

Report To: Corporate Governance Committee

Date of Meeting: 28th September 2016

Lead Member/Officer: Councillor Julian Thompson-Hill/Richard Weigh

Report Author: Richard Weigh, Head of Finance

Title: Budget Process 2017/18

1. What is the report about?

To provide an update on the process to set the budget for 2017/18.

2. What is the reason for making this report?

To provide an update on the latest position.

3. What are the Recommendations?

To consider the latest update and comment as appropriate.

4. Report details

The latest budget workshop was held on 18th July. The workshop outlined the latest financial planning assumptions, economic context, the process for 2017/18 and progress made addressing the estimated budget gap.

Some of the key points covered were:

- Negative budget settlements in cash terms for the last and in real terms for the last five years
- Savings this council term amount to approximately £28m
- Reminder of last Autumn Statement and positive cash settlement for Wales
- Analysis and explanation of the central case planning assumptions – including estimated settlement value of -1.5%
- Update on known impacts of EU referendum result and discussion around the more numerous ‘unknowns’
- Update on Welsh financial planning assumptions and possible policy issues post the election in May – including schools funding, the Local Government Finance Commission report and the likely change in policy with regard to Local Government Reorganisation

The main financial planning assumptions and possible consequences were set out:

	2017/18	2018/19	2019/20
Estimated Settlement	-1.5%	-1.5%	-1.5%
Pressures	£4.2m	£4.1m	£4.1m
Council Tax Increase	+2.75%	+2.75%	+2.75%
Use of Balances/Reserves	£2.5m	£1.0m	
Budget Gap	£2.9m	£5.3m	£5.9m

It is assumed that 1% efficiency savings will be delivered each year as part of the strategy to deal with the budget gap. This equates to approximately £850k per year.

Details of the 1% efficiencies proposed for 2017/18 were circulated to members in August as agreed at the last workshop and are still available in the members' library on the Modern.gov system. The proposals total £902k.

The impact of identified measures to address the 2017/18 budget so far are as follows:

Gross Budget Gap	£5.4m
Use of Balances/Reserves	£2.5m
Corporate Savings	£1.0m
Service Efficiencies	£0.9m
Remaining Gap	£1.0m

The table shows that proposals to address 81% of the budget gap have been identified. Services have been tasked with identifying further proposals up to £2m. This ought to allow for choices to be made by members in the setting of the budget, as well as further debate about the level of Council Tax rise. Other assumptions within the budget plan may change, for example taking account of possible additional transport and social care pressures.

At the last workshop and subsequently in August details of the 1% efficiency savings were circulated to members for information. These proposals will be taken forward by heads of service under their delegated powers.

The budget timetable was set assuming that the provisional local government settlement would be announced in the first or second week of October. Latest indications are however that the Welsh government draft budget will be announced on 18th October with the provisional local government settlement published the following day.

Given this, it is suggested that the budget workshop scheduled for 14th October be postponed and takes place on 1st November instead. This should allow for the impact of the settlement to be fully understood and therefore make the workshop more productive. Members' views were sought on this in August and subsequently last week. The number of planned workshops will remain the same but the timing of the first of the autumn workshops may change, if there is general agreement.

Further workshops will be arranged or items added to existing Council Briefing agendas if required following the provisional settlement announcement in October. The latest budget timetable 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 is facing a potential budget gap of over £5m for each of the next three years.

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

Not applicable to this report – processes in place to assess individual budget proposals.

8. What consultations have been carried out with Scrutiny and others?

Regular reports to CET, SLT and Cabinet Briefing. Budget workshops are part of the process. Trade unions will be consulted via the Corporate Joint Meetings. Public engagement will take place if and when cuts or other measures affecting the public are being proposed.

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. 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. 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. The process has so far identified measures to address 81% of the budget gap.

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

Section 151 of the Local Government Act 1972.