

Report To: Corporate Governance Committee

Date of Meeting: 27th April 2016

**Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh,
Chief Finance Officer**

Report Author: Steve Gadd, Chief Accountant

Title: Budget Process 2017/18

1. What is the report about?

The report provides an update on the process to deliver the revenue budget for 2017/18.

2. What is the reason for making this report?

The Corporate Governance Committee has an oversight role of the budget process. It was the view of the Committee at the last meeting that the process should have more member engagement at an early stage. It was agreed to make the following amendments to the budget timetable:

- To take the paper on the proposed budget process to Group Leaders on the 4th April.
- To add a further update to a Council Briefing agenda scheduled for 6th June 2016.

The revised budget process is included as Appendix 1.

3. What are the Recommendations?

To consider the budget process and comment as appropriate.

4. Report details

As agreed at the last Corporate Governance Meeting the proposed budget process was presented and discussed at the Group Leaders meeting held on 4th April. Initial feedback has been positive however Group Leaders have been given the opportunity to further discuss the proposals with colleagues and feedback comments by 15th April. A verbal update can be given at the meeting regarding any issues arising from any feedback which is received.

A revised budget process is included as Appendix 1 and the key assumptions and principles are re-produced below.

Key Assumptions Informing Development of MTFP

- **Government Funding** – the assumption is that RSG will continue to reduce as WG continue to protect NHS and other areas at the expense of local

government. The current estimate is for a 1.5% reduction in funding (reduction of 1.2% in 16/17) based on the Autumn Statement and work carried out by the WLGA.

- **Local Funding** – As in the previously published MTFP the assumed Council tax rise is 2.75%. Harmonisation with other councils is likely to be a more prevalent issue in future.
- **Schools Protection** - If the ministerial pledge continues in its current form beyond the election and the council complies, the level of increase to schools budgets will be +1.93% in 17/18 which is more than double the original planning assumption for 16/17 (which was based on +0.9%). In addition, pupil demography goes up in 17/18 (after three years of reduction) with a potential cost of £656k. Since the introduction of school protection, schools have funded all pay and related cost increases.
- **Pay and Pensions** - Pay award assumptions are an average of +1%. Costs for pension increases are built in but negotiations with actuaries ongoing to test the possibility of freezing levels for the next three years.
- **Other Corporate Pressures** - Includes Fire Levy, members' costs, insurance premiums, CTRS, energy costs, etc.
- **Specific Pressure within Social Care** – It is likely some recognition of growing pressures in this area will need to be included though it is assumed the service will fund some of this through reinvesting efficiency savings.
- **Use of Balances** - As balances have not been required to the extent allowed for in the 15/16 budget, additional funding could be provided in 17/18 without reducing balances beyond the levels anticipated when the 15/16 budget was set.

Principles of the 2017/18 Budget Process

- **2017/18 Budget** – The process will concentrate on delivering a balanced budget for 2017/18 and Members will not be asked to approve savings for future years, although some savings will have an ongoing impact.
- **Collation of data** – Finance have developed a suit of forms that services will be expected to complete to inform the budget process and facilitate decision-making. In particular the forms will allow for the identification of efficiency savings, options to reduce service levels and budgets, specific service pressures, use of service reserves and the fees and charges policies within the service.
- **Efficiency Target** – It is likely that services will be given a modest efficiency saving target (e.g. 1%) which all services will be expected to deliver through genuine efficiency savings (i.e. not relating to a reduction in service level or increase in charges).
- **Saving Target** – The efficiency target is unlikely to be sufficient to balance the budget so an additional savings target for the Council will also be calculated and budget proposals will be developed to meet the target. . The

target is likely to exceed the projected budget gap to allow Member choices to be made in balancing the budget. It is recognised that a number of these suggestions may involve transformational projects which may well involve reduction in service levels or service delivery methods. Some of the proposals will be those that were brought forward under Freedoms & Flexibilities but were not required to balance the 2016/17 budget.

- **Budget Proposals** - For each proposal made there will be a sheet that will capture more detail about the proposal, the possible impact (equalities, jobs, service quality, locality, language etc.), risks and project management requirements (i.e. whether the proposal is likely to become a project and how it would be managed). There will also need to be some assessment of impact in respect of the Wellbeing of Future Generations Act though the exact requirements around this need to be developed further.
- **Budget Timetable** – The timetable summarise the following four stages of the budget process:
 - 1) Define and develop the process
 - 2) Identify initial proposals
 - 3) Consult on and finalise proposals
 - 4) Final approval stages

All stages allow for consultation and engagement with the relevant stakeholders.

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?

Based on current assumptions around funding and cost pressures there is a forecast budget gap for 2017/18 of £4.4m.

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

An EqIA has been or will be completed for all relevant proposals.

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.

Appendix 1 summarises the proposed budget process for 2017/18 and highlights key consultation periods during the four stages of the process from defining the process, identifying and finalising proposal through to the final approval stages. Consultation will take place with the Corporate Governance

Committee, CET, SLT, Cabinet Briefing, Council Briefing, Member Workshops and Trade Unions. Specific proposals will require further consultations with specific stakeholders which will be identified by services in the proposal templates.

9. Chief Finance Officer Statement

The aim of the budget process is to ensure that the council delivers a balanced budget. The uncertainty over the level of financial settlements in recent years has made financial planning in already difficult circumstances even more challenging. Whilst the revenue settlement for 2016/17 was better than the council had been led to believe and this is clearly welcomed, there is still a lack of any meaningful financial planning indications for the future. It is hoped that this will be addressed following the elections in May 2016 as the uncertainty and variations from year to year that have been the norm since 2013 pose a significant risk to the delivery of future budgets.

Although the precise levels are not known it is likely that funding reductions to local authorities in Wales will continue in the medium term and while the council will always endeavour to be more efficient to save money, this in itself may not be sufficient in future years. Budget decisions will get harder and will probably require a longer lead-in time to deliver.

The proposed budget process for 2017/18 will help deliver a balanced budget and will enable the council to take account of key funding assumptions, service pressures, levels of cash reserves and the levels of fees and charges within the Council.

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.

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.