

To: Chair and Members of the County Council

Date: 4 September 2014

Direct Dial: 01824712589

e-mail: dcc_admin@denbighshire.gov.uk

Dear Councillor

I refer to this agenda for the meeting of the **COUNTY COUNCIL** to be held at **10.00 am** on **TUESDAY, 9 SEPTEMBER 2014** in **COUNCIL CHAMBER, COUNTY HALL, RUTHIN LL15 1YN** and enclose the following Supplemental Report.

**Agenda Item
No**

12 BUDGET 2015/16 - 2016/17 (Pages 5 - 18)

To consider a report by the Chief Accountant (copy to follow) to provide an update of the latest budget position for 2015/2016 – 2016/17

Yours sincerely

G Williams
Head of Legal and Democratic Services

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Report To: County Council

Date of Meeting: 9th September 2014

Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady

Report Author: Richard Weigh, Chief Accountant

Title: Budget 2015/16 – 2016/17

1. What is the report about?

The report outlines the latest budget position and presents Phase 1 of a programme of budget savings for approval in order to deliver the revenue budget for 2015/16 and to begin the process for 2016/17.

2. What is the reason for making this report?

To provide an update of the latest budget position to approve the saving proposals listed in Appendix 1.

3. What are the Recommendations?

To approve the savings listed in Appendix 1.

4. Report details

The majority (around 78%) of the council's funding comes from Welsh Government via the Revenue Support Grant and redistribution of NNDR. In 2014/15, the final Settlement for Denbighshire was £145.170m. The remainder of the council's funding is provided through Council Tax (£42.5m budgeted in 2014/15). Therefore the impact of movement on the Settlement has a much more significant impact than movement on levels of Council Tax.

The Settlement for 2014/15 was reduced by 4.6% from the previous year. This was the biggest reduction in the council's history and the highest percentage reduction in Wales – the Welsh average was 3.5%. The reduction to the council's Settlement was above average because of adjustments arising from the results of the 2011 census. The majority of the funding in the Settlement is calculated by reference to population and government calculations had over-estimated the growth in the local population over a number of years. The impact of this is likely to mean that Denbighshire's funding will be adversely affected for several years.

As part of the 2014/15 Settlement, Welsh Government indicated that the council's funding would reduce by 2.54% in 2015/16 (the Welsh average being a reduction of 1.6%). In June, the Local Government Minister announced that

local government should plan for cuts of 4.5% in 2015/16. It is not clear if 4.5% would be the average or the maximum. The council maintains a Medium Term Financial Plan and builds in assumptions about government funding, Council Tax and cost pressures. The uncertainty around government funding makes the task of financial planning extremely difficult as it has such a significant impact. For example, the table below illustrates the cash impact of the range of possible outcomes discussed above in respect of the 2015/16 Settlement:

Settlement Impact		Range	-1.60%	-2.54%	-4.50%	-5.00%
<u>2014/15</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
DCC Settlement	145,170	2015/16	142,847	141,483	138,637	137,912
		Cash Reduction	2,323	3,687	6,533	7,259

The council's approach to setting its revenue budget for the past four years has been to incrementally reduce costs based on saving proposals from services and corporate budgets. The proposals were presented to elected members and on the whole, have all been accepted. The process has worked well and delivered successful budgets - but it has now run its course. In February, the council began to develop a new approach to budget setting to deal with the likely cuts ahead. The process began with a saving target of £12-£14m over the next two financial years but this target has been amended to £18m following the Minister's announcement in June.

The table below shows the savings requirement at various levels of Settlement:

	Draft Settlement Wales Avg.	Savings Required £'000	Draft Settlement DCC	Savings Required £'000	Post June 24th	Savings Required £'000
2015/16	1.60%	4,895	2.54%	6,260	4.50%	9,105
2016/17	2.00%	6,016	2.00%	6,016	4.00%	8,873
		10,911		12,276		17,978

The new budget process is named Freedoms & Flexibilities and is a significant change to the council's approach to budget setting. The process analyses each service down to individual budget lines to assess what functions each service performs, how much these cost and whether they are statutory or legal requirements and/or corporate priorities. Each service had an initial review with lead members and CET and the outcomes, as well as the detailed analysis of the budget, has been made available to all elected members. So far, four well-attended budget workshops have taken place where members have considered the outcomes from the Freedoms & Flexibility process as well as having the opportunity to raise questions about anything else in service budgets. A further six workshops have been arranged.

