

Budget Workshop

26th October 2015

Richard Weigh

Chief Finance Officer

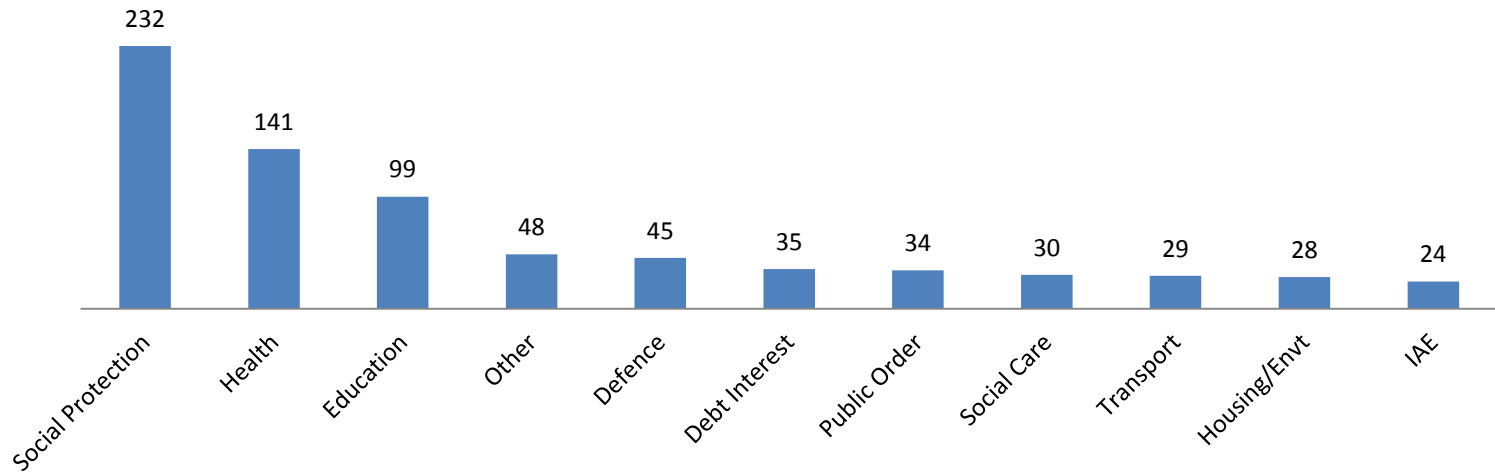
Overview

- Financial Context
- National Issues and Priorities
- Constraints
- Financial Planning Assumptions
- Council Tax
- Savings Target & Scenarios
- Phase 5 Proposals
- Budget Timetable

