000 (£85,000 total).

- Sustainable Social Services grant – the settlement identifies a significant increase in this specific grant for 2020/21. This should allow the service to manage costs / budgets without the requirement for an increase in its core funding. The previously agreed cost pressure of £392,000 can therefore be reduced / removed.
- Transformation Budget - It would be prudent to establish a Transformation Budget which could be utilised for example to implement / deliver transformational projects and investments across the Council – this will reduce the requirement to utilize earmarked reserves. It is proposed that this budget be set at £500,000.

5.1.9 It is proposed that the revised cost pressures and growth items are agreed and built into the Council's budget from 2020/21.

5.1.10 **Table 2 - Funding Gap based on 2020/2021 Provisional RSG\***

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	£000s	£000s	£000s	£000s	£000s
<b>Funding</b>					
AEF	(116,063)	(116,063)	(116,063)	(116,063)	(116,063)
Council Tax @ 4%	(34,591)	(35,974)	(37,413)	(38,910)	(40,466)
Total Funding	(150,654)	(152,037)	(153,476)	(154,973)	(156,529)
Draft Estimates - Prior to savings	147,307	152,528	158,021	162,215	166,468
Funding Gap /(surplus)	(3,347)	491	4,545	7,242	9,939
Cost Pressures/growth	2,046	529	1,000	1,000	1,000
Contribution to Reserves	200	200	200	200	200
<b>Funding Gap /(surplus)</b>	<b>(1,101)</b>	<b>1,220</b>	<b>5,745</b>	<b>8,442</b>	<b>11,139</b>

\*the above funding gap is prior to Bridging the Gap opportunities being applied

5.1.11 **Treatment of Grants and new responsibilities transferring into the Settlement**

- 5.1.12 The draft estimate figures currently do not include these amounts as transferring into the budget as they were only announced as part of the 2020/2021 settlement. As the grants are transferring into the settlement, they will no longer be received as a specific grant, but instead are built into the AEF funding.
- 5.1.13 The provisional settlement includes the transfer of two specific grants and additional funding totalling £1.122m into the RSG. The impact upon Blaenau Gwent is :-
- £253,000 - funding to assist with the cost pressure relating to the pay award for teachers. This funding covers the costs for 7 months.
  - £822,000 - funding to assist with the costs of the employers contribution to the teacher's pension scheme. This funding covers the costs for 7 months.
  - £47,000 – funding in relation to NHS Funded Nursing care.
- 5.1.14 All Councils will need to consider whether they want to continue to support the activity formerly funded by specific grant and additional funding or use the resources for other purposes. If the Council does not agree to passport funding in this way, there will be a new cost pressure within these budgets.
- 5.1.15 It is proposed that the grants transferring into the settlement are passported to relevant budgets from 2020/21.

***Impact Upon the Individual Schools Budget (ISB)***

- 5.1.16 Passporting the grants transferring into RSG (£1.075m for teachers pay and Pensions) and agreeing to fund the schools cost pressures (£1.16m) identified in Appendix 3 (£0.76m for 5months teachers' pay & pensions and £0.395m for an increase in pupil demographics) will result in an increase to the ISB of approximately 5%, slightly above the increase Council will receive of 4.9%.
- 5.1.17 The table below shows the revised overall position, assuming Council agrees to passport grants transferring into the settlement directly to relevant budgets, as:

5.1.18 **Table 3 – Revised Funding Gap (assuming Grants passported)**

	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000	2023/2024 £'000	2024/2025 £'000
<b>Provisional Funding Gap (Surplus)/Deficit</b>	<b>(1,101)</b>	<b>1,220</b>	<b>5,745</b>	<b>8,442</b>	<b>11,139</b>
<b>Grants transferring into settlement:-</b>					
Teachers pay award	253	253	253	253	253
Employers Pension Contributions - Teachers	822	822	822	822	822

NHS Funded Nursing Care	47	47	47	47	47
<b>Total Grants transferring In</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>
<b>Revised Funding Gap</b>	<b>21</b>	<b>2,342</b>	<b>6,867</b>	<b>9,564</b>	<b>12,261</b>

5.1.19 **BRIDGING THE GAP – Position Statement**

5.1.20 The table below provides a summary of the current estimated achievement of the Strategic Business Reviews:

5.1.21 **Table 4 – Estimated Achievement of Bridging the Gap Strategic Business Reviews**

Estimated Achievement Range:	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	£'000	£'000	£'000	£'000	£'000
<b>Low</b>	1,465	914	1,346	800	800
<b>High</b>	2,141	1,374	1,856	1,300	1,300

5.1.22 Details of the workstreams within Bridging the Gap have been scrutinised by relevant scrutiny committees during November / December 2019 and were agreed by Council as part of the MTFS (Appendix 4).

