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To: Cllr Aaron Shotton (Leader)

Councillors: Bernie Attridge, Chris Bithell, Derek Butler, Christine Jones,  
Billy Mullin, Ian Roberts and Carolyn Thomas

6 December 2017

Dear Councillor

You are invited to attend a meeting of the Cabinet which will be held at 9.00 am on Tuesday, 12th December, 2017 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

## **A G E N D A**

### **1 APOLOGIES**

**Purpose:** To receive any apologies.

### **2 DECLARATIONS OF INTEREST**

**Purpose:** To receive any Declarations and advise Members accordingly.

TO CONSIDER THE FOLLOWING REPORT

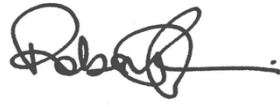
### **STRATEGIC REPORT**

### **3 FINANCIAL FORECAST AND STAGE TWO OF THE BUDGET 2018/19** (Pages 3 - 14)

Report of Chief Executive - Leader of the Council and Cabinet Member for Finance

**Purpose:** To consider the feedback from CROSC on the Stage Two of the Budget 2018/19 and to make recommendations to Council.

Yours sincerely

A handwritten signature in black ink, appearing to read "Robert Robins", with a horizontal line extending to the right and a small dot at the end.

Robert Robins  
Democratic Services Manager



## CABINET

<b>Date of Meeting</b>	Tuesday, 12 <sup>th</sup> December 2017
<b>Report Subject</b>	Financial Forecast and Stage Two of the Budget 2018/19
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The annual budget for 2018/19 is being developed in three stages:

Stage One - Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committee throughout October and approved by Council on 14 November 2017.

Stage Two - Secondary Options were shared with Members initially at a workshop in November and were considered at Corporate Resources Overview and Scrutiny Committee on 6 December 2017. Verbal feedback will be provided at the meeting on the views of the Committee.

Stage Three - Final Balancing options will be need to be considered through January and February for the Council to be able to approve a balanced budget to meets its statutory duty.

Stage One budget proposals of £3.1m were approved by Council on 14 November 2017 reducing the budget gap from £13.6m to £10.5m, excluding the impact of in-year risks and pressures.

Cabinet is invited to consider the feedback from Scrutiny on Stage Two of the budget strategy and make recommendations to Council.

## RECOMMENDATIONS

1	Cabinet to consider feedback from Corporate Resources Overview and Scrutiny Committee and to make a recommendation to Council on Stage 2 of the budget strategy.
2	Note the remaining stages of the budget process and the timescales.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE LATEST POSITION ON THE BUDGET 2018/19</b>
	<b>Budget Process and Timeline</b>
1.01	The annual budget for 2018/19 is being developed in three stages.
1.02	<p>The stages are:-</p> <p>Stage One - Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committee throughout October and approved in November.</p> <p>Stage Two - Secondary Options have been developed for consideration and were considered by Corporate Resources Overview and Scrutiny Committee on 6 December 2017. The scrutiny report is appended as Appendix A.</p> <p>Stage Three - Final Balancing options will be need to be considered through January and February for the Council to be able to approve a balanced budget to meets its statutory duty.</p>
	<b>Stage One budget proposals</b>
1.03	Stage One budget proposals of £3.1m were approved by Council 14 November 2017 reducing the budget gap from £13.6m to £10.5m, excluding the impact of in-year risks and pressures.
	<b>Stage Two – Portfolio Budget Options</b>
1.04	Stage two budget proposals were shared at a Member workshop in November where initial feedback was sought on proposals. These proposals were also considered by Corporate Resources Overview and Scrutiny at its meeting on 6 December. Verbal feedback will be provided at the meeting on the views of the Committee.
	<b>Emerging Issues affecting the forecast</b>
1.05	In 2017/18 there is a projected budget Council Fund overspend of £1.3m which will impact, to some extent, on the forecast gap for 2018/19. The variances in expenditure which are at the cause of the over-spend are under critical examination. Any carry-forward of any recurring overspend in the

	base budget will increase the budget gap for 2018/19 and will be considered within stage three of the budget.
1.06	<b>Next Steps and Timescales</b>  The Final Local Government settlement is due to be received 20 December which will determine the amount of grant funding to be received from Welsh Government for 2018/19.
1.07	Stage Three of the budget – the closing stage in January and February – will be the most challenging.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	All Member Workshops in July, September and November.
3.02	Overview and Scrutiny Meetings in October
3.03	School Budget Forum in October.
3.04	Public Engagement Sessions throughout October and November

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Settlement is provisional only at this stage. The Final Settlement is due to be announced on 20 December 2017.
4.02	Within the Settlement there is limited information on specific grants. Proposed reductions in and change to specific grants pose a significant risk. The Education Improvement Grant and Single Environment Grant are of particular concern.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Corporate Resources Overview and Scrutiny Committee report 6 December 2017

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officers:</b> Colin Everett and Gary Ferguson <b>Telephone:</b> 01352 702101

	<b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>
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<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p><b>Revenue Support Grant:</b> the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Office of Budget Responsibility:</b> created in 2010 to provide independent and authoritative analysis of the UK public finances.</p> <p><b>Institute of Fiscal Studies:</b> formed in 1969 and established as an independent research institute with the principal aim of informing public debate on economics in order to promote the development of effective fiscal policy.</p> <p><b>Independent Commission on Local Government Finance in Wales:</b> established to examine how local government funding can be made more sustainable with a view to providing specific recommendations for improvement and reform.</p> <p><b>Welsh Local Government Association:</b> the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.</p>

## CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Wednesday, 6 December 2017
<b>Report Subject</b>	Financial Forecast and Stage Two of the Budget 2018/19
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager and Chief Executive
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

The purpose of the report is to provide the Committee with an update on the current financial forecast for 2018/19 and to consult on the Stage 2 Revenue budget proposals for 2018/19.

