

Report To: Cabinet

Date of Meeting: 13th January 2015

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

Report Author: Richard Weigh, Chief Accountant

Title: Budget 2015/16 (Final Proposals - Phase 3)

1. What is the report about?

The report outlines the latest budget position and presents the final phase of a programme of budget savings and other measures for recommendation to council in order to deliver the revenue budget for 2015/16. The report includes a proposed level of increase to Council Tax and use of general balances.

2. What is the reason for making this report?

The Council is legally required to set a balanced and deliverable budget before the start of each financial year and to set the resulting level of Council Tax to allow bills to be sent to residents.

To formalise a proposal that emerged from a budget workshop held on 12th December that the delivery of the Corporate Plan takes priority in future budget setting rounds.

3. What are the Recommendations?

That Cabinet supports the budget proposals for 2015/16 as shown in Appendix 1 and recommends accordingly to full Council.

To recommend to Council the resulting Council Tax increased of an average of 2.75% in 2015/16.

To recommend to Council that £500k of general balances are used to support the revenue budget for the next three financial years.

To recommend to Council that the delivery of the Corporate Plan takes priority in future budget setting rounds.

4. Report details

Analysis of Draft Local Government Settlement and the consequences for the council indicated that savings of £8.3m would be required in 2015/16. The saving target included a reduction to the Revenue Support Grant of £5.3m and unavoidable cost pressures of approximately £3m.

The first two phases of the budget process have identified savings of £7.3m for 2015/16' leaving a gap of £1m. This is detailed in Appendix 1. The Final Settlement was received on 10th December and was broadly similar to the Draft but this and a number of other changes impact upon the funding gap and these are:

- The reduction to the Final Settlement is 0.016% lower than the Draft, equating to a benefit of £23k
- Expected reductions to specific grants (PFI and Council Tax Administration Grant) have been confirmed in the Final Settlement and will be pass-ported totalling £63k
- The Council Tax Base for all councils is reassessed using more recent data between the Draft and the Final Settlement. The impact of this reassessment is that the rise in the Base is around 0.65% higher than the forecast which equates to approximately £282k
- The increase to the Fire Service Levy is £51k less than the forecast presented to Council by the Fire Service in September. The Fire Service has made savings and used reserves to limit the increase passed to councils

The four items above contribute £419k to saving requirement for 2015/16.

The local government pay award has recently been agreed as a deal effective from January 2015 to March 2016. The headline increase is 2.2% over the period but staff on grades below Grade 11 will receive a higher increase. The cost of implementing the pay award in 2014/15 is less than had been forecast overall, although it is slightly higher than forecast in 2015/16. Over the two years, calculations to estimate the budgetary impact of funding the pay award mean that it is possible to reduce the overall cost pressure by £54k and this reduction can contribute to lessening the budget gap in 2015/16.

Final budget proposals and the level of Council Tax for 2014/15 will have to be agreed by County Council in February 2015. However, at the tenth budget workshop held on 12th December, those members present expressed views informally that supported an average rise in Council Tax of 2.75%. This is the base planning figure used in the Medium Term Financial Plan.

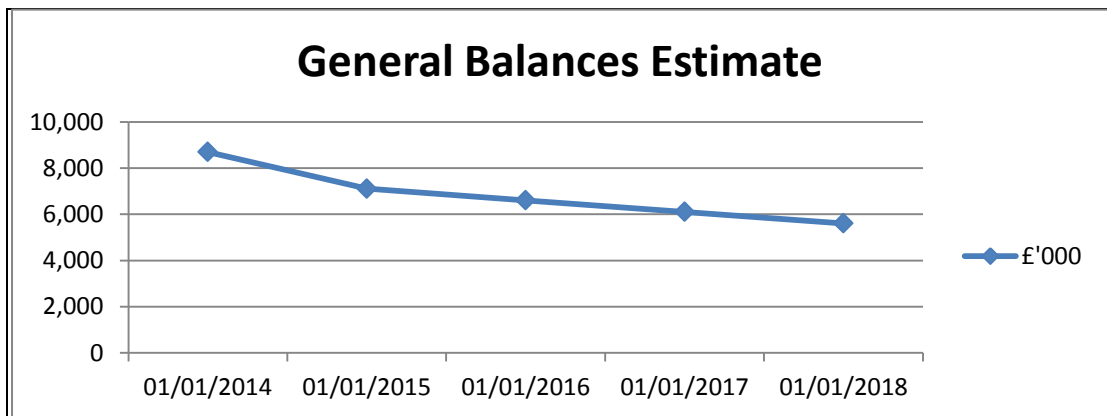
At 2.75%, there is no change to the savings requirement for 2015/16 and with the other proposals in this report, will balance the budget. An increase below 2.75% will result in a further savings requirement and an increase above it will generate additional funding. As the council has to fund the Council Tax Reduction Scheme, approximately 25% of any increase in Council Tax is foregone in reductions provided under the Scheme.