Financial Context

- UK Budgeted Expenditure 2015/16

UK Govt. Spending Plans 2015/16
£743bn

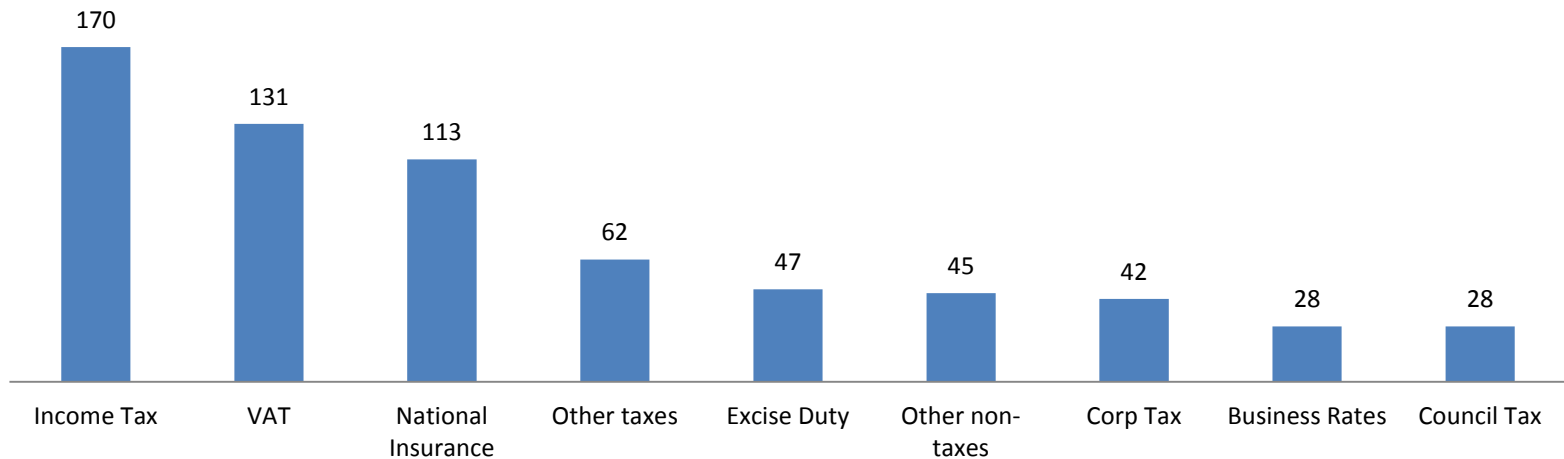


Source :Budget March 2015 HM Treasury

Financial Context

- UK Budgeted Income 2015/16

UK Govt Planned Receipts 2015/16
£666bn



Source :Budget March 2015 HM Treasury

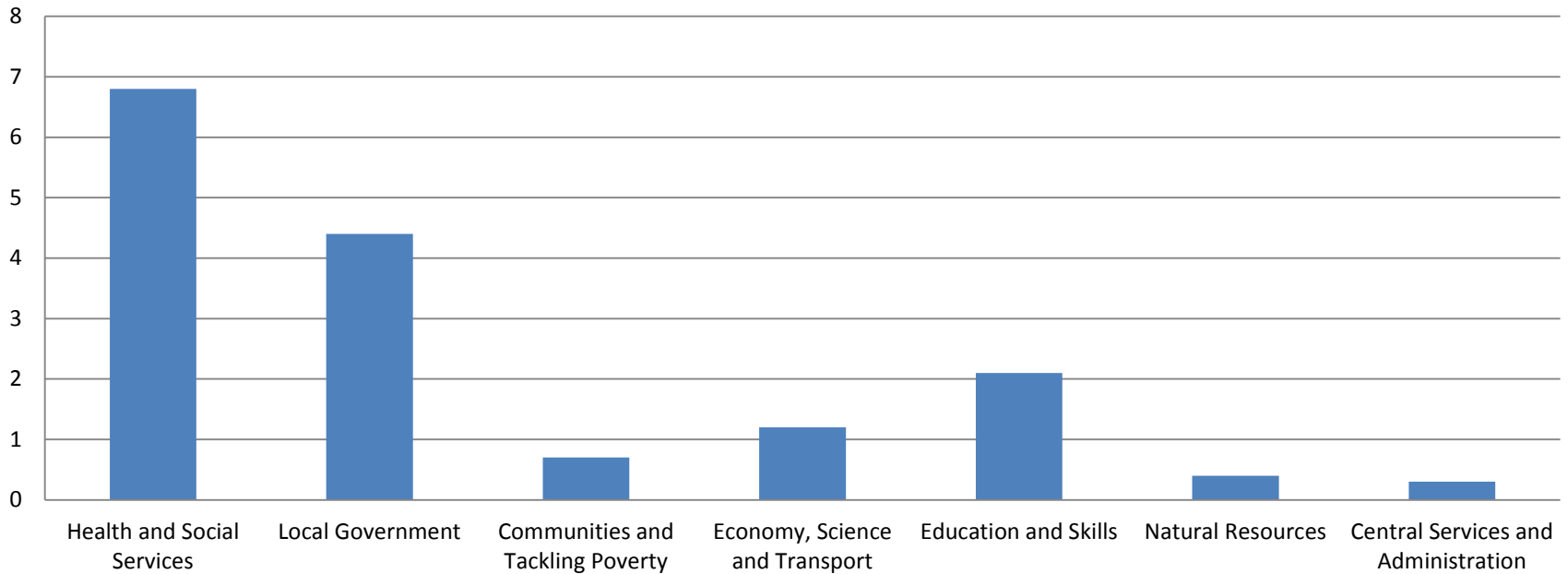
Financial Context

- Summer Budget 2015 Headlines:
 - £16bn Departmental Savings (27%)
 - £12bn Welfare
 - £5bn Tax avoidance measures
 - Budget surplus by 2019/20
 - Protection for education, increases to NHS, defence and international aid
- Impact for devolved administrations?

