

Report To: County Council

Date of Meeting: 29th January 2019

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

Report Author: Richard Weigh, Head of Finance

Title: Budget 2019/20 - Final Proposals

1. What is the report about?

1.1 The report sets out the implications of the Local Government Settlement 2019/20 and proposals to finalise the budget for 2019/20.

2. What is the reason for making this report?

2.1 The Council is legally required to set a balanced and deliverable budget before the start of each financial year and to set the resulting level of Council Tax to allow bills to be sent to residents.

2.2 To provide an overview of the budget process and the impact of the Local Government Settlement and to approve the budget for 2019/20, including the level of Council Tax.

3. What are the Recommendations?

3.1 To note the impact of the Local Government Settlement 2019/20.

3.2 To approve the budget as outlined in Appendix 1, which is in line with the proposals presented at the member budget workshop held on 1th January 2019.

3.3 To approve the average Council Tax rise of 6.35%, which recognises a range of significant pressures, including the increasing cost pressures in adults and children's social care and supports the allocation of £2.0m of additional funding to across the two services.

3.4 That Council confirms that it has read, understood and taken account of the Well-being Impact Assessment submitted as part of this report.

4. Report details

4.1 The Final Local Government Settlement for 2019/20 was received by the council on 19th December and resulted in a cash-flat funding position, compared to the Welsh average position of +0.2%. The Provisional Settlement received in October indicated a reduction of -0.5% (Wales average -0.3%). For the funding position to have been neutral in terms of *minimum* funding pressures in the Medium Term Financial Plan, the Settlement would have to have been closer to +5%.

4.2 The change between the two settlement figures reflects an additional £14.2m allocated to local government as part of the Welsh Government's final budget proposals, as a consequence of the UK Government budget in November and a new responsibility, funded at £7m across Wales, to provide for an increase in the capital limit for those paying for residential care to £50k. The allocation to Denbighshire is £250k.

- 4.3 Also included in the Settlement are 'transfers in' of £426k relating to grant transfers for part year costs of the latest teachers' pay award and support for free school meals to recognise the impact of Universal Credit on eligibility criteria. The Final Settlement gives no forward indication of the level of funding councils might expect in 2020/21.
- 4.4 The final proposals to balance the 2019/20 budget are shown in the extract from the Council's Medium Term Financial Plan (MTFP) in Appendix 1. The main points are:
- Cash flat Settlement
 - Pay, pension and National Living Wage pressures are funded (£1.9m)
 - Price and energy inflation (£250k)
 - Fire Service Levy (£237k)
 - Allowances for increases to the Council Tax Reduction Scheme costs, reduction in DWP Administration Grant and central contingencies (£537k)
- 4.5 In addition, the council continues to support schools by funding pay and related inflation and movement in pupil numbers. This amounts to £3.7m (5.4% in total) in 2019/20. This figure includes pay and pension increases for teaching staff. The recent national teachers' pension scheme revaluation resulted in an increase in employers' costs which amounts to a cost pressure next year of £1.4m. It is assumed because of the decision being part of a national agreement that this will be funded by government. Negotiations are ongoing between Welsh and UK governments.
- 4.6 The budget proposed also recognises pressures in other priority areas, specifically:
- A further £1.5m to recognise existing pressures in Children's & Education Services (in addition to £750k allocated last year)
 - £500k to recognise demand pressure in Community Support Services as part of the council's long term strategy to manage care budgets
 - £600k to recognise increased demand on school transport budgets
 - £150k to support the recently agreed change to the council's waste and recycling service
 - £500k additional investment in the council's Corporate Plan and
 - £500k contingency to recognise the risk in delivery of the saving package and wider risks affecting the budget
- 4.7 In order to fund the pressures identified, savings of £5.67m have had to be identified.
- 4.8 These are made up of:
- Corporate savings identified in 2018/19 (£0.5m)
 - Service efficiency savings (£1.3m)
 - Service savings (£2.5m)
 - Schools savings of 2% (£1.32m)
- 4.9 An analysis of the service savings is set out in the table below:

