

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 19 FEBRUARY 2013**

REPORT BY: **CHIEF EXECUTIVE AND HEAD OF FINANCE**

SUBJECT: **COUNCIL FUND REVENUE BUDGET 2013/14**

1.00 **PURPOSE OF REPORT**

1.01 To present the finalised Council Fund Revenue budget strategy and detailed proposals for 2013/14 for recommendation to County Council on 1 March 2013.

2.00 **BACKGROUND**

2.01 A report was considered by Cabinet on 18 December 2012 which presented a first draft of the Council Fund Revenue Budget for 2013/14 for initial approval. Further work was to follow and the draft was to be presented to Overview and Scrutiny Committees throughout January for consultation.

2.02 The budget strategy and proposals were considered by the five Overview and Scrutiny Committees between 22 and 31 January 2013 and feedback is detailed in sections 3.07 – 3.11.

2.03 The budget strategy and proposals and their implications for school budgets were discussed with the School Budget Forum on 31 January 2013. The budget strategy and proposals were shared with the Flintshire Joint Trades Union Committee on 23 January 2013.

2.04 The formal Council Fund budget setting for 2013/14 and setting of the Council Tax for the year will take place at County Council on 1 March 2013.

3.00 **DEVELOPING THE BUDGET STRATEGY AND CLOSING THE GAP**

National and Local Context

3.01 The national and local financial context in which the budget is being set was shared and explored at Cabinet in December and with the Overview and Scrutiny Committees throughout January.

3.02 The budget strategy has been developed within the context of the Council's Medium Term Financial Strategy (MTFS). The aims of the developing strategy are:-

- To ensure revenue and capital resources are targeted to support Council priorities and to achieve their outcomes
- To fully integrate revenue and capital plans
- To maintain Council Tax increases at affordable levels for the tax payer
- To optimise opportunities for income generation from fees, charges and grants
- To maintain appropriate level of reserves and provisions
- To ensure strong financial services, systems and processes to underpin the strategy and balance annual budgets

Budget Strategy 2013/14

3.03 The objectives of the budget strategy for 2013/14 have been:-

- To respond to the reduced level of funding available to local government and the wider public sector and the ongoing impacts of the economic position
- To protect 'front line' public services despite the scale of the fiscal challenge
- To minimise the effects on communities
- To reinvest in new, expanded or improved services to meet Council Priorities wherever possible

3.04 We have sought to achieve these objectives by:-

- Challenging and 'compressing' identified service/budget pressures by drawing on evidence-based forecasting and a risk management approach
- Reviewing service/budget pressures and efficiencies identified in previous years and revising them to meet current need
- Taking a targeted approach to inflation – providing additional resources only where necessary
- Ongoing review and challenge of the in-year budget position to identify challenges and opportunities for the 2013/14 budget year
- Reviewing reserves and balances to ensure they are at the level needed
- Progressing the work streams within the Flintshire Futures Programme to achieve our efficiency savings targets.

Budget 'Headlines'

3.05 The budget headlines are:-

- The draft budget as recommended is now balanced
- There are no significant cuts to services or new job reductions
- There is additional investment in Council Priorities. The investment in Schools and Social Care budgets both meets Council Priorities and exceeds the levels set by Ministers as expectations
- Core services are protected where national grant is reducing
- Provision is made to prepare communities for the impacts of Welfare Reform
- Resources are provided to invest-to-save
- The budget is protected for inflationary, economic and demographic impacts on a measured basis
- The recommended increases in council tax and fees and charges and the recommended new charges for introduction, meet the test of reasonableness and affordability

3.06 On Council Priorities specific additional investment is made in:-

- Council Priority 1: Modern and Efficient Organisation
- Council Priority 3: Modern Employer
- Council Priority 4: Customer Services
- Council Priority 5: Safeguarding the Vulnerable
- Council Priority 7: Independent and Healthy Living
- Council Priority 8: Meeting Housing Need (in conjunction with the separate report on the Housing Revenue Account Budget 2013/14)
- Council Priority 9: Learning, Play and Leisure

