

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.