At the workshops, members were asked to consider proposals they under the categories of 'adopt', 'develop' or 'defer'. Appendix 1 to this report highlights the saving proposals from the first four workshops where there was support to 'adopt'. Other proposals will be considered further at workshops in October and December. A graph showing the impact of the saving proposals in this report against the target is shown as Appendix 2. A summary of the budget process is included as Appendix 3.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The council may need to deliver savings of up to £18m over the next two financial years.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

An EqIA will be considered and completed by services for all relevant proposals.

8. What consultations have been carried out with Scrutiny and others?

There has been significant consultation around the budget process and it has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. By the end of the process, there will have been at least ten budget workshops held with elected members.

The Corporate Governance Committee has an oversight role and has received reports to each of its meetings since April. Appendix 4 outlines the internal consultation that has taken place and further consultation that is proposed.

In addition, consultation over individual proposals will take place with trade unions over the coming months. As the process develops, it may become necessary to consult publically on certain proposals.

Impact assessments for each proposal will be available as supporting papers on the Modern.gov system.

9. Chief Finance Officer Statement

This will be an extremely challenging process with some tough decisions to make along the way. The engagement and support of elected members in the decision making and scrutiny of the process is crucial.

10. What risks are there and is there anything we can do to reduce them?

This is the most challenging financial period the council has faced and failure to deliver an effective budget strategy will put further pressure on services in future financial years.

11. Power to make the Decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

Appendix 1

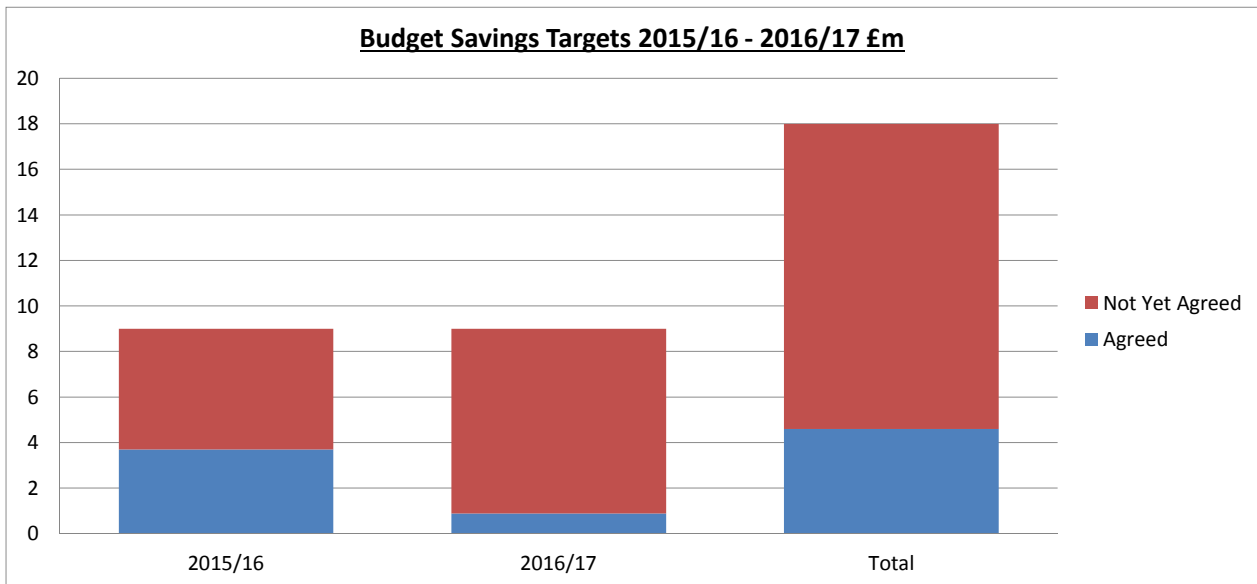
Saving Proposals Phase 1		Ref.	<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>
Service				
Highways & Environment				
Street Cleansing - reduce activity	H&E12	100		
Increase Cemetary Charges	H&E09	50		
Reduce Rights of Way activity	H&E08	71		
Reduce Road Safety Programme	H&E17	50		
Reduce Street Lighting Inspections	H&E18	5		
Increase Civil Enforcement Activity (Parking £50k) *	H&E19	0		
Introduce Charges for Green Waste	H&E14 & 15	400		
Communication, Marketing & Leisure				
Restructure of Strategic Leisure	CML02			31
Reduce spend on recruitment advertising in newspapers	CML03	30		
Stop production of paper version of County Voice	CML04	19		
Leisure Centres - further increase income and efficiency	CML06	118		22
Rhyl Pavilion - restructure and introduction of transaction fees	CML07	62		35
Llangollen Pavilion - explore most efficient operating model	CML09			25
Youth Services - changes to open access programme	CML17	28		12
Youth Services - staffing structure	CML19	46		
Education Support				
Remove historic contingency budgets	SCH04	78		
School Inclusion				
Review Additional Learning Needs - removal of external chair moderation	SII06	3		
Behaviour Support - property savings from moving Project 11	SII03	3		
Specialist equipment - reduce budget to match expenditure	SII07	5		
Customer Services				