5.1.23 It is proposed to factor in the estimated lower level achievement of the proposals into the budget which will result in the funding gap/(surplus) as follows:-

5.1.24 **Table 5 – Funding Gap / (Surplus) After Applying the Bridging The Gap Estimated Achievement**

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	£000s	£000s	£000s	£000s	£000s
<b>Revised Funding Gap</b>	<b>21</b>	<b>2,342</b>	<b>6,867</b>	<b>9,564</b>	<b>12,261</b>
BTG low current year	(1,465)	(914)	(1,346)	(800)	(800)
BTG prev. year		(1,465)	(2,379)	(3,725)	(4,525)

<b>Final funding Gap/(surplus)</b>	<b>(1,444)</b>	<b>(37)</b>	<b>3,142</b>	<b>5,039</b>	<b>6,936</b>
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5.1.25 Further budget considerations:-

5.1.26 The better than anticipated settlement will enable the consideration of a number of other factors, in balancing the budget for 2020/2021 and beyond.

5.1.27 ***Transfer to Earmarked Reserves***

It is proposed that the achievement of Bridging the Gap which exceeds the budget requirement be transferred into an earmarked reserve to support medium term financial planning, specifically for the later years of the Medium Term Financial Strategy.

5.2 **Risk including Mitigating Actions**

5.2.1 *MTFS Outcomes are not delivered as expected* – this risk will be mitigated by regular monitoring of proposals, which will also be reported through the quarterly budget monitoring reports to the Joint Budget Scrutiny Committee and Executive.

5.2.2 *Council may fail to set a balanced budget within the legal timeframe.* This will be mitigated by ensuring that Members consider the budget in February 2020.

5.2.3 *If grants and new responsibilities are not passported through to services, this will result in budget pressures in the next financial year.* This can be mitigated by Members agreeing to passport the financial resources identified.

5.2.4 *If Welsh Government does not provide indicative figures for Revenue Support Grant into the medium term, there is a risk that budget planning will be adversely affected.* This risk can be mitigated somewhat by robust medium term financial planning.

5.2.5 *There is a risk that Brexit will have an adverse financial impact on the procurement of goods and services.* This risk can be mitigated through the governance processes that the Council has introduced to monitor the impact of Brexit.

5.3 **Legal**

5.3.1 The Council has a legal duty to set a balanced budget.

5.4 **Human Resources**

5.4.1 The positive provisional settlement combined with the opportunities identified in the Bridging the Gap programme means that the Council is able to invest in key priorities and avoid cuts to services.

5.4.2 Consequently, only 2 post reductions have been identified within the 2020/21 budget and it is anticipated these will be achieved through voluntary redundancies. There will be service change implications arising from the continued commercial activity and transformation of services, which may impact upon staff in the future, however no compulsory redundancies are envisaged at this stage.

## 6. **Supporting Evidence**

### 6.1 *Performance Information and Data*

#### 6.1.1 **Revenue Budget 2019/20 – Half Year Position**

At the end of September 2019, i.e. the half year position for the current financial year, Portfolios and Committees forecast a relatively small end of year over spend of £7,000.

#### 6.1.2 **General Revenue Reserves 2019/20 – Half Year Position**

As at the end of September 2019 it is forecast that the General Reserve will increase from the 31<sup>st</sup> March 2019 level of £5.89million, to £6.14 million. This addresses the improvement needed in reserves which was highlighted by the Wales Audit Office in the Annual Audit Letter and supports the strengthening of the Council's financial resilience.

### 6.2 **Expected outcome for the public**

6.2.1 The proposed budget will enable the Council to protect front line services and jobs, to invest in its priority areas and to continue its work to become a more commercial and resilient organisation.

### 6.3 **Involvement (consultation, engagement, participation)**

6.3.1 The Council's approach to financial planning and the better than expected Welsh Government budget settlement means that there will be no impact on frontline services in the financial year 2020-21. As a result, the consultation on the budget focuses on people's views on the proposed Council Tax increase for 2020/21.

### 6.4 **Thinking for the Long term (forward planning)**

6.4.1 The Council is moving to medium to long term financial planning. This is evidenced by the following:-

- Budget proposals will be considered on a five year rolling programme basis.
- The MTFs as agreed by Council in December 2019 covers the period 2020/2021 to 2024/2025 and will roll forward one year, every year. Assuming that all recommendations included within the report are agreed, a high level revised MTFs has been produced at Appendix 5,

demonstrating a balanced budget for 2020/2021 and a balanced high level indicative budget for 2021/2022.