The options and implications were presented at the December workshop in detail and are summarised in Appendix 2.

A further analysis highlighting the impact of this proposal over a range of property bands and income levels is included as Appendix 3.

As part of the 2014/15 budget, it was agreed as a one-off measure to use general balances of £500k to meet the gap in the council's funding requirement. To do this as a one-off would mean that a permanent saving of £500k would have to be found in 2015/16 to bridge this gap. At the December budget workshop, members were presented with an analysis of the council's general balances and a proposal to continue to use £500k to fund the budget for the next three years.

The importance of appropriate levels of balances has been highlighted in recent years with severe weather events as well as an unexpected historic claim from our previous insurance company. In each case the council has been able to respond appropriately in the knowledge that funds are available to pay for any response and subsequent works. With these risks and uncertainties around the future of local government and likely continued reductions to public sector funding, reducing balances further is not the most desirable course of action. However, an assessment of balances in the context of the council's overall revenue budget means that a managed reduction over the next three years is an acceptable approach. The chart below shows the planned reduction in general balances over the next three financial years.



The budget for 2015/16 does not allow for any service specific cost pressures. Inflation has been built into the budget assumptions corporately to include items such as energy, pay and additional employer's pension costs.

Investment in the Corporate Plan is proposed at a level of £500k. The proposed allocation of investment funding for 2015/16 is required to support prudential borrowing and is split as follows:

- Modernising Education/21st Century Schools £400k
- Highways – Road Improvements £100k

The delivery of the Corporate Plan is dependent on both budget and cash resources to facilitate Prudential Borrowing. The current Plan is affordable as long as the resources identified to fund it are available. At the December budget workshop, those members in attendance reiterated a view first expressed when the Corporate Plan was presented at the budget workshop held on 22nd September that the majority present wished to secure delivery of the Plan. The outcome from the December workshop strengthened this view

with a proposal to include a commitment to prioritise the delivery of the Corporate Plan in future budget rounds. In response to this, a formal recommendation is included in this report.

A summary of the Corporate Plan is attached as Appendix 4.

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. The budget proposals contain £500k funding for schools and highways in line with the Corporate Plan and a further proposal to protect the funding required to deliver the Plan.

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

The council may need to deliver savings of approximately £17.1m over the next two financial years. The budget gap for 2015/16 is £8.259m. Savings of £7.286m have been agreed and further proposals in this report total £0.473m. The remainder, £0.5m, will be met from general balances.

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

An impact assessment exercise, including EqIA was completed for each of the budget saving proposals and was presented to council in September and December. An overall impact assessment was also presented to Council in December.

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. There have been ten all-day budget workshops with elected members. Scrutiny committees have reviewed two savings proposals (CCTV and provider services). The Corporate Governance Committee has an oversight role and has received reports to each of its meetings since April. In November, the committee requested further details about two proposals to seek assurance on the transparency of the process.

The report to Council on 9th December outlined in detail the consultation supporting the budget process. This included a detailed analysis of responses to the public engagement exercise. The report also highlighted the following conclusions from the Wales Audit Office following a review of the council's financial planning arrangements:

- The Council has a good track record of delivering identified savings within year against the planned actions that it approved
- The Council's future plans and arrangements to deliver savings are fit for purpose and are being effectively managed

- There are no proposals for improvement or recommendations arising from this review.

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, where requested, attended meetings to clarify the detail behind any of the proposals.

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. The same process also offered the Trade Unions an opportunity to make formal comment on budget proposals before they were considered by Council

9. Chief Finance Officer Statement

This continues to be an extremely challenging process with some tough decisions having to be taken. Approval of the proposals in this report will balance the budget for 2015/16 which is a significant achievement. However, work to develop budget proposals for 2016/17 must continue to ensure the estimated savings target of £8.8m is achieved. The budget process has so far identified proposals totalling £2.7m for 2016/17 so there is a significant gap still to fill. Budget workshops have been arranged in February and March to continue the process. The continued engagement and support of elected members and services in 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.