Website Advertising - scope for additional income	CES01	10	
Finance & Assets			
Finance - modernisation and efficiency	F&A01	60	60
Finance - external funding team, removal of base budget	F&A02	65	
Property - Office Accommodation Rationalisation	F&A03	100	
Property - management restructure	F&A04	80	
Corporate			
Capital Financing & PFI	C&M01	650	100
Energy Efficiency - result of lower consumption and price increases	C&M02	300	
Removal of contingency budgets	C&M03	50	75

Business Improvement & Modernisation			
Community Safety Partnership - review contribution	BIM01	5	
Information Management - service redesign	BIM02	50	
Corporate Improvement Team (corporate review)	BIM03	180	100
Corporate Project Team - increase external charges	BIM04	10	
Partnerships & Communities Team	BIM05	30	
Internal Audit	BIM06	75	
Strategic HR			
Not replacing Head of Service	HR1	50	
Staff Training & Development - greater use of e-learning etc	HR2	15	
Adult & Business Services			
PARIS - electronic Domiciliary Care Invoices	ABS01	37	
Receivership	ABS03	13	
Cefndy Healthcare	ABS08	71	
Workforce Development	ABS04	75	75
Restructure of Locality Services	ABS05	100	
Benefits & Welfare Advice Service Review	ABS07	200	
Children & Family Services			
Staffing Budgets - realign to current requirement	CHS01	150	
ICT Desktop Budget	CHS02	10	
Young Carers - revised contribution to regional service	CHS03	6	
Children with Disabilities - reduction to equipment budget to match spend	CHS05	10	
Adoption support costs	CHS06	20	
National Youth Advocacy Contract	CHS07	10	
Child Protection Training	CHS08	10	
Foster Home Adaptation Project	CHS09		100
Planning & Public Protection			
Planning Policy - prioritise activity and cease doing lowest priority work	PPP02		40
Development Management - increase income revenue for pre application advice	PPP03	45	30