Overview and Scrutiny Considerations

3.07 The report to Cabinet on 18 December 2012 identified a budget shortfall at that stage of £1.480m made up of £0.417m for one-off costs and £1.063m for ongoing base budget items. This report formed the basis of the Overview and Scrutiny meetings held during January:-

1.	Housing (inc HRA)	22 January
2.	Environment	24 January
3.	Lifelong Learning	25 January
4.	Social & Health Care	28 January
5.	Corporate Resources	28 January

A further Corporate Resources meeting, open to all members was held on 31 January. The purpose of the meeting was to summarise the key issues discussed for consideration by the Cabinet within this report and to resolve specific information requests from members.

- 3.08 Each of the meetings began with a corporate overview of the whole budget and the national and local strategic context jointly presented by the Chief Executive and Head of Finance. This was followed by a portfolio specific presentation by Directors on the service strategies behind the service specific budget proposals along with details of the proposed budget growth, pressures and efficiencies for 2013/14, the investment in the service area arising from the budget proposals and a forward look at the key service issues for the medium term. Cabinet members were present to explain their priorities and the reasoning behind decisions on the draft budget.
- 3.09 In addition, members were advised of a number of “live issues” which had arisen since the initial budget proposals were made and which were still under consideration. These are summarised as follows and are covered in Section 3.10 to 3.20:-

Environment

- Energy generation at landfill sites

Lifelong Learning

- Senior Management Restructure
- Music Service
- Out of County Placements
- Leisure Service
- Play Schemes
- Play Areas
- Reduction in Schools Service Level Agreement pressure

Social and Health Care

- Out of County Placements

Corporate Resources

- Council Tax Support Scheme
- Council Fund improving in-year budget projection
- Level of reserves and balances
- Municipal Mutual Insurance Risk
- Profiling of investment and organisational change needs

Outcome from Scrutiny Meetings

- 3.10 The outcomes from the Overview and Scrutiny meetings round were:-
- The budget proposals were noted by each committee
 - A specific request from the Lifelong Learning Committee for the Task and Finish Group’s recommendation for additional funding of £0.012m for Play Schemes to allow the programme to meet local demand from Town and Community Councils

- There was a request for information on the whole budget as context for investment or efficiency proposals. This was provided at the Corporate Resources meeting on 31 January.
 - Social and Health Care requested detail of £1.9m investment in the service.
- 3.11 Members offered comments and asked a number of questions to clarify issues and a summary of these observations and questions, together with the response of accountable officers, is attached as Appendix 9.

Closing the Gap

- 3.12 At the final Corporate Resources Scrutiny meeting on 31 January, members were advised that following the Final Local Government Settlement and the ongoing work to refine efficiencies and pressures, the revised shortfall stood at £1.400m (0.362 for one-off costs and £1.038m for ongoing base budget items).
- 3.13 It was noted that to reduce the budget for Out of County Placements in 2013/14 to 60% of the projected underspend in 2012/13, would reduce the shortfall to £0.745m (further detailed work following the meeting has enabled a further reduction of £0.128m in this area). However, the cost of including new pressures raised through the Overview and Scrutiny round was in the region of £0.300m. Inclusion of these pressures would therefore increase the shortfall to an estimated £1m.

Achieving a Balanced Budget

- 3.14 Key events since the initial budget proposals were presented were:-
- Notification of the Final Local Government Finance Settlement for 2013/14 from Welsh Government
 - A decision of the Board of Municipal Mutual Insurance (MMI) to 'trigger' the scheme of arrangement
 - An improved estimate of the projected out-turn in 2012/13 from a previously projected overspend to an under-spend of £0.611m
 - Revised regulations laid out by Welsh Government in January amending the level of Council Tax Support in 2013/14 from 90% to 100%
 - Full consideration of service investment and protection needs

Final Local Government Finance Settlement 2013/14

- 3.15 The Final Local Government Settlement was received from the Welsh Government on 11 December 2012. This included details of the final Standard Spending Assessment (SSA), Aggregate External Finance (AEF) and Outcome Agreement Grant.

