

Report To: Corporate Governance Committee

Date of Meeting: 17th December 2014

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

Report Author: Richard Weigh, Chief Accountant

Title: Budget Process 2015/16

1. What is the report about?

The report gives an update on the process to deliver the revenue budget for 2015/16.

2. What is the reason for making this report?

To provide an update of the latest position.

3. What are the Recommendations?

To consider the latest update and comment as appropriate.

4. Report details

Since the last update, the budget process has moved to the end of the second phase (Appendix 1 shows the illustration of the budget process for reference).

The table of key events in the process and is shown below:

Table 1 Key Events

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 <ul style="list-style-type: none">Highways & Environment (part 1)	9 th July	Completed

<ul style="list-style-type: none"> • Communication, Marketing & Leisure 		
Second Member Budget Workshop <ul style="list-style-type: none"> • Education/Schools • Customers & Education Support • Finance & Assets • Corporate Budgets 	14 th July	Completed
Third Member Budget Workshop <ul style="list-style-type: none"> • Highways & Environment (part 2) • Business Improvement & Modernisation • Legal & Democratic Services • HR 	26 th August	Completed
Extra Workshop If Needed	28 th August	Not required
Fourth Member Budget Workshop <ul style="list-style-type: none"> • Adults & Business Services • Children & Family Services • Communication, Marketing & Leisure (Youth Services) • Planning & Public Protection 	2 nd September	Completed
Update to Corporate Governance Committee	3 rd September	Completed
County Council	9 th September	Completed
Fifth Member Budget Workshop <ul style="list-style-type: none"> • Housing & Community Development • Corporate Plan 	22 nd September	Completed
Phase 2 proposals developed by services	September/early October	Completed
Update to Cabinet Briefing	22 nd September	Completed
Update SLT	2 nd October	Completed
Update to Cabinet Briefing	6 th October	Completed
Sixth Member Budget Workshop <ul style="list-style-type: none"> • Communication, Marketing & Leisure • Schools/School Improvement • School Support • Customers/Education Support 	8 th October	Completed
Seventh Member Budget Workshop <ul style="list-style-type: none"> • Highways & Environment 	13 th October	Completed
Eighth Member Budget Workshop <ul style="list-style-type: none"> • Planning & Public Protection (CCTV) • Children & Family Services 	20 th October	Completed

<ul style="list-style-type: none"> • Adults & Business Services 		
Ninth Member Budget Workshop <ul style="list-style-type: none"> • Finance & Assets • Legal, HR and Democratic Services • Economic & Business Development 	27th October	Completed
Update to Cabinet Briefing	3rd November	Completed
Update to Corporate Governance Committee	5th November	Completed
Update to Cabinet Briefing	8th December	Scheduled
County Council	9th December	Scheduled
Tenth Member Budget Workshop	12th December	Invites Issued
Update to Corporate Governance Committee	17th December	
County Council	3rd February 2015	

The council's budget strategy had previously identified a budget gap of up to £18m over two years. This was primarily driven by indications that the council's funding settlement would be cut by 4.5%. The Provisional Local Government Settlement was published on 8th October. The Settlement indicates that the cash reduction to the council's budget will be 3.7% which equates to £5.3m. With cost pressures the council has to fund, such as pay, pensions and energy increases, the budget gap for 2015/16 is now approximately £8.3m and estimated to be approximately £8.8m in 2016/17 - £17.1m in total.

An analysis of the movements in assumptions between the September and end of November is included as Appendix 2. The appendix outlines the impact of changes as a result of the Provisional Settlement, including the impact of grants transferring in and out of the Settlement and shows the movement in cost pressure assumptions over the period. It should be noted that the assumptions change on a regular basis and this is illustrated by the movement over the last three months with includes assumptions for pension strain costs, fire service levy and pay award costs changing. Appendix 3 shows tables extracted from the Provisional Settlement to highlight the following:

- Table 1 shows the adjusted base with a 3.7% reduction
- Table 2 shows how the base was adjusted by transfers in and out of the Settlement
- Table 3 shows further transfers included in the Settlement but not specifically funded
- Table 4 shows a list of grants between 2014/15 and 2015/16

Table 4 is included to highlight the issue reported last month regarding the Intermediate Care Fund (ICF) and the Regional Collaboration Fund (RCF).

The RCF was set up in 2013/14 as a 3-year grant to fund regional collaboration projects and totalled £10m across Wales. In 2014/15, around half of this was diverted as part of a £50m fund (ICF) to promote better integration between health and social care. The Provisional Settlement shows the ICF ending, but it includes approximately £5m of previous RCF money which is funding a number of projects that have another year to run.

The Final Local Government Settlement for 2015/16 is due to be published in early December. A verbal update on the Final Settlement will be provided at the meeting.

The second phase of the budget process will conclude with proposals being taken to Council for approval on 9th December. The proposals total £3.6m in 2015/16 and £1.8m in 2016/17 and with the proposals approved by Council in September, result in proposals totalling £7.3m in 2015/16 and £2.7m in 2016/17.

A verbal update will be provided in respect of any issues relating to the budget process arising from the Council meeting on 9th December.

Phase 3 of the budget process will consider final proposals to balance the 2015/16 budget, including options for Council Tax and any use of reserves. These issues are due to be discussed at the member workshop on 12th December before the final approval of the budget in February. Phase 3 of the process will also continue to develop savings options for 2016/17.

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 approximately £17m 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 completed for all relevant proposals as the process develops.

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

The report to Council on 9th December highlighted the significant consultation process built into the process. This includes:

In addition to regular reports on the process to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Two of the individual proposals have also been considered by scrutiny committees – these are CCTV (PPP08) and

Provider Services (ABS02). The latter proposal has also been the subject of a specific Task & Finish Group set up by the Performance Scrutiny Committee to examine options for delivering high quality care services.

By the end of the 2015/16 budget setting process, there will have been at least ten budget workshops held with elected members to examine service budgets and consider budget proposals.

Details about the purpose and responses to the 'Cutting Our Cloth' public engagement exercise - which has yielded 822 survey responses and over 5,000 website hits.

In addition to the public engagement exercise, the council had informed all Town and Community councils about the proposed cuts and hosted a meeting for all the councils to discuss and debate the proposals. There are ongoing discussions between some of the county council's services and some Town councils about the impact of the proposals and whether or not the Town councils would consider funding some of the activities if the cuts are made. These discussions are continuing.

The council has consulted its partners, through the joint Local Service Board, and there has been a meeting between Police colleagues and senior council officers to start exploring possible alternatives to the CCTV cut, if it is made. These discussions will continue if the proposals become decisions.

All members of staff have been kept informed about the budget setting process and where proposals become decisions the affected staff will be fully consulted, in accordance with the council's HR policies and procedures.

Trade Unions have been consulted through Local Joint Consultative Committee. A process for engaging with staff and their TU representatives was agreed at LJCC in September and is being adhered to.

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.