Financial Context

Welsh Govt. Budget 2015.16 £15.9bn

(Source: Welsh Government Final Budget Dec 2014)



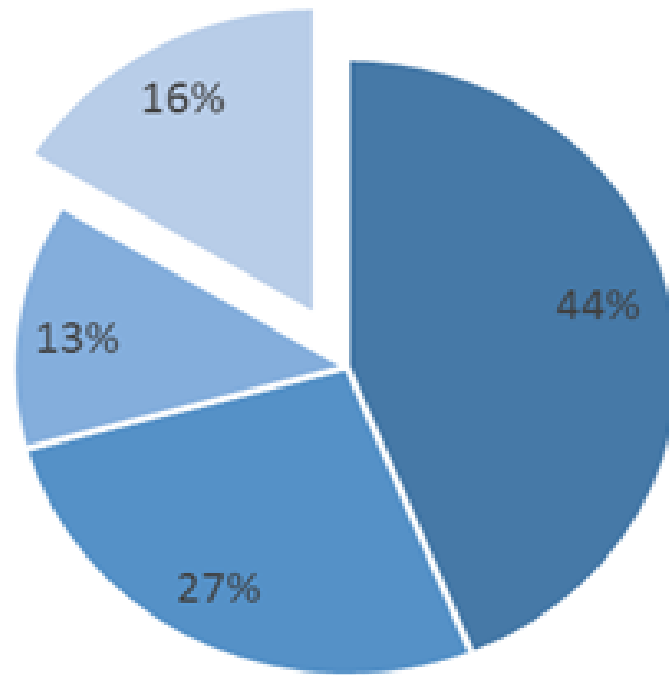
Stargazing

- Barnett consequential and funding floor mechanism indicate a flat cash settlement to Wales (the Block Grant)
- So, can we expect a flat cash settlement to Councils?
- Unlikely.....

National Issues

- NHS waiting times, standards, cancer drugs, A&E.....
- Nuffield – flat cash to the NHS would mean a funding gap of £3.6bn in real terms by 2025
- Protection for Schools and social care?

Welsh Councils – Revenue Expenditure



■ Education ■ Social Services ■ Fixed Budgets ■ Other

Denbighshire Budget

	£'000	% of Net Budget
Net Council Revenue Budget 15/16	184,756	
<u>Protected & Non-Discretionary Elements</u>		
Schools	63,303	34.3
Social Care	40,503	21.9
Capital Financing	12,945	7.0
Precepts & Levies	4,361	2.4
Corporate (Inc CTRS, Supplementary Pension, PFI)	17,263	9.3
	138,375	74.9
<u>Other Services</u>		
Communication, Marketing & Leisure	5,444	2.9
Customers & Education Support	2,751	1.5
School Improvement & Inclusion	3,901	2.1
Business Improvement & Modernisation	3,623	2.0
Legal, HR & Democratic Services	2,414	1.3
Finance & Assets	5,051	2.7
Highways & Environmental Services	18,134	9.8
Planning & Public Protection	2,364	1.3
Economic & Business Development	831	0.4
Corporate Plan	1,868	1.0
	46,381	25.1
<u>Total</u>	184,756	100

Constraints

- 'Controllable' expenditure less than a 1/5th of the total of council budgets at a national level
- These are the budgets most susceptible to general and specific grant cuts
- Councils in Wales much more reliant on specific grants than Scotland or England so cuts to grants will have a bigger impact

Budget Assumptions 16/17

- **Settlement -4%**
- Pay 1% average
- Pensions 8% average
- NI Changes (in 16/17) 26%
- Other corporate assumptions including insurance, fire levy, energy, welfare reform, etc.
- Council tax capped at 5%

