

Report To: County Council

Date of Meeting: 10th September 2013

Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady

Report Author: Richard Weigh, Chief Accountant

Title: Revenue Budget 2014/15

1. What is the report about?

The report provides an update of the latest position with regard to setting the council's budget for 2014/15. The prime focus of this report is to approve an initial range of saving proposals for 2014/15. The saving proposals have emerged from the Service Challenge process over the past two years.

2. What is the reason for making this report?

To provide an update of the latest budget position for 2014/15 and to approve the saving proposals listed in Appendix 1.

3. What are the Recommendations?

To note the latest position with regard to the budget for 2014/15.

To approve the savings proposals listed in Appendix 1.

4. Report details

The majority (around 78%) of the council's funding comes from Welsh Government via the Revenue Support Grant and redistribution of NNDR. In 2013/14, the final settlement for Denbighshire was £150.821m. The remainder of the council's funding is provided through Council Tax (£40.7m budgeted in 2013/14). Therefore the impact of movement on the settlement has a much more significant impact than movement on levels of Council Tax.

The council is likely to face a challenging revenue budget settlement in 2014/15 and beyond. Although the Draft Local Government Settlement isn't due to be published until early October – where the position will be made clearer, all indications are that the settlement will be poor. A number of recent ministerial announcements and comments support this view. The WLGA are recommending that for planning purposes, councils assume a cash reduction of -4% in 2014/15. Every 1% reduction in the council's revenue settlement equates to approximately £1.5m.

It is unclear why reductions of such magnitude would be required in 2014/15 or indeed in 2015/16, as the UK Government settlement to Wales does not

reflect the need for such reductions. Recent announcements therefore about 'English style reductions to local government in Wales' are likely to be as a consequence of Welsh Government policy to 'protect' services (i.e. divert resources) to areas such as health.

In the past three years, Welsh Government has sought to influence local decision making by requiring school and social care budgets to be 'protected'. This has been expressed as instructing councils to provide funding to those areas at a level that is 1% better than the settlement the Welsh Government receives from the UK Government (known as the Block Grant). This has meant that over half of the council's revenue budget has been protected in this way. Continuing to impose protection to some services from a national level means that potential funding reductions would fall disproportionately on non-protected areas and the council will have less flexibility to manage the impact.

In addition to this, the council will also be adversely affected by changes resulting from census data which have highlighted that the council's actual population is lower than had been estimated in national population estimates. Population is a key indicator used to distribute government funding and the results of the census in 2011 showed that, at a national level, the estimates of population growth had been overestimated. The financial impact of this change is likely to be around £3.1m but clarification is still awaited from Welsh Government about how the change might be implemented – particularly whether the impact may be spread over more than one year.

The council will also face inflationary pressures in a number of areas such as pay, pensions, energy and service demand pressures.

Taking all of the above into account, it is likely that a significant savings target will be required in 2014/15. There are still too many uncertainties to give a precise figure but if the reduction to the council's revenue settlement is at the level of -4% and the impact of the census change is implemented in one year, then a planning assumption of a reduction of between £8-9m is not an unreasonable possibility.

Services are currently modelling budget scenarios and identifying possible future savings. These will be presented to elected members for consideration at budget workshops scheduled for 21st October and 9th December. It is proposed that a report will be presented to County Council on 3rd December where savings supported by elected members can be agreed and more energy can be focussed on any remaining savings to be agreed before the final budget is agreed by Council on 4th February.

In that context, the Service Challenge process in place as part of the budget setting process for 2012/13 and 2013/14 has already identified potential savings of £1.716m for 2014/15. These proposals have been considered in detail at the various service challenge meetings and have been confirmed at recent meetings with heads of service.

The saving proposals are shown as Appendix 1 and are described as Phase 1 of the process of achieving a potentially significant target for 2014/15. The Appendix shows the areas where savings are proposed and for context, shows the net revenue budget for each area for 2013/14 and the percentage of net budget savings achieved so far since 2010/11. Some services have a zero total as part of this phase but will be required to propose further savings in the coming weeks as the 2014/15 budget process continues.

The corporate savings highlighted as Modernising the Council form part of a target to achieve approximately £3.0m of savings over the coming 3 years as projects are developed to deliver efficiency and to create capacity in services. A number of efficiency projects are in development, including investment in Electronic Document and Records Management (EDRMS) and Central Invoice Registration (a means to increase the number of invoices received and processed electronically) and other projects to widen the use of technology to allow savings to be delivered through reduced need to travel, greater flexibility and more efficient administration. Ultimately the modernisation saving targets will be delivered by services.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's revenue budget 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 savings proposals identified in Appendix 1 total £1.716m.

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

Individual services are responsible for carrying out impact assessments on their saving proposals contained within the budget. A summary EqIA is therefore enclosed in relation to the impact of the saving proposals.

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

The saving proposals for 2014/15 have previously been considered at Service Challenge meetings in 2011 and 2012 and were included as part of the three-year targets identified in the Medium Term Financial Plan. The Service Challenges were held with each Head of Service and included representatives from scrutiny committees and Cabinet. A copy of this report has been included on the agenda of the Corporate Governance Committee for consideration on 4th September 2013.

9. Chief Finance Officer Statement

The next three years are likely to be extremely challenging. There are many uncertainties and caveats but the likelihood is that a significant savings target will be required in 2014/15 and beyond. Elected members will have a key role to play in determining the council's response to the challenges ahead. Agreement to the proposals in this report will mean that more effort can be focussed on the remainder of the task ahead to ensure the council delivers a sustainable budget for 2014/15 and a robust Medium Term Financial Plan for the coming three years.

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

This is potentially the most challenging financial period the council has faced. The proposals highlighted in this report and the impact on services has been assessed over two rounds of service challenges. Failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control will help ensure that the financial strategy is achieved.

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.