Report To:	County Council
Date of Meeting:	30th January 2018
Lead Member / Officer:	Julian Thompson-Hill/Richard Weigh
Report Author:	Richard Weigh, Head of Finance
Title:	Budget 2018/19 - Final Proposals

1. **What is the report about?**

1.1 The report sets out the implications of the Local Government Settlement 2018/19 and proposals to finalise the budget for 2018/19.

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 2018/19, including the level of Council Tax.

3. **What are the Recommendations?**

3.1 To note the impact of the Local Government Settlement 2018/19.

3.2 To approve the budget as outlined in Appendix 1, which is in line with the assumptions presented to members at budget briefings held in November 2017.

3.3 To approve the savings totalling £411k listed in Appendix 2 as part of the budget package.

3.4 To approve the average Council Tax rise of 4.75%, which recognises the increasing cost pressures in adults and children's social care and supports the allocation of £1.5m of additional funding to across the two services.

3.5 That Council confirms that it has read, understood and taken account of the Well-being Impact Assessments submitted as part of the budget process.

4. **Report details**

4.1 The Final Local Government Settlement for 2018/19 8 was received on 20th December and resulted in a cash reduction of -0.2% (the Welsh average being +0.2%). The Provisional Settlement received in October indicated a reduction of -0.9% (Wales average 0.5%). For the funding position to have been neutral in terms of *minimum*

funding pressures in the Medium Term Financial Plan, the Settlement would have had to be at least +3.6%.

4.2 The change between the two reflects an additional £20m allocated to local government as part of the Welsh Government's final budget proposals. This follows additional funding allocated to Wales as a consequence of the UK Government budget in November and mitigates the impact of the latest employers' pay offer, which was higher than planned and reflects a move away from the policy of a 1% pay cap.

Included in the Settlement are 'transfers in' (items previously funded by grant) of £2.9m. These are as follows:

- Waste element of the Single Environment Grant £1.2m
- Welsh Independent Living Grant £0.8m
- Social Care Workforce Grant £0.6m
- Looked After Children £0.2m
- Carers' Respite Care Grant £0.1m

4.4 It should be noted that the Single Environment Grant has been cut by 10% in total.

4.5 New responsibilities are also included in the Settlement and these will be transferred directly to the relevant service. These are:

- Support for Homeless Prevention £0.155m
- Increase in Capital Limit for Residential Care Charges £0.251m

4.6 The final proposals to balance the 2018/19 budget are shown in the extract from the Council's Medium Term Financial Plan (MTFP) in Appendix 1. The headlines are broadly as set out when presented to members in November, with the main changes being the cut to the Settlement being less but pay cost pressures have increased. The general points are:

- Reduction of 0.2% in cash terms to the Settlement (RSG - £276k)
- Pay, pension and National Living Wage pressures are funded (£1.6m)
- Price and energy inflation (£250k)
- 1% increase to the Fire Service Levy (£44k)
- Allowances for increases to the Council Tax Reduction Scheme costs, reduction in DWP Administration Grant and central contingencies (£740k)

4.7 In addition, the council continues to support schools by funding pay and related inflation and movement in pupil numbers. This amounts to a cash increase for schools of £1.792m (2.7% in total). The council's allocation will help continue the stabilisation of the position with school balances. However, Welsh Government have announced that the Education Improvement Grant will be cut by 11% and this will have an impact on school budgets.

4.8 The proposals for 2018/19 include additional revenue budget investment in Corporate Priorities of £500k. This is in addition to £1m of cash identified and agreed during 2017/18.

4.9 In order to fund the pressures identified, savings of £4.6m have had to be identified. These include:

- Changes to the Council's Minimum Revenue Provision policy (agreed by the full Council in September 2017) and generates ongoing savings of £2m and provides a cash buffer in 2018/19
- Corporate savings identified in 2017/18 (£1m)
- Service efficiency savings (£1.2m)
- Service savings (£0.4m)

4.10 The budget process for 2018/19 required all services except schools to identify 1% efficiency savings and for services other than Community Support Services and Education & Children's Services to identify further savings up to 2.8%. These targets were based on MTFP assumptions last April. A process was undertaken in the autumn to review all service proposals with CET, lead members and Finance. The process also involved a detailed analysis of service budgets, income and cash reserves. An outcome from this process was to confirm efficiency savings of £1.2m to be approved and implemented by the relevant Head of Service. Details of all of the efficiency savings were circulated to members and are recorded in the online members' library. A further £411k of savings were deemed to have a level of impact on service delivery or change in delivery method. These are listed in Appendix 2 and Wellbeing Impact Assessments for each proposal are attached.

4.11 The council's MTFP assumptions were reviewed in July and cost pressures reassessed. While the majority of MTFP assumptions have proved correct, the level of cost pressure in adult and child social care provision showed an increase compared to previous assessments. Both areas of provision have seen cost pressures rising in recent years but the council has managed to contain the pressure by using specific cash reserves in a managed way to smooth the impact. Costs of mental health and provision to younger adults has increased beyond expectations so far in 2017/18, meaning the cash available to smooth the pressure is reduced in future years. The same issue has arisen in specialist residential placements for children, where the number of placements has increased significantly in the last year.

4.12 As the nature of these pressures is ongoing, it is unstainable to manage the pressures without permanently increasing the council's funding base. As financial support from Welsh Government reduces annually, the burden has to be met locally and therefore a higher than originally planned Council Tax rise is proposed.

4.13 Raising the Council Tax by 4.75% will raise an additional £945k compared to the original proposal of 2.75%. This additional amount will be used as part of the overall package, which includes an additional allocation to social care of £1.5m. The proposed increase would add £56.58 per year to the average Band D property charge (£1.08 per week) and is £23.82 per year (46p per week) higher than the original proposal. This is set out in Appendix 3.

4.14 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 2018/19 has been generated from the MRP policy review and allows cash previously identified for 2018/19 to be rolled forward into 2019/20. This will help to smooth the impact of further funding reductions in 2019/20, where based on current assumptions, there will be a budget gap of £6.4m.

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 support the new priorities.

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

6.1 As set out above.

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7. What are the main conclusions of the Well-being Impact Assessment?

7.1 Wellbeing assessments for the savings proposals in Appendix 2 and the Council Tax rise are attached. An assessment for the MRP policy change was included in the report to Council in September.

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

8.1 Members were briefed on the financial position in September and following the provisional settlement announcement in October. Two specific budget briefings were held in November. SLT have been part of the budget process. Briefings with political groups have been offered by the Lead Member.

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

It is seems more certain now that significant real terms 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 will not be sufficient in future years. The current MTFP extract shows a saving requirement of over £6m per year for the next two years. This will have a significant impact on the shape of the council and the services it delivers.

The budget proposed for 2018/19 allows the council time to develop a budget programme and proposals for the following two financial years. The MTFP will be updated early in 2019 and will underpin the budget process for the coming two years.

Social care pressures are an ongoing risk for this and all other councils. The proposals in 2018/19 help to mitigate the demand and cost pressure but it is not sufficient to fully fund all of the underlying pressures permanently. Cost pressures in other service areas are being contained but pose a risk to future years.

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.

10.2 Failure to agree these proposals without viable alternatives will risk achieving a balanced budget for 2018/19.

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.