A briefing note on the changes included compared to the provisional settlement stage was sent to all members in December and is attached as Appendix 1.

Insurance Provision following MMI Scheme of Arrangement

- 3.16 The Board of Municipal Mutual Insurance (MMI) has decided to 'trigger' the scheme of arrangement. This was identified in the 2011/12 accounts as a contingent liability, which did not require financial provision to be made. However, the impact of the decision is to require, under the Accounts and Audit regulations, the making of provision in the 2012/13 accounts. A separate report on this agenda provides further information on this issue and recommends that provision is made from the contingency reserve in 2012/13.

Projected Outturn for 2012/13

- 3.17 The 2012/13 Month 8 Budget Monitoring report (reported separately on this agenda) shows an estimated balance of £0.497m in the Contingency Reserve as at 31st March 2013, after provision is made for the additional insurance costs with MMI (see 3.16). There is the opportunity to meet one-off items of expenditure (from the under-spend in 2012/13) and to review the level of budget required in 2013/14 for those services contributing to the under-spend, most notably the provision of Out of County Placements.

Council Tax Support Scheme 2013/14

- 3.18 In anticipation of the combined impact of Welfare Reform changes and the ongoing economic situation, the initial budget proposals assumed a reduction in the Council Tax Collection Rate to 97.5% (from 99%).
- 3.19 The announcement in January of Council Tax support for 2013/14 being at 100% (instead of 90%) enables a more optimistic view to be taken of income to be collected. Whilst a revised collection rate cannot be used in setting the budget, it is reasonable to assume that there will be a surplus in-year in 2013/14. At this stage there is no indication of the level of support in future years of the funding.
- 3.20 At a 98.5% collection rate, there would be an in year surplus of £0.750m, although the final amount will depend on the collection rate achieved. It is proposed therefore to fund the costs associated with Council Tax support (£0.215m) from this in-year and to make a further contribution of £0.205m to base level of reserves to bring this up to 2% of turnover which now includes £9.6m for Council Tax support. This additional income will also provide protection against fluctuating caseloads when the level of funding is fixed. The one-off pressure of £0.027m to fund additional temporary resources within council tax has also been removed.

Council Tax Level

- 3.21 The Council has a policy commitment to maintain Council Tax at an affordable rate for the payer. The Council has to balance the need to maintain its Council Tax base to meet cost pressures and inflation, through annual rises in Council Tax, with this commitment. In recent years the Council has set an annual Council Tax rise of between 3.0% and 3.5% to achieve this balance. The Medium Term Financial Strategy needs to profile a revenue base including local taxation income.
- 3.22 For 2013/14 the Council has to be mindful of the financial pressures on Council Tax payers which come from the economic position, welfare reform and high energy and fuel costs. For some Council Tax payers these pressures will be acute. Therefore, the Council should aim to set the lowest possible Council Tax rise to achieve the 'balancing act' explained above. A Council Tax rise of 2.9% for 2013/14 is recommended.

Answering the Requests of Overview and Scrutiny

- 3.23 Following the round of Overview and Scrutiny Committee meetings the following is proposed to answer the requests for service investment or protection.
- **Music Service:** maintain the service at current levels without change to the charging policy and subsidised transport policy pending completion of the review of the service. The investment in service continuity pending the review, which will be completed and reported by 30 June 2013, is a maximum of £0.130m.
 - **Play Schemes:** the equitable minimum provision to be provided per area as recommended. The requests for local service enhancements, above the minimum provision, to match town and community council requests to be met in full at £0.012m. Given the risks of the continuity of national grant beyond 2013/14 and the pressure on available resources, the on-going review of future provision to be completed as part of a Cabinet-led review of priorities by 30 September 2013. The initial outcomes of the Task and Finish Group on Play is a valuable source of advice for both this annual budget recommendation and the on-going review.
 - **Play Areas:** the additional requests for town and community councils for matching funds for the renewal of play equipment in local play areas/parks to be met in full at £0.035m. The future capital and revenue needs for play areas and the scale and purpose of the annual budget to be set aside for the matching scheme to be reviewed and reported by 30 September 2013.