- Proposals within the Bridging the Gap programme are taking a long term view of opportunities for development.
- The current capital programme covers the period 2019/2020 to 2025/2026 and will roll forward by one year (as a minimum) every year.

## 6.5 **Preventative focus**

6.5.1 An increasing proportion of the Council's budget is invested into early intervention and prevention activities to prevent the escalation into more complex, high cost services.

## 6.6 **Collaboration / partnership working**

6.6.1 The report and accompany information has been developed in partnership with budget holders across all service areas.

## 6.7 **Integration(across service areas)**

N/A

## 6.8 **EqlA(screening and identifying if full impact assessment is needed)**

6.8.1 Screening has been undertaken on the Bridging the Gap proposals.

## 7. **Monitoring Arrangements**

7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

7.1.1 Wider Corporate leadership Team, political groups, Joint Budget Scrutiny, Executive and Council.

### **Background Documents /Electronic Links**

- Appendix 1 – Welsh Government Letter Revenue and Capital Settlement
- Appendix 2 – Changes to AEF 2018-2019 to 2019-20 by Local Authority
- Appendix 3 – Medium Term Financial Strategy 2020/21 to 2024/25 – Cost Pressures
- Appendix 4 – Bridging the Gap – Proposed Savings 2020/21
- Appendix 5 – Medium Term Financial Strategy – Based on the Provisional Settlement





Our ref: MA/JJ/5755/19

To:  
Leaders of County and County Borough Councils in Wales

Copied to:  
Chief Executives and Directors of Finance, County and County Borough Councils in Wales  
Chief Executive and Director of Finance, Welsh Local Government Association

16 December 2019

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2020-21 for county and county borough councils in Wales through a Cabinet Written Statement. This is attached for your information.

This announcement outlines my intention to set local government core revenue funding for 2020-21 at £4.474 billion. I am pleased this means, **after adjusting for transfers, overall core funding for local government in 2020-21 will increase by 4.3 per cent on a like-for-like basis compared to the current year.** While this does not mean austerity is over and there are, I know significant pressures, I hope that this significant increase can help you support and continue local critical and valued services.

Funding for schools has been a particular consideration of our budget discussions this year. Within this settlement, **we have provided funding for additional costs arising from the UK Government's announced changes to employer pension contributions. We have also provided funding for additional costs arising from the 2019/20 teachers' pay deal for the remainder of the academic year and have provided funding beyond this to recognise the future impacts of teachers' pay awards which will come into effect from September 2020.** We are also continuing to provide funding for our proposals for new eligibility criteria for free school meals, given the continued rollout of Universal Credit by the UK Government.

I have given careful consideration to the potential of including a funding floor for this settlement. Given that every authority will see an increase of at least 3% over 2019-20 on a like-for-like basis, I have concluded that a funding floor is not necessary in this particular instance. This will also enable us to reset the settlement base and fund authorities according to relative need, and not to make up for the implementation of historic floors.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The non-hypothecated general capital funding for 2020-21 will be £198 million (including £20 million for public highways refurbishment grant) - an increase of £15 million over that announced in the Final Budget last year. I hope that this additional funding will enable you to respond to the urgent need to decarbonise, in light of the climate emergency declared by the Welsh Government and many councils over the past year.

We have discussed, before, our shared recognition of the need to invest in the supply of housing. Investing in social housing should minimise the pressures on local authority budgets and on homelessness services. Investment in housing can also support the Welsh economy and local economies. I hope that this settlement, capital and revenue, can support you in increasing the scale and pace of housebuilding across Wales.

The draft *Local Government Finance Report* and additional tables containing details of the provisional settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising Revenue Support Grant (RSG) and redistributed Non-Domestic Rates (NDR). As we have discussed through FSG, we are also providing information on revenue and capital grants which are planned for 2020-21. This information will be further updated for the final settlement.

The delay in the publication of the provisional settlement has enabled us to draw on the latest tax-base figures for 2020-21, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base.

This settlement provides you with the most stable platform I can offer for planning your budgets for the forthcoming financial year. I fully appreciate the pressures local government is facing and am committed to shielding local government from the worst effects of austerity. This is a good settlement that should alleviate some of the pressures that you had been anticipating and offers an opportunity for local government to plan for the future. While I can't guarantee that there will be no changes between the provisional and final settlements, due to the financial uncertainty that comes with a new UK Government, I can assure you that I do not intend on making any significant changes to the methodology or the data underpinning the distribution of this settlement.