Council Tax Impact

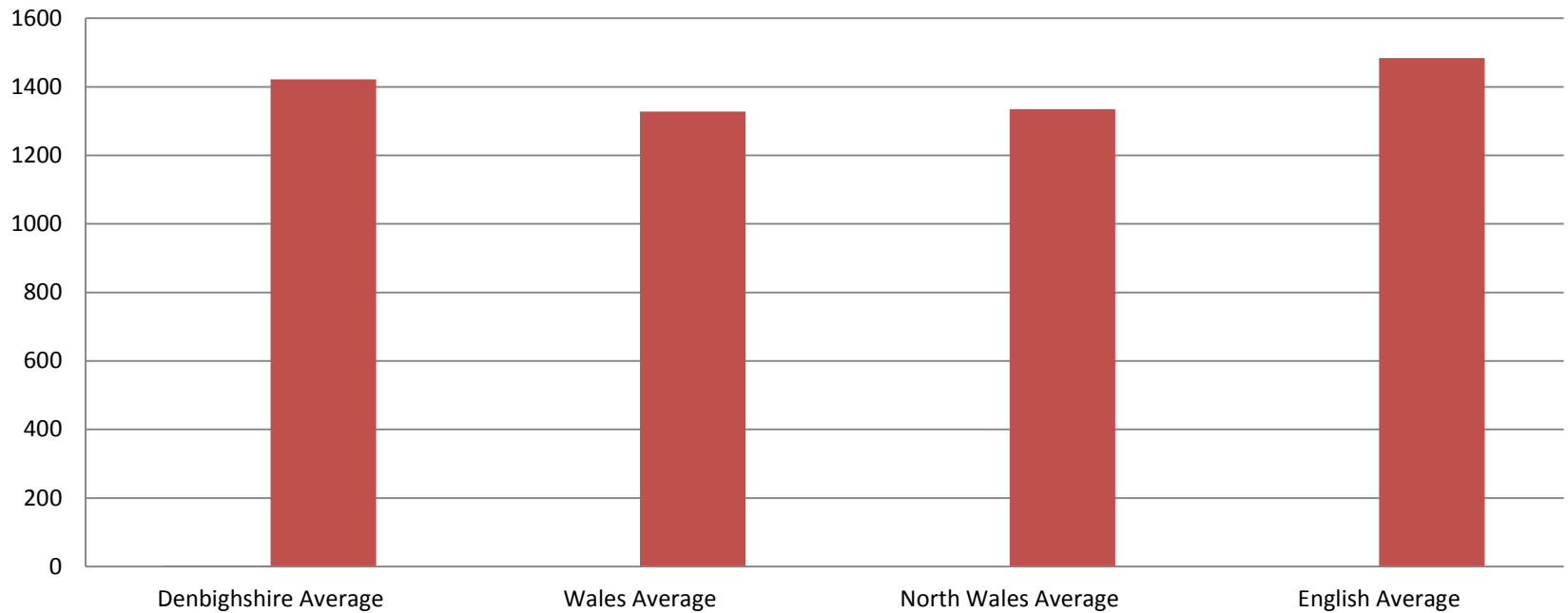
● Council Tax Rise – Assumption 2.75%

	<u>Increase</u>	<u>Gross</u>	<u>C/Tax</u>	<u>Net</u>	<u>Budget</u>	<u>Avg Band D</u>
		<u>Increase</u>	<u>Benefit</u>	<u>Increase</u>	<u>Impact</u>	<u>Annual</u>
	<u>%</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Impact</u>
	0.00%	0	0	0	-876.83	0
	2.00%	850.26	-212.57	637.70	-239.14	£27.60
	2.50%	1,062.83	-265.71	797.12	-79.71	£34.50
Base Case	2.75%	1,169.11	-292.28	876.83	0.00	£37.95
	3.00%	1,275.39	-318.85	956.54	79.71	£41.40
	3.50%	1,487.96	-371.99	1,115.97	239.14	£48.30
	4.00%	1,700.52	-425.13	1,275.39	398.56	£55.20
	4.50%	1,913.09	-478.27	1,434.81	557.98	£62.10
	5.00%	2,125.65	-531.41	1,594.24	717.41	£69.00