Further Budget Adjustments

3.24 During the budget discussions it has been reported that there was ongoing refinement to pressures and efficiencies to reflect the latest position. These have been reflected in the final draft and the significant items are:-

- **Denominational Transport:** the efficiency has been re-profiled for implementation from the 2014/15 academic year. Entitlement will be maintained in 2013/14 pending the outcome of the consultation process.
- **Out of County Placements:** the efficiency has been increased to reflect current levels of provision with an allowance for two additional high cost placements within the year. This is seen as a minimum requirement to respond to anticipated demand.
- **Car Park Management:** the efficiency has been revised in line with the report to Cabinet (also on this agenda) following consideration by Overview and Scrutiny.
- **Investment Costs:** the revised amount included reflects available funding for investment in change which adds to funds remaining from previous investment allocations.
- **Landfill Sites:** a new pressure has been included in relation to reduced energy income generation as a result of the deteriorating quality of gas as a consequence of contamination and the age of the sites.
- **Senior Management Restructure:** an additional efficiency has been included in relation to a senior management restructure within Lifelong Learning (see separate report on this agenda)
- **Insurance Contingency:** a refinement in the efficiency in light of the MMI issue
- **Fire Levy:** a reduction in the levy amount following final notification from NW Fire and Rescue Authority.

3.25 Taking into account the issues in 3.14 to 3.24 above, and the continuing work to review new and existing pressures and efficiencies and inflation assumptions, a balanced budget position for recommendation has been achieved. A summary of how the total budget gap has been eliminated is detailed in Appendix 12.

Risk Assessment and Budget Management

- 3.26 The approach to the budget has been to take a risk based approach. This has applied to new costs and efficiencies and also to assessing the on-going impacts of pressures and efficiencies in the current year's budget to ensure the robustness of the budget.
- 3.26 Inevitably in managing a budget of this scale across a large and diverse organisation, variances will occur and will be reported, along with management action to correct in monthly budget monitoring.
- 3.27 During the year, the Council will be implementing its Single Status Agreement. Where previous year or new budget proposals link with the implementation (e.g. part 3 terms and conditions efficiencies), the impact of any delay in implementation will be met from the Single Status/Equal Pay Reserve in line with the approach adopted for 2012/13.

Schools Budget

- 3.28 Under the School Funding (Wales) Regulations 2010 local authorities are required to notify Welsh Government of the proposed budget for schools for the forthcoming year by 14 February each year.
- 3.29 To fulfil the First Minister's commitment of protecting school budgets by 1% above the Welsh Government revenue block grant, councils need to ensure that their net (i.e. excluding specific grants) Individual School Budget is adjusted by one percent more than the WG block grant adjustment. For 2013/14 this equates to an increase of 2.08%. The equivalent increase for 2014/15 is 1.27%. It should be noted that the protection expectation is relative to WG's funding from the UK Treasury and not the level of Individual Council settlements from WG.
- 3.30 The Council is committed to increase the level of school budget and the amount of the school budget delegated to schools. We aim to do this progressively over a number of years. This is within the strategic framework which embraces the school modernisation programme, numbers of children in school (demographic change) and investment through the 21st Century Schools Programme.
- 3.31 The proposed schools budget, as notified to WG, increases from £91.874m to £96.510m, an increase of £4.636m (4.8%). This includes grant transfers into settlement of £2.258m. The budget has been uplifted for the estimated impact of inflationary increases for both pay and non-pay costs.
- 3.32 Throughout 2012/13 there has been an ongoing review of the schools funding formula. The Specialist School formula review has been completed and this identified a shortfall of funding in this sector of £0.250m which has been addressed in the 2013/14 budget. A significant amount of analysis has been undertaken to date on the primary and secondary formulas and the objective is to have a revised formula in place for 2014/15. Any funding issues identified will be fed through into the medium term financial plan.