My announcement today launches a 7-week period of formal consultation on the provisional local government settlement for 2020-21. I would be grateful if you could ensure your response arrives no later than **Monday, 3 February 2020**. All responses to this consultation should be sent to:

Simon Edwards  
Local Government Finance and Workforce Partnerships Division  
Welsh Government, Cathays Park, Cardiff, CF10 3NQ.  
Or email: [LGFPSettlement@gov.wales](mailto:LGFPSettlement@gov.wales).

Comments are invited about the effects (whether positive or adverse) the proposed settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed settlement could be formulated or revised to have positive effects, or decreased adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Local authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

Authorities also need to take account of your duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2020-21.

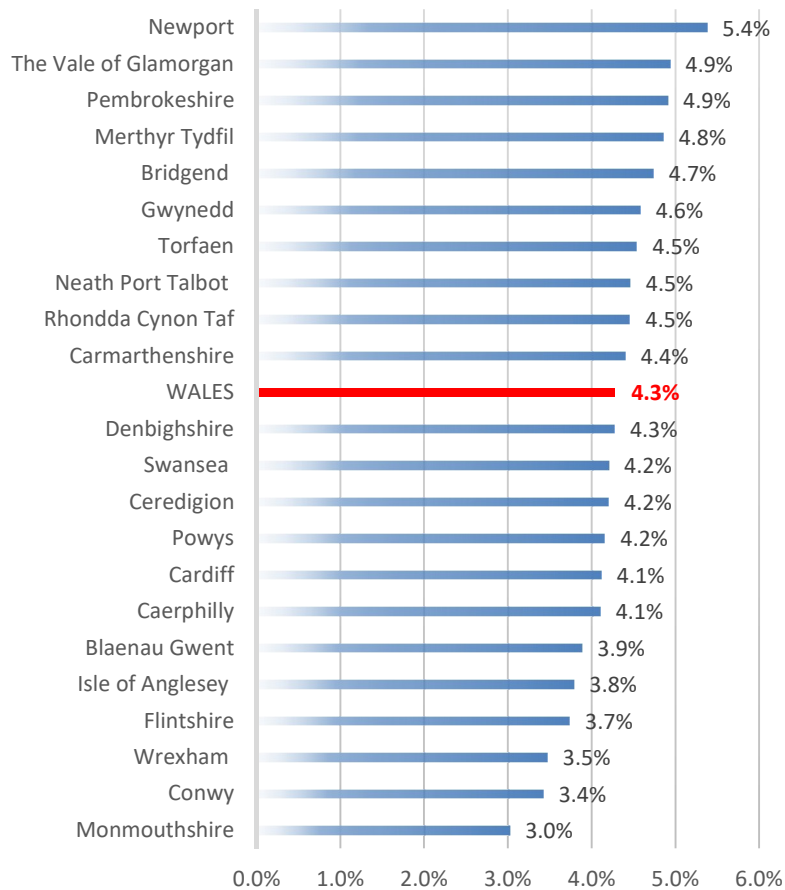
This provisional settlement provides you with the information you need to plan your budgets for 2020-21 and to consider how best you engage with your local communities in formulating your proposals and making budget decisions.

Yours sincerely

**Julie James AC/AM**  
Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government

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## Changes to AEF, 2018-19 to 2019-20 by local authority



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**MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2024/25 - COST PRESSURES**

PORTFOLIO	SERVICE	2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
<b>COST PRESSURES</b>						
<b>Corporate Services</b>						
	Housing Benefit	107,000				
		<b>107,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Social Services</b>						
	Community Care	-	162,000			
		<b>-</b>	<b>162,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Education</b>						
	Teachers Pay & Pensions	766,000				
		<b>766,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Environment</b>						
	Cemeteries	50,000				
	Sustainable Waste Management Grant Reduction	85,000				
		<b>135,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Planning</b>						
	Review of LDP		133,000			
	Development of SDP	27,000	-	-	-	-
		<b>27,000</b>	<b>133,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>All Portfolios</b>						
	Cardiff City Deal	16,800	34,500			
	Loan Interest Costs Highways Prudential Borrowing funding	108,000	200,000			
		<b>124,800</b>	<b>234,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXISTING COST PRESSURES</b>		<b>1,159,800</b>	<b>529,500</b>	<b>-</b>	<b>-</b>	<b>-</b>