Council Tax

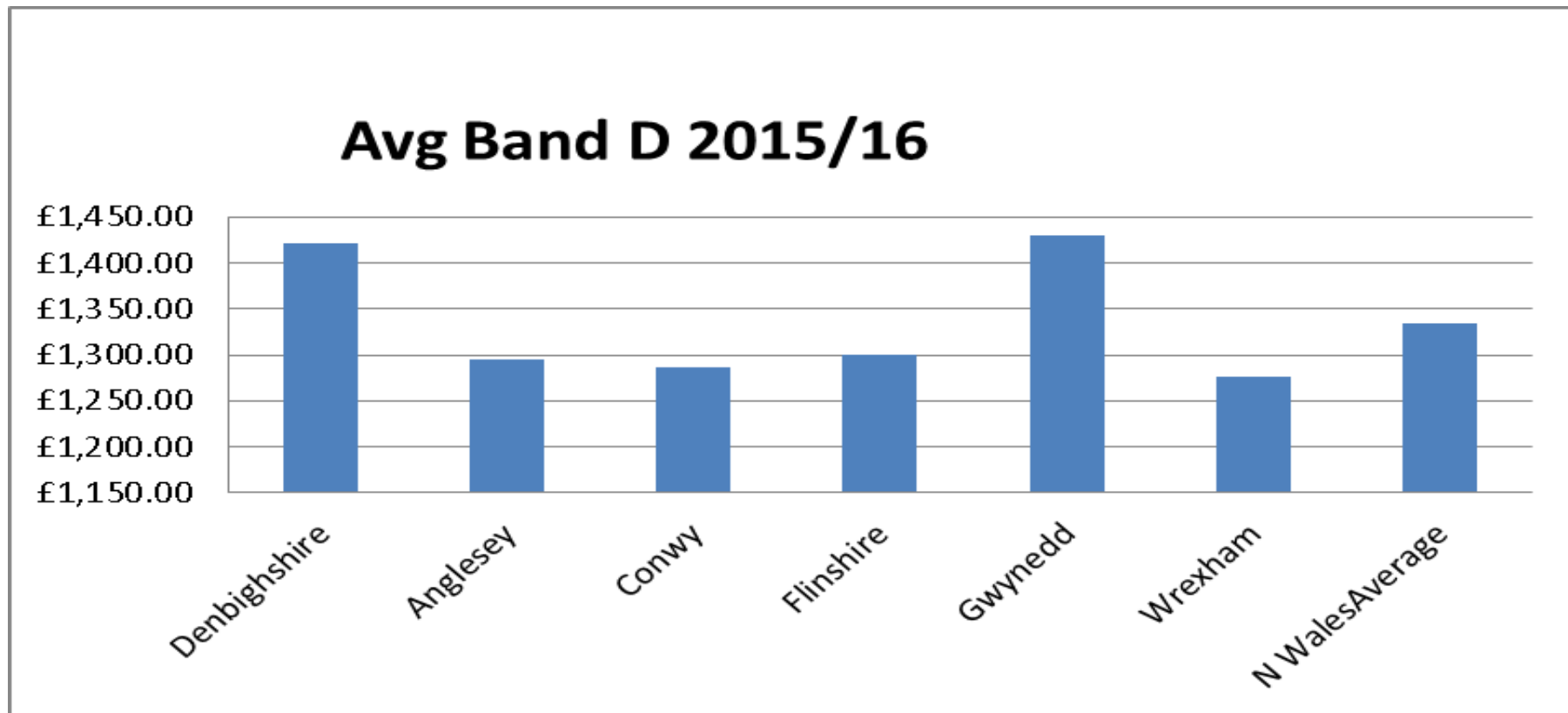
- Council Tax in context:

Average Band D (£)