- 3.33 The Assembly has just notified authorities of their Post 16 Special Education Needs allocation for 2013/14. The allocations for Mainstream Schools with Sixth Forms, Special Educational Needs in Mainstream and Adult Community Learning will increase by 1%. The Welsh Government is intending to introduce a new funding formula for post 16 education in Wales by 2014/15; for 2013/14 the post 16 funds will continue to be delegated to schools on the basis of a locally agreed formula.

Equality Impact Assessment

- 3.34 The Council has an obligation to assess the potential equalities impacts of its budget proposals.
- 3.35 An initial equalities impact assessment has been undertaken for all proposed efficiencies and no major risks have been identified through this work.
- 3.36 Further and more detailed impact assessments are being undertaken on a small number of efficiencies to ensure that there is no discriminatory impact in their implementation.

4.00 FINAL BUDGET PROPOSALS

- 4.01 As a result of the changes outlined above total expenditure and funding now equates to £293.346m and the total budget build up is outlined below. Details of the figures making up the total budget are attached as Appendices 2-8.

It is recommended that the 2013/14 Council Fund Revenue Budget Requirement be set at £258,284,539 (which is £1,720,145 below the calculated Standard Spending Assessment).

<u>Funding</u>		£m
Revenue Support Grant (RSG)		152.733
Additional Allocation (Council Tax Support Scheme)		0.869
National Non Domestic Rates (NDR)		46.872
Council Tax		57.809
Budget Requirement		<u>258.285</u>
<u>Unhypothecated Grants</u>		
Outcome Agreement Grant		1.467
Planned Use of Contingency Reserve		0.297
Specific Grants (Estimated)		33.297
Total Funding		<u>293.346</u>
<u>Expenditure</u>		
Total Budget 2012/13		280.991
Previous Year's Growth / Items Dropping Out	Appendix 2	1.336
Pay & Price Inflation	Appendix 3	2.900
New Responsibilities and Transfers into the Settlement	Appendix 4	14.042
Pressures and Investments - Ongoing	Appendix 5	3.261
Pressures and Investments - One-off and Time Limited	Appendix 6	0.297
Efficiencies	Appendix 7	(5.437)
Less Specific Grants 2012/13	Appendix 8	(37.341)
Plus Specific Grants 2013/14 (Estimated)	Appendix 8	33.297
Total Expenditure		<u>293.346</u>
Shortfall		<u>(0.000)</u>

Income

4.02 The budget proposals in this report set a budget requirement of £258,284,539. At this level of spend, the increase on the Band D Council Tax Rate (excluding Police and Town/Community Councils' precepts) is 2.9%. This equates to an increase of £27.04 on 2012/13 and a Band D rate of £959.43.

The Council Tax system in Wales contains nine property bands ranging from Band A to Band I. In order to ensure consistency between councils when reporting Council Tax information it is agreed practice that all related information is expressed in terms of Band D equivalents.

Members are requested to confirm that there be a 2.9% increase in Council Tax at Band D and an assumed 97.5% collection rate.

- 4.03 The amount of Outcome Agreement Grant available for 2013/14 has been advised by the Assembly. Achievement of this is subject to performance. The Council has been successful in achieving 100% of its grant in previous years and so it is a reasonable assumption for 2013/14.

Members are requested to confirm the inclusion of the Outcome Agreement Grant of £1,467,158 in the budget.

- 4.04 The specific grants figure is provisional, and based on the latest information known at this time. Expenditure levels will be managed within the final figures announced by the Assembly.

Members are requested to confirm that the budget will be adjusted to reflect the actual level of specific grant received.