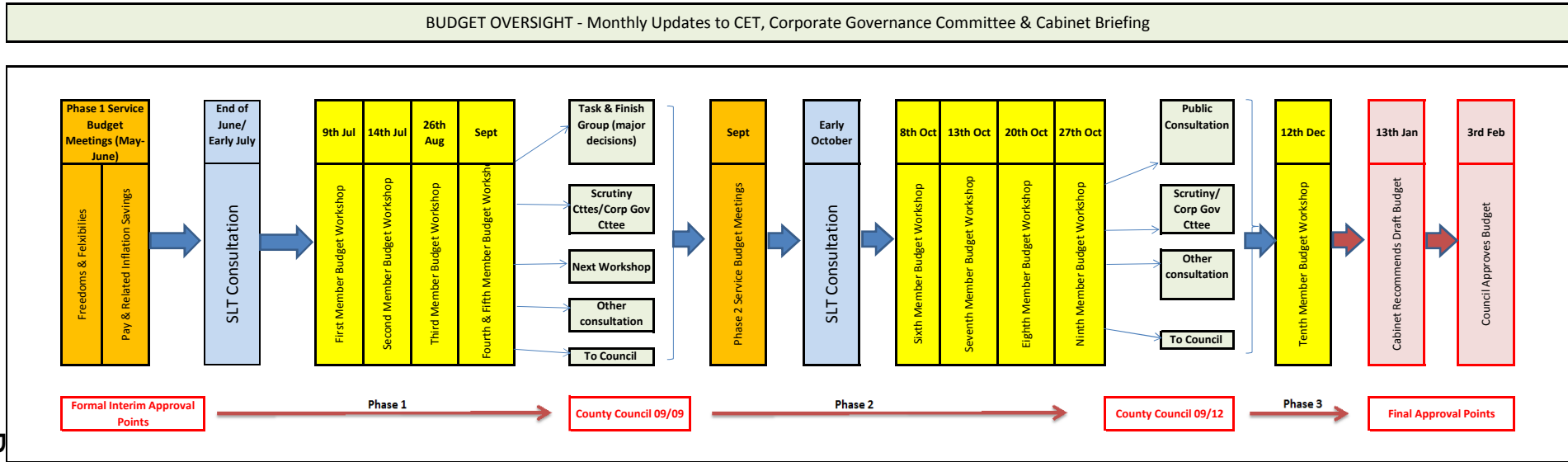
Development Management - reduce training provision to members, T&CCs, etc	PPP04		10
Building Control - revise fee structure (includes a further £35k in 17/18)	PPP05		35
Built Service - review of conservation service	PPP06		50
Public Protection - closure of Pest Control Service	PPP09	95	
Pollution Control - review to consider minimum level of provision	PPP10	20	20
Scientific Services - revert to statutory water testing only	PPP11		50
Trading Standards - stop providing consumer advice	PPP12	45	
Total Phase 1 Savings		3,715	870
<i>* Note the Parking Enforcement saving contributes to an existing budget pressure</i>			

Appendix 2



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BUDGET PROCESS 2015/16



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Appendix 4 – Internal Consultation

Table 1 – Schedule of Freedoms & Flexibilities Service Budget Meetings

Service	Date
Adults & Business Services	7 th May
Business Improvement & Modernisation	13 th May
Communication, Marketing & Leisure	22 nd May
Children & Family Services	29 th May
Legal & Democratic Services	30 th May
Housing & Community Development	5 th June
Schools, School Improvement, Customers & Education Support	17 th June
Strategic HR	25 th June
Planning & Public Protection	25 th June
Finance & Assets	26 th June
Highways & Environment (Part 1)	30 th June
Communication, Marketing & Leisure (Youth Services)	21 st July
Highways & Environment (Part 2)	4 th August
Housing Revenue Account (HRA)	4 th August

Table 2 Key Events & Consultation

Key Events	Dates	Status
Corporate Governance Committee	15 th April 2014	Completed
Council Briefing	28 th April	Completed
First Round of Budget Meetings with Services	7 th May – 4 th Aug	Completed
Update to Cabinet Briefing	12 th May	Completed
CET Review of Process	19 th May	Completed
Update to Corporate Governance Committee	21 st May	Completed
Update to Cabinet Briefing	2 nd June	Completed
Update to Corporate Governance Committee	2 nd July	Completed
Update SLT	3 rd July	Completed
Update to Cabinet Briefing	7 th July	Completed
First Member Budget Workshop	9 th July	Invites Issued
Second Member Budget Workshop	14 th July	Invites Issued
Third Member Budget Workshop	26 th August	Invites Issued
Extra Workshop If Needed	28 th August	Invites Issued
Fourth Member Budget Workshop	2 nd September	Invites Issued
Update to Corporate Governance Committee	3 rd September	
County Council	9 th September	
Fifth Member Budget Workshop	22 nd September	Replaces Council Briefing
Second Round of Budget Meetings with Services	September/early October	
Update to Cabinet Briefing	22 nd September	
Update SLT	2 nd October	
Update to Cabinet Briefing	6 th October	
Sixth Member Budget Workshop	8 th October	Invites Issued
Seventh Member Budget Workshop	13 th October	Invites Issued
Eighth Member Budget Workshop	20 th October	Invites Issued

Ninth Member Budget Workshop	27 th October	Invites Issued
Update to Cabinet Briefing	3 rd November	
Update to Corporate Governance Committee	5 th November	
Update to Cabinet Briefing	8 th December	
County Council	9 th December	
Tenth Member Budget Workshop	12 th December	Invites Issued
Update to Corporate Governance Committee	17 th December	
County Council	3 rd February 2015	