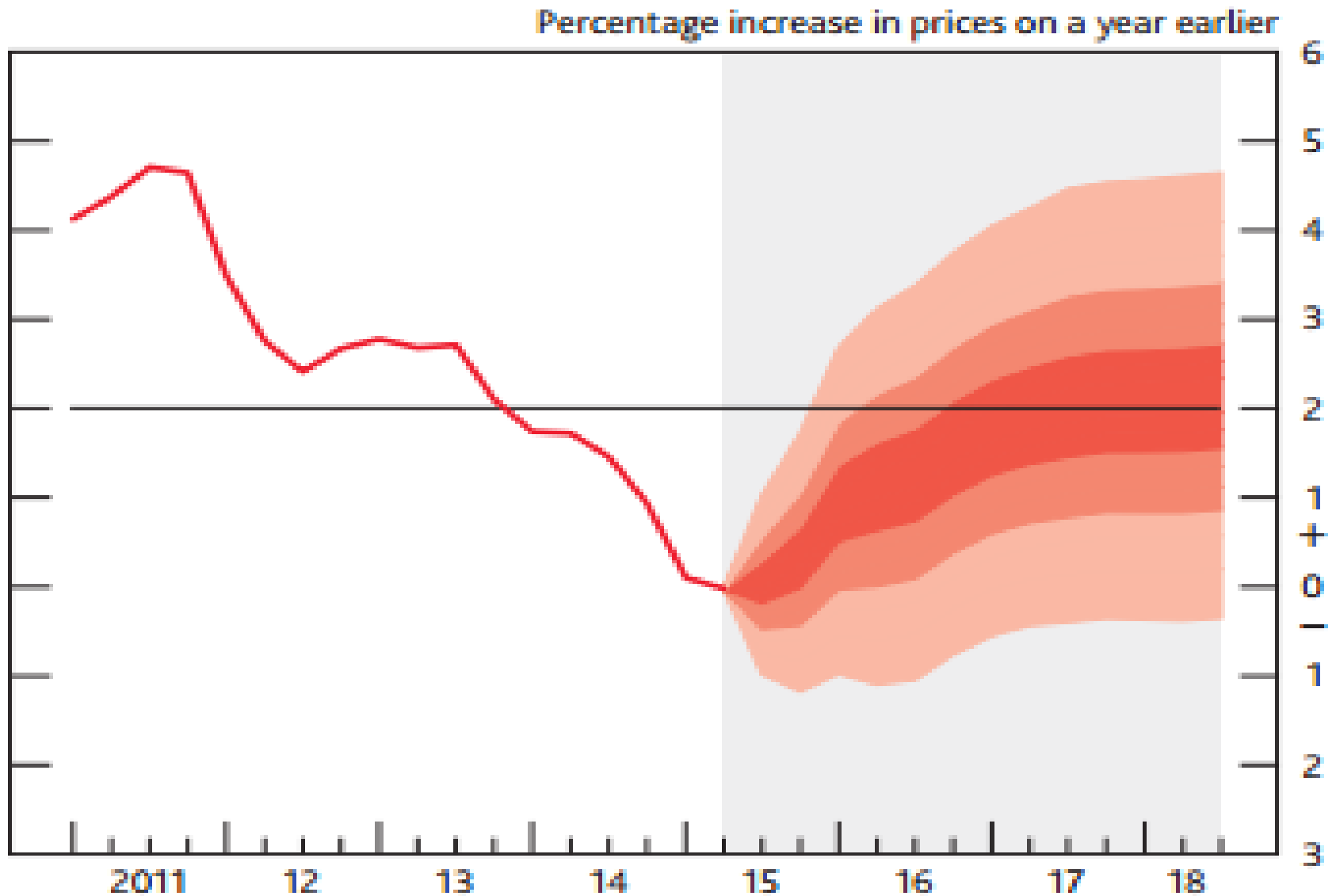


Council Tax

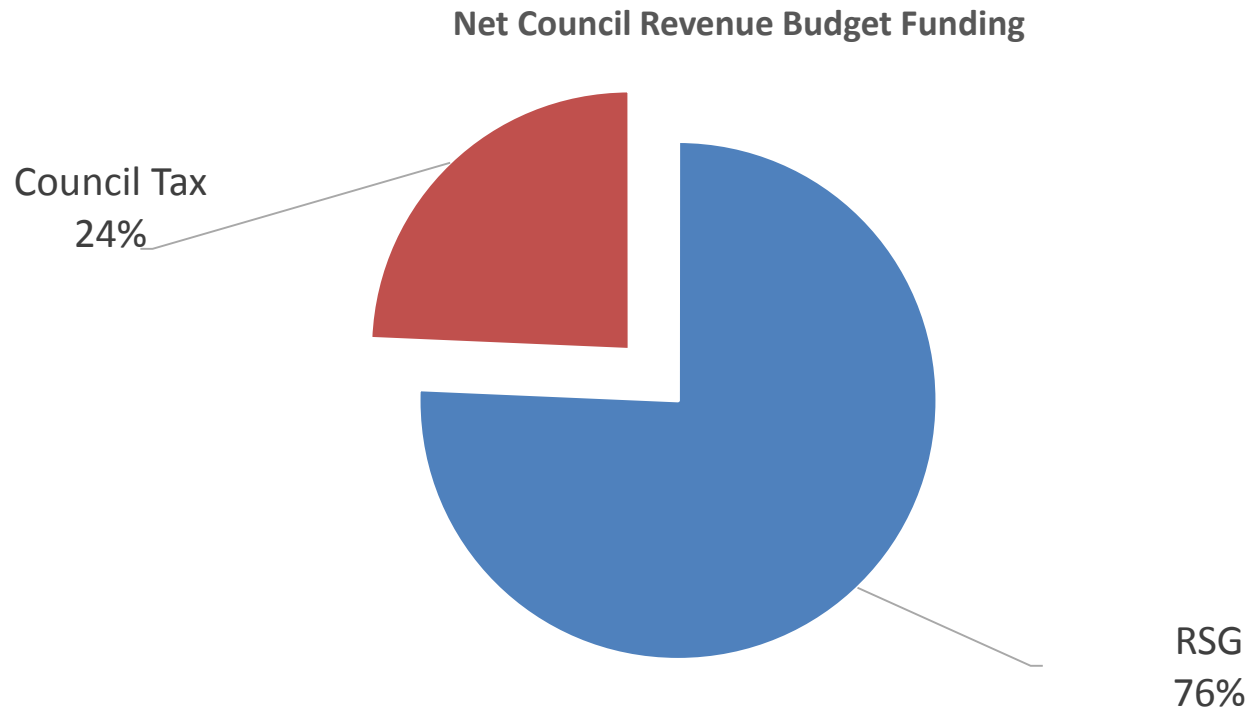
- Council Tax in Context



Council Tax: Link to Inflation?



Revenue Settlement is the crucial element:



Medium Term Financial Plan

		2016/17
		£'000
Revised Savings Target		8,003
Proposed		
Phase 1		870
Phase 2		1,785
Phase 3		-
Phase 4		1,290
Phase 5		
Total Proposals		3,945
Gap		-4,058

Settlement Scenarios

		Budget Gap
Base Case - 4%		4.058
-3%		2.658
-2%		1.258
-1%		0
-5%		5.458

Revenue Grants

- Council received £35m of specific revenue grant in 2014/15
- WG departments modelling reductions over the next three years
- Better RSG settlement may well be at the expense of direct revenue grants
- Won't be announced on settlement date (9th December)

Phase 5 Proposals

- Workshops will present efficiencies and proposals for cuts or increases to fees and charges
- No decisions on cuts or fees and charges made before the settlement
- Aim to take approximately £2m of efficiencies to Council in December
- If further cuts not necessary for 16/17 – they will be for 17/18!

Budget Timetable

- Settlement at least 2 months later than usual
- Will be a one-year settlement – no further indications until after the election
- May require additional council meeting to approve the final council tax report
- Public engagement – not productive at this stage given the type of proposals being considered
- 17/18 will be more difficult and require a new budget process

Budget Timetable

- Next Budget Workshops
 - 10th November
 - 14th December
- Settlement Announcement due 9th December
- Approve efficiency related proposals at Council in December
- Final Council approval in February – possible extra meeting required