Expenditure

Inflation

- 4.05 Pay and Price Inflation of £2.900m is included in the budget proposals as detailed in Appendix 3. The proposals include pay inflation of £1.279m which assume a 1% increase for teaching staff from September 2013 and 1% for non-teaching staff from April 2013.

- 4.06 Price inflation of £0.988m has been included which represents a targeted 1%-2% increase for all services as required. In addition to the standard level of price inflation outlined above, central non-standard inflation of £0.766m has been included, as detailed in Appendix 3, to reflect the increasing costs of energy, fuel, business rates and food for which inflation is anticipated to be at higher levels based on national intelligence. This sum will be held centrally until it is demonstrated that there is a requirement for the funding to be released. This will be reported in budget monitoring reports during the year.

It is recommended that items of non-standard inflation are only allocated out to services when the actual increase in cost is known.

- 4.07 Inflation on income amounting to £0.133m has been assumed on the yield from existing fees and charges which has generally been applied at 3%. Appendix 7a also details service areas where existing charges have been increased or new charges introduced (including inflation).

Members are requested to confirm the levels of inflation assumed in the budget.

- 4.08 The final settlement included various transfers in totalling £4.400m of funding previously received through a specific grant and an additional new responsibility for the Council Tax Support Scheme of £9.642m as detailed in Appendix 4.

Members are requested to confirm the amounts included in the budget relating to transfers into and out of the settlement.

- 4.09 Appendix 5 a-d sets out recurring pressures totalling £3.261m recommended for inclusion in the budget. These pressures are proposed to be funded from the base budget.

Members are requested to confirm the inclusion of £3.261m of pressures in the budget.

It is recommended that the Council's adopted practice continues that resource to fund new pressures be approved for the purposes set out. Any proposals to vary the use of the sums allocated are to be the subject of a further report to Cabinet.

- 4.10 In addition, Appendix 6 details estimated one-off costs of £0.297m which will be funded by way of a contribution from the Contingency Reserve.

Members are requested to confirm the inclusion of estimated one-off costs totalling £0.297m in the budget.

- 4.11 Appendix 7a-e sets out the efficiencies, totalling £5.437m, recommended for inclusion in the budget.

Members are requested to confirm the inclusion of efficiencies of £5.437m in the budget.

It is recommended that if it should become apparent that achievement of any of the savings (in full or in part) is proving to be not as anticipated, that this is dealt with corporately, with the Corporate Management Team bringing options to Cabinet for consideration.

- 4.12 Full details of the total budget will be included in the 2013/14 Budget Book which will be made available early in the new financial year.

5.00 UNEARMARKED BALANCES AND EARMARKED RESERVES

- 5.01 Under the Local Authority Accounting Panel (LAAP) Bulletin 55, the level and utilisation of all reserves must be determined formally by the Council, informed by the advice and judgement of the Chief Finance Officer. As part of the budget process, officers have reviewed all of the reserves and balances held as detailed below. This is to ensure that any reserves held are at a reasonable level for the purpose for which they are intended and, if no longer required, are released back into useable funding.

- 5.02 Total Revenue Reserves comprise both the Council Fund Unearmarked balance and various Earmarked Council Fund Reserves, as reported annually in the Statement of Accounts.

- 5.03 The total value of the Council Fund reserves as at 1st April 2012 was £44.520m as outlined below:

Council Fund (Unearmarked) Balance	£m
Base Level of Unearmarked Reserves	5.564
Contingency Reserve	<u>0.992</u>
Sub -Total	6.556
Earmarked Council Fund Reserves	
Service Balances	6.479
Corporate Balances	24.156
Schools' Balances	2.658
Other Specific Reserves	<u>4.671</u>
Total	44.520

Council Fund (Unearmarked) Balance

Base Level of Reserves

- 5.04 The Council's Medium Term Financial Strategy includes a commitment to achieving a base level of reserves of 2% of turnover. The base level of reserves as at 1st April 2012 was £5.564m and it is proposed to increase this by £0.065m in 2013/14 taking the base level of reserves to £5.629m. In addition it is planned to make a further contribution in-year from the anticipated council tax collection fund surplus (see para 3.20).

