

Report To: Corporate Governance Committee

Date of Meeting: 18th November 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 latest progress with the budget setting process was presented to a member budget workshop on 26th October 2015 and is summarised in the list below. The presentation (enclosed) detailed the following

- Impact of the Summer Budget
- UK Spending Review (due 25th November 2015) and the possible impact for devolved administrations
- The impact of national policies to protect elements of council budgets
- Key budget planning assumptions with the -4% cash reduction to the council's revenue budget settlement being the most significant
- The impact of the final settlement being more or less than -4%
- The impact of Council Tax planning assumptions and context
- The risks around the future funding of specific revenue grants
- Changes to the budget timetable to accommodate the late draft local government budget settlement (due 9th December rather than early October)
- Assurance that any budget proposals going forward to Council for approval in December (i.e. drafted before the budget settlement announcement) would be efficiency measures and not cuts to services or increases in fees and charges.

	£'000
Revised Savings Target	8,003
Savings Agreed	
Phase 1	870
Phase 2	1,785
Phase 3	-
Phase 4	1,290
Total Proposals	3,945
Estimated Gap	-4,058

The latest
budget
planning

assumptions were discussed and are summarised below. The budget gap assumes the Settlement is set at -4%.

So far, proposals totalling approximately £2m have been identified for inclusion in Phase 5 and intended to be taken to Council for approval in December. The reason for taking these proposals for approval before the Settlement announcement is that they are efficiency or modernisation measures, or adjusting budgets to match expenditure or risk.

Explanation of the key assumptions applied to the budget process was provided 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. At this stage, there is no indication of the level of likely Settlement. Analysis of the UK Summer Budget suggests that the Block Grant to Wales could be broadly flat in cash terms over the next two years, partly as a consequence of 'protected' areas of expenditure forming a significant part of the overall 'Block' of funding devolved (mainly health and schools). Therefore, the issue in Wales is the policy at a national level that will inform the distribution of funding between local government and health.

The Draft Settlement for Local Government in Wales is usually published early in October but it will not be issued until 9th December as a consequence of the UK Government Spending Review not being published until 25th November. The Spending Review will determine the level of the Block Grant to Wales.

The late announcement of the Draft Settlement will mean that the budget timetable may need to be refined. The council has to set its budget in time to allow the production and distribution of Council Tax bills in March. Depending on the level of Settlement, it is probable that an extra meeting of the full council will be required to finalise the budget in February.

The Final Local Government Settlement will not be published until 2nd March 2015. Assurances have been provided that there should be no negative movement between the Draft and Final Settlement values. Usually, there are minor data changes between the two but assurances have been provided that these will have been factored into the Draft. Therefore, the council's final budget and Council Tax will have to be set based on the Draft Settlement. Initial legal advice suggests that this is acceptable as long as the Final Settlement is not significantly different from the Draft. The final Welsh Government budget will not be put before the Senedd until 8th March.

Appendix 2 is a letter from Welsh Government/WLGA outlining the timetable and some of the issues. The timetable does present some risks if settlement values change significantly or if there are problems agreeing the budget at a national level. This is being kept under review.

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.

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 process 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 and timing of the 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. The late notification this year poses some risks but these are currently thought to be manageable.

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

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 scope to review and amend if necessary.

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.