Alternative Service Delivery Model	873	23%
Change to service level received by public	247	6%
Increase in Fees & Charges or additional external income contribution	725	19%
Procurement	88	2%
Service Reduction/withdrawal	517	13%
Technical Budget Reductions – no effect on service levels	48	1%
Efficiency Saving	1354	35%
Grand Total	3,852	100%

- 4.10 In February 2018, as part of the budget approval for 2018/19, the summary MTFP was presented which indicated a budget gap, before any mitigations or rise in Council Tax of £10.5m, with a similar position shown for future years. In this context, a new budget process for 2019/20 was established and led to the creation of a strategic board to oversee the process and to endorse the key assumptions within the Medium Term Financial Plan (MTFP).
- 4.11 The Reshaping the Council Board comprises members of CET, the Leader of the council and the Lead Member for finance and performance. It is also advised by officers from Finance, HR and Communications. The Board is tasked with delivering a budget process annually but within the context of a longer term strategic view. As has been the case for most of the last eight years, there is no reliable forward or indicative settlement figure for future years, meaning informed assumptions are calculated locally. As the funding from Welsh Government accounts for three-quarters of the net funding received, it is the most significant element of the council's budget and therefore minor changes to it have a significant impact (every 1% change equates to £1.431m).
- 4.12 Service budgets were scrutinised by the Board and services were required to model a range of savings options. The Board assessed these and directed services to progress proposals in line with strategic priorities. The result was to attempt, as far as possible, to minimise the impact on service delivery. The proposals in the budget for 2019/20 demonstrate that there has been relative protection to social care, education and highways and environment budgets, as highlighted in the table below.

SAVINGS DISTRIBUTION TO SERVICES	18/19 BUDGET	TOTAL %
CUSTOMERS, COMMUNICATIONS AND MARKETING	2,831	8.0
EDUCATION AND CHILDREN SERVICES	14,127	1.1
BUSINESS IMPROVEMENT AND MODERNISATION	4,573	6.6
LEGAL, HR & DEMOCRATIC SERVICES	2,624	5.8
FACILITIES, ASSETS AND HOUSING	7,805	16.9
FINANCE	3,140	8.7
HIGHWAYS & ENVIRONMENT	18,408	2.7
PLANNING & PUBLIC PROTECTION	2,961	14.2
COMMUNITY SUPPORT SERVICES	35,034	1.4
SCHOOLS	68,166	2.0
TOTAL	159,668	

- 4.13 Details of all saving proposals were circulated to elected members in December and posted on the library section of Modern.gov. The majority of the proposals are delegated decisions, either to heads of service or lead members and total £3.629m. Two have been determined as decisions requiring cabinet approval and were approved on 22nd January. These total £223k and are highlighted within the savings package list posted on the library in the Modern.gov system. As school budgets are devolved, it will be for each governing body to determine how the savings targets for schools are delivered.
- 4.14 The council's MTFP assumptions are regularly reviewed and cost pressures reassessed. During the year, pressures in Children's & Education Services have grown in response increasing high cost placements and reduced income from external placements within the council's specialist provision. While the pressure on adult social care is in line with projections, the risk is still being offset by the careful use of specific cash reserves to smooth the impact. 2018/19 also saw the first full year impact of changes to the school transport policy and, alongside an increase in the number of pupils with specific transport requirements has led to a budget pressure of £600k (in addition to the £300k increase funded in 2018/19).
- 4.15 As the nature of these pressures is ongoing, it is unsustainable to manage the pressures without permanently increasing the council's funding base. As financial support from Welsh Government reduces annually in real terms, the burden has to be addressed locally, through a balance of savings and Council Tax. In calculating the total level of funding required by local authorities in the Settlement from Welsh Government, assumptions in the amount of Council Tax raised are made. In the 2019/20 settlement details, the difference between the 2018/19 and 2019/20 figures reflect an increase of 7%.
- 4.16 To address the immediate pressures highlighted in this report, it is recommended that the Council Tax increases by 6.35%. This is a higher figure than was assumed in earlier versions of the MTFP but recognises the challenging settlement from Welsh Government and the unavoidable pressures faced locally, particularly in social care, schools and transport. At 6.35%, an additional £797k will be raised compared to the Council Tax rise in 2018/19. This additional amount will be used as part of the overall package to address the budget deficit, which includes an additional allocation to social care of £2.0m. The proposed increase would add £79.24 per year to the average Band D property charge (£1.52 per week) and is £19.96 per year (38p per week) higher than the rise applied last year. This is set out in Appendix 2.
- 4.17 The budget proposals continue to include an element of cash funding to support the overall position. This is never an ideal position and reflects the ongoing financially difficult position the council faces. The cash identified for 2019/20 has been generated from previous savings and is drawn from a specific reserve. This helps to smooth the impact next year but is not a permanent solution.
- 5. How does the decision contribute to the Corporate Priorities?**
- 5.1 Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities. The proposals include allocations to continue to support priorities.

