

Report To: Corporate Governance Committee

Date of Meeting: 27th July 2015

Lead Member / Officer: Councillor Julian Thompson-Hill

Report Author: Richard Weigh, Chief Finance Officer

Title: Budget Process 2016/17

1. What is the report about?

The report gives an update on the process to deliver the revenue budget for 2016/17.

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

The first two member budget workshops considering saving proposals for 2016/17 took place on 23rd February and 26th March. These two sessions focussed in the main on proposals that were deferred from previous budget workshops and those proposals upon which there was consensus were taken to Council and approved on 7th July. These proposals totalled £650k and were focussed on efficiency and modernisation. A further set of measures totalling £640k was presented to Council at the same time for information outlining the savings generated by management decisions within services (restructures, not replacing vacant posts, etc.). A further proposal submitted by members was also approved and may save up to £900 per year.

For all proposals, impact assessments were made available on the Modern.gov system prior to the publication of the council papers. At the Council meeting, some members' highlighted difficulty accessing the impact assessment information and the process for doing this will be reviewed as a consequence.

Prior to submission to full Council, the proposals were considered at Local Joint Consultative Committee and no concerns were raised.

A budget workshop was held on 5th June and focussed on financial planning and economic forecasts. It set out some of the national considerations that will impact upon the council's budget planning. The session explained that the forecast budget gap for 2016/17 is set at approximately £8.8m and so far (taking account of the package approved by Council on 7th July), proposals

totalling £4m have been approved. Explanation of the assumptions applied was given and highlighted that the most significant of these is the level of Settlement to local authorities in the form of Revenue Support Grant. Every percentage change to the Settlement value equates to approximately £1.4m. There remains a significant level of uncertainty around the likely Local Government Settlement and this is likely to remain the case for the coming months. Until May 2013, Settlement values had been broadly consistent with the forward planning indications published nationally in 2011. Since then, there have been no multi-year settlements and indications have changed consistently between and within financial years. In the absence of more reliable Settlement information, budget plans must continue to develop proposals to cover a range of different scenarios.

The impact of the Summer Budget announcements on devolved administrations is not yet clear. A spending review is planned to take place in the autumn which will inform the level of Block Grant to Wales. It is understood there will also be a review at a Welsh Government level and following this the detail of the Local Government Settlement will emerge. There are some indications that suggest the Welsh Block Grant may be broadly flat in cash terms for the next two years but there will be policy decisions then to inform the distribution between the two most significant Welsh national budgets: local government and health.

The Draft Settlement for local government is usually published early in October but given the two spending reviews noted above it could be that the Draft Settlement is published later this year.

A series of budget meetings has been held with services reviewing budgets and considering new budget proposals. The June workshop considered an outline of some of the proposals emerging and these will be developed further over the summer. A pro forma has also been issued to elected members to help capture any proposals members would like to put forward for consideration. The pro forma allows for each proposal to be reviewed and assessed by Finance and services and for specific feedback to be provided to the proposer or political group. So far, six proposals have been submitted in this format and all are being assessed.

Budget proposals identified so far will be refined over the summer and presented to the budget workshop arranged for 26th October with the intention to present some to Council for approval in December. It is likely to be necessary to arrange further workshops as the process develops in the autumn. The workshop in December will then focus on final proposals to balance the budget. Following feedback from members, formal minutes will be taken at all budget workshops in future.

All proposals emerging are being assessed by Finance to determine the likely budget impact in 2016/17. This is to ensure that any upfront or replacement costs are factored into the calculation and to provide a financial risk assessment as to whether the timescales are reasonable to achieve either full or part year implementation in 2016/17.

The latest budget process chart is enclosed as Appendix 1.

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 and other measures of approximately £8.8m next financial year.

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?

Previous reports have highlighted in detail the significant consultation process undertaken to deliver the 2015/16 and 2016/17 budgets and these are highlighted again below.

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. Specific proposals have been reviewed by scrutiny committees and one was based on recommendations from a member/officer task and finish group.

By the end of the 2015/16 budget setting process, there were ten budget workshops held with elected members to examine service budgets and consider budget proposals. A further five are arranged to consider proposals to meet the budget gap for 2016/17 and more may be necessary as the process develops.

As detailed in previous reports, there was a public engagement exercise to consider the impact of budget proposals and there are ongoing discussions between some of the county council's services and some Town councils. The council has consulted its partners through the joint Local Service Board and specific discussions have taken place with the Police.

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 remains a difficult 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.

The aim of the budget process is to ensure that the council delivers a balanced budget. Built into the process are a number of review points to ensure that it remains on track and it can be amended if not. The uncertainty over the level of Settlement means that the budget gap estimated may change for 16/17 but this must be viewed in the context of the likelihood that negative Settlements will continue in the medium term.

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.

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. The process as outlined includes sufficient scope to review and amend if necessary. The level of proposals identified in June through both consultation with services and proposals submitted by members will inform how the remainder process continues.

Risk management of the budget process is a key consideration of the Corporate Governance Committee and specific risks have been raised in previous reports. As each proposal is identified, the financial and service risks are identified and highlighted at budget workshops as they are being developed.

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.