Contingency Reserve

- 5.05 When the 2012/13 budget was set, the Contingency Reserve was estimated to be £0.414m at 31st March 2012. As a result of the net under-spend reported in the final outturn for 2011/12 the actual amount in the Contingency Reserve at the year end was £0.992m.
- 5.06 Cabinet on 18 September 2012, agreed to utilise £0.361m of this additional funding to support the new leisure facilities in its first year of operation.
- 5.07 The 2012/13 Month 8 Budget Monitoring report which is also on this agenda, shows an estimated balance of £0.497m in the contingency as at 31st March 2013 after setting aside provision for the MMI trigger of the Scheme of Arrangement (see 3.16).

- 5.08 The 2013/14 budget proposals include a recommendation to utilise £0.297m of the contingency reserve to fund one-off costs which would leave an estimated amount remaining at the end of the current financial year of £0.200m.
- 5.09 Whilst the base level of reserves is a known sum which is set aside, the level of Contingency reserve is based on the current estimate and is subject to change at the end of the financial year. The level of contingency reserve will continue to be reported through the monthly budget monitoring reports.

Earmarked Council Fund Reserves

- 5.10 Earmarked Council Fund Reserves include service balances/corporate balances, specific reserves and schools' balances.
- 5.11 Service balances are made up of those balances held by departments which Cabinet has agreed can be carried forward. Corporate Balances are held to meet commitments which fall in future years on specific items of expenditure.
- 5.12 The Council also holds Specific Reserves which are set aside for a specific future purpose.
- 5.13 Appendix 10 details the estimated closing balances for 2012/13 and 2013/14 in respect of all reserves and balances. The Head of Finance is satisfied that the level of these reserves is appropriate.

6.00 CHIEF FINANCE OFFICER REPORT ON ESTIMATES AND RESERVES

- 6.01 Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer to report to the Authority when it is considering its Budget and Council Tax on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions (the reference to the first person which follows is to the Head of Finance in this role).
- 6.02 Consideration of the budget has been within the framework of the Medium Term Financial Strategy 2011/15. The specific strategy for 2013/14 has been to target inflation, robustly review the ongoing impacts of in-year pressures, challenge and compress new pressures and optimise efficiency options.
- 6.03 I confirm the reasonableness of the estimates contained in the proposed budget, having regard to the Council's spending needs in 2013/14. Inevitably in managing a budget of this scale across and large and diverse organisation variances will occur, but I believe that the budget assumptions represent a measured and acceptable level of risk.
- 6.04 Effective and disciplined in-year financial management will be key to ensuring that budgets are managed effectively and prompt action taken to mitigate the impacts should variances occur.

- 6.05 The 2013/14 budget has been prepared within the context of reduced funding available to local government and the ongoing impacts of the economic downturn. Economic forecasts show that this will be the case for some years to come. Future rises in spending need (choice and demand led) and real terms cuts in funding mean that the Council needs not only to plan ahead, but also to carefully safeguard its levels of balances.
- 6.06 The level of reserves and balances is set out in Section 5.00. Within the context described above, I recommend that the Council should maintain the level of general balances of £5.629m and the further planned in-year contribution of £0.205m in 2013/14 (alongside other specific reserves as outlined) to safeguard its position and be in a strong position to plan ahead to meet the continuing period of constraint in public sector funding, the impacts of the economic downturn and be able to invest in its priorities for the future.