6. What will it cost and how will it affect other services?

6.1 As set out above.

7. What are the main conclusions of the Well-being Impact Assessment? The completed Well-being Impact Assessment report can be downloaded from the [website](#) and should be attached as an appendix to the report.

7.1 Wellbeing assessments for the savings proposals in Appendix 2 and the Council Tax rise are attached.

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

8.1 Members were briefed on the financial position in June, October and January. SLT have been part of the budget process. Trade unions have been consulted on the process. The Schools Budget Forum have been consulted on the schools' proposals. The Corporate Governance Committee has an oversight role in respect of the budget process.

9. Chief Finance Officer Statement

9.1 The aim of the budget process is to ensure that the council delivers a balanced budget. The uncertainty over the level financial settlements in recent years has made financial planning in already difficult circumstances even more challenging.

9.2 Significant real terms funding reductions to local authorities in Wales have continued while costs continue to grow. Schools and social care represent the most significant elements of the council's budget and the cost of these is growing beyond the resources available. Pressures are also growing in other areas. While the council will always endeavour to be more efficient to save money, given savings of over £35m have been made in the last six years, it is no longer possible to address the funding gap through efficiency savings alone and a careful balance between service savings and local taxation has to be struck. The current MTFP extract shows a saving requirement of over £7m in 2020 and £4.5m the following year. This will have a significant impact on the future shape of the council and the services it delivers.

9.3 The budget proposed for 2019/20 builds the funding base to the level required for the year and allows the council time to develop a budget programme and proposals for the following two financial years. The MTFP and financial strategy will be updated and published early in 2019 and will underpin the budget process for the following two years.

9.4 Social care pressures are an ongoing risk for this and all other councils. The proposals in 2019/20 help to mitigate ressure but it is not sufficient to fully fund all of the underlying pressures permanently. Cost pressures in other service areas are being contained in 2019/20 but pose a risk to future years.

9.5 With a Council Tax rise of 6.35%, the council is still carrying a number of financial risks and uncertainties. For example, the teachers' pension issue is unresolved at the point of setting the budget and will have to be addressed in-year if government support is not forthcoming. Additionally, the council is continuing to dampen the demand growth in adult social care through the managed use of base budget increases and cash reserves. If in-year expenditure next year is higher than forecast, the amount of cash available to fund ongoing pressures will of course reduce. There are also risks beyond

items highlighted in this report or items already provided for through reserves that may crystallise during the year and if so, would have to be addressed.

- 9.6 The budget proposal includes the use of cash reserves of £2m. This reduces the requirement for further savings or Council Tax rise beyond that recommended for 2019/20 but is not a permanent solution and is recommended on the basis that the cash has already been identified.
- 9.7 If the proposals in this report are not accepted, alternative proposals must be submitted to balance the budget.

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

- 10.1 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. Failure to agree these proposals without viable alternatives will risk achieving a balanced budget for 2019/20.
- 10.2 The contingency identified helps to underwrite some risks. The contingency would be applied in the event the teachers' pension increase is not funded by government. Other measures would also have to be applied, including further in-year cuts.
- 10.3 As well as the specific risks and uncertainties highlighted in this report, further risks will emerge or crystallise in 2019/20 and so it is important the council's funding base is as resilient as it can be in the circumstances.

11. Powers to make the Decision

- 11.1 Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.