**GROWTH**

<b>Education</b>	Pupil Population	229,500		182,000		152,200
	Pupil Population at Pen y Cwm	165,000				
		<b>394,500</b>	-	<b>182,000</b>	-	<b>152,200</b>
<b>All Portfolios</b>	Transformation Budget	<b>492,000</b>	-	-	-	-
<b>TOTAL GROWTH</b>		<b>886,500</b>	-	<b>182,000</b>	-	<b>152,200</b>
<b>OVERALL TOTALS</b>		<b>2,046,300</b>	<b>529,500</b>	<b>182,000</b>	-	<b>152,200</b>



## Bridging the Gap - Proposed Savings 2020/2021

Saving Proposal	Low Estimated Achievement	Potential Impact on Post Numbers
<b>Overall Savings target</b>	£ 1,465,000	
<b>1 Third Party Expenditure</b>	550,000	
a Contract Management - Removing of Inflation applied to the Draft Estimates	500,000	
b Early Settlement Terms / Increased use of the Procurement Card	50,000	
<b>2 Fees &amp; Charges</b>	200,000	
a Stretched Income Targets	105,185	
b Increase in Fees & Charges of 5.5% from April 2020	94,815	
<b>3 Property &amp; Asset Review</b>	130,000	
Corporate Landlord - Reduction in the Rates & Maintenance Budgets following the CAT transfer / Selling/demolition:		
a Worcester St - £13,630 Brynmawr District Office - £24,730 Greenacre - £1,600	73,000	
b Corporate Landlord - Reduction in the Rates & Maintenance Budgets re: Buildings to be sold: Bryngwyn Primary & Queen St Primary - £18,000	18,000	
b Corporate Landlord - Review of rates paid and rateable values		
c Review of leasehold payments		
d Increase income re: Land and other charges	3,760	
e Net reduction in Anuerin Leisure Trust management fee	28,000	
e Energy Costs - Reduction in budget due to efficiency savings identified following implementation of RE:FIT		
- Corporate Landlord Buildings	7,240	
- Street lighting	tbd	
<b>4 Growth Strategy</b>	220,000	

Saving Proposal	Low Estimated Achievement	Potential Impact on Post Numbers
a Council Tax - Increase in collection following the removal of the Empty Property Discount	170,000	
b Council Tax Income	50,000	
<b>5 Industrial Portfolio Review</b> - Review of service charges and insurance to pass onto Tenants - Increase income through Investment of capital funding to upgrade units	100,000	
<b>6 Commercial Waste</b> Service review - implementation 1/4/2020	23,000	
<b>7 Low Carbon</b> Removal of the Carbon Reduction Commitment Budget	138,000	
<b>8 Work Place Transformation</b> Cost reduction Measures - ICT Budget - Rationalising systems - Managing Suppliers - Review of printing, scanners, postage etc - Review of telephony	50,000	
<b>9 Income Recovery</b> Review of Income Recovery activities	54,000	2.00
<b>TOTAL POTENTIAL SAVINGS</b>	<b>1,465,000</b>	-
<b>TOTAL ACHIEVEMENT</b>	<b>1,465,000</b>	

## MEDIUM TERM FINANCIAL STRATEGY -BASED ON THE PROVISIONAL SETTLEMENT

	2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
<b>Draft Expenditure</b>					
Draft Estimates	147,307	152,528	158,200	160,070	159,799
Grants transferred in	1,122	1,122	1,122	1,122	1,122
Revenue Grants	22,170	22,170	22,170	22,170	22,170
Assumed Savings	0	179	(2,324)	(4,524)	(2,694)
Cost Pressures / Growth	2,046	529	1,000	1,000	1,000
<b>Adjusted Draft Budget</b>	<b>172,645</b>	<b>176,528</b>	<b>180,168</b>	<b>179,838</b>	<b>181,397</b>
<b>Funding</b>					
AEF	116,064	116,064	116,064	116,064	116,064
Council Tax	34,590	35,970	37,410	38,910	40,465
Revenue Grants	22,170	22,170	22,170	22,170	22,170
<b>Total Funding</b>	<b>172,824</b>	<b>174,204</b>	<b>175,644</b>	<b>177,144</b>	<b>178,699</b>
<b>Funding Gap / (Surplus)</b>	<b>(179)</b>	<b>2,324</b>	<b>4,524</b>	<b>2,694</b>	<b>2,698</b>
Contribution to reserves	200	200	200	200	200
<b>Adjusted Funding Gap / (Surplus)</b>	<b>21</b>	<b>2,524</b>	<b>4,724</b>	<b>2,894</b>	<b>2,898</b>

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