7.00 2014/15 AND THE MEDIUM TERM

- 7.01 The national and local financial context which was shared and explored with members through Cabinet and Overview and Scrutiny meetings during the budget process, sets the backdrop to the likely financial position over the medium term. Significant pressure on public sector finances is expected to continue to the end of the decade through a combination of UK Fiscal Policy, a flat economy and increasing demands and expectations for key services.
- 7.02 Whilst the Council has had indications of its level of funding for 2014/15 by Welsh Government, its funding forecast from the UK Treasury has subsequently been reduced. As a consequence it is highly probable that the projected budget gap of £29m over 5 years will be increased. The impacts of any WG decisions on the allocation of funding to other areas of the public sector would have a significant additional bearing.
- 7.03 In this context the Medium Term Financial Plan (MTFP) continues to be under review. The next version will be published in mid 2013, by which time the Council will have a clearer picture of a number of the investment options for key priorities including Single Status and Equal Pay, School Modernisation, School Funding Formula Review, Social Care and Capital Strategy.
- 7.04 The updated MTFP will model:-
- possible medium-term fiscal outcomes and impacts from the forthcoming comprehensive spending review and potential levels of future funding from Welsh Government
 - local taxation and income from fees and charges and other income streams
 - necessity-led and priority local choice-led budget revenue and capital needs
 - efficiency needs and opportunities

7.05 This work will inform a challenging and evidence based review of priorities for investment and priorities for disinvestment/efficiency and be a true basis and impetus for the next phase of big organisational change within the council.

7.06 The latest position on our MTFP, prior to the inclusion of this work is detailed in Appendix 11.

8.00 RECOMMENDATIONS

8.01 That the Cabinet makes the following recommendations to County Council on 1 March 2013:-

1. That the 2013/14 Council Fund Revenue Budget Requirement be set at £258,284,539 (which is £1,720,145 below the calculated Standard Spending Assessment) (4.01).
2. That there be a 2.9% increase in Council Tax at Band D and an assumed 97.5% collection rate (4.02).
3. The inclusion of the Outcome Agreement Grant of £1.467m in the budget (4.03).
4. The levels of inflation assumed in the budget (4.05-4.07).
6. That items of non-standard inflation are only allocated out to services when the actual increase in cost is known (4.06).
7. The amounts included in the budget relating to transfers into and out of the settlement (4.08).
8. The inclusion of £3.261m of pressures in the budget (Appendix 5 a-d).
9. That the Council's adopted practice continues that resources to fund new pressures be approved for the purpose set out. Any proposals to vary the use of the sums allocated are to be the subject of a further report to Cabinet (4.09).
10. The inclusion of estimated one-off costs totalling £0.297m in the budget (Appendix 6), to be funded from the contingency reserve.
11. The inclusion of efficiencies of £5.437m in the budget (4.11 and Appendix 7 a-e).
12. That if it should become apparent that achievement of any of the savings (in full or part) is proving to be not as anticipated that this is dealt with corporately, with the Corporate Management Team bringing alternatives to Cabinet for consideration (4.11).

13. That additional income derived from the anticipated collection fund surplus be utilised to fund welfare reform costs and increase the base level of reserves (3.20)

9.00 FINANCIAL IMPLICATIONS

- 9.01 As set out in the report.

10.00 ANTI POVERTY IMPACT

- 10.01 Individual growth and efficiency items may have specific anti-poverty impacts.

11.00 ENVIRONMENTAL IMPACT

- 11.01 Individual growth and efficiency items may have specific anti-poverty impacts.

12.00 EQUALITIES IMPACT

- 12.01 Individual growth and efficiency items may have specific equality impacts.

13.00 PERSONNEL IMPLICATIONS

- 13.01 Individual growth and efficiency items may have specific personnel impacts.

14.00 CONSULTATION REQUIRED

- 14.01 Overview and Scrutiny, Business Ratepayers, School Budget Forum, Flintshire Joint Trades Union Committee.

15.00 CONSULTATION UNDERTAKEN

- 15.01 Overview and Scrutiny as set out in the report.

School Budget Forum and Flintshire Joint Trade Union have been updated throughout the process.

No responses received to the formal consultation with business ratepayers.

No objections received from proposals shared with Local Service Board and Regional Partners.

16.00 APPENDICES

- 16.01 Appendices 1-12

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Contact Officer: Gary Ferguson

Telephone: 01352 702271

Email: gary_ferguson@flintshire.gov.uk