The annual budget for 2018/19 is being developed in three stages:

Stage One - Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committee throughout October and approved by Council on 14 November 2017;

Stage Two - Secondary Options were shared with Members at a workshop on 21 November and further details of these are outlined within this report for consultation by the Committee;

Stage Three - Final Balancing options will need to be considered through January and February for the Council to be able to approve a balanced budget to meet its statutory duty.

The previously forecast budget gap for 2018/19 was reported as £11.7m. This was prior to the announcement of the Provisional Welsh Local Government Settlement which was announced in October. The impact of this is that the Council faces a reduction of 0.9% in AEF – equal to £1.703m - once adjustments for transfers of funds into the Settlement have been taken into account. The total reduction has increased to £1.9m through the impact of a new responsibility for Homelessness Prevention, costed at £0.197m, for which there is no budget provision.

Further negative changes to several major specific grants which sit outside AEF

have also been confirmed by Welsh Government.

The financial impact of the Provisional Settlement is that the gap has increased to £13.6m, excluding in-year risks and pressures.

The Committee is invited to review and comment on the Stage Two budget options which are detailed within the report. This review follows the internal member workshop held recently. The value of all of the stage two options ranges between £7.592m and £9.001m with the main variable being the decision on Council Tax.

## RECOMMENDATIONS

1	That Members of the Committee consider the Stage 2 budget options and provide feedback prior to County Council on 12 December 2017.
2	That Members note the remaining stages of the budget process and the timescales.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE LATEST POSITION ON THE BUDGET 2018/19</b>
1.01	<b>Budget Process and Timeline</b>  The annual budget for 2018/19 is being developed in three stages.
1.02	These stages are:-  Stage One - Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committee throughout October and approved by Council on 14 November.  Stage Two - Secondary Options have been developed for consideration as set out for in this report.  Stage Three - Final Balancing options will need to be considered through January and February for the Council to be able to approve a balanced budget to meets its statutory duty.
1.03	<b>Updated Financial Forecast 2018/19</b>  The previously forecast budget gap for 2018/19 was reported as £11.7m. This was prior to the announcement of the Provisional Welsh Local Government Settlement.



1.04	<p><b>Provisional Welsh Local Government Settlement</b></p> <p>The Provisional Settlement was received on 10<sup>th</sup> October 2017 and the headline financial impact was reported in detail in November. The financial impact of the decrease of 0.9% in AEF is equal to £1.703m in cash terms (having adjusted for transfers into the Settlement). When taking the new responsibility for Homelessness Prevention into account, at an additional cost of £0.197m, there is an overall negative impact of £1.9m on the budget forecast for 2018/19. This has the result of increasing the budget gap from £11.7m to £13.6m (excluding in-year risks and pressures).</p> <p>This excludes the impact of grant reductions for specific grants which are continuing to be assessed.</p>
1.05	<p><b>Stage One – Portfolio Business Plans</b></p> <p>Stage One budget proposals were approved by Council on 14<sup>th</sup> November 2017 and these reduced the gap by £3.1m which leaves a remaining gap of £10.5m (excluding in-year risks and pressures).</p>
1.06	<p><b>Stage 2 Budget Options</b></p> <p>The Second stage budget options were shared at a Member Workshop on 21 November 2017 and the options have been split into the following categories:</p> <ul style="list-style-type: none"> <li>• Category 1: High Level of Control/Certainty – Local</li> <li>• Category 1a: High Level of Control/Certainty – Local taxation</li> <li>• Category 2: Low Level of Control/Certainty – Local</li> <li>• Category 3: No Level of Control/Certainty – National</li> </ul> <p>Details of the options within each category are set out below.</p>
	<p><b>Category 1: High Level of Control/Certainty – Local</b></p>
1.07	<p>Schools Demography (£0.288m) – Apply a reduction to the quantum invested in the schools formula based on school population to reflect demographic changes.</p>
1.08	<p>Schools Budgets (£1.143m) – School budgets to remain at “cash flat” with no increase for inflationary pressures such as pay or other inflationary increases.</p>
1.09	<p>Theatre Clwyd (£0.075m) – The Council to receive a share of the Theatre Tax Relief by means of an income stream on a recurring basis to fund 100% of the Music Service subsidy (£0.035m) and 50% of the Community Arts Team (£0.040m)</p>
1.10	<p>Car Parking (£0.468m) – Increase car parking in the current pay and display locations for Council owned car parks.</p>
	<p><b>Category 1a: High Level of Control/Certainty – Local Taxation</b></p>
1.11	<p>Council Tax and Council Tax Reduction Scheme (CTRS) - Council tax is a</p>

	<p>local decision and as yet has not been reflected in the financial forecast. Detailed below are options for potential increases and the relevant yield that would be provided as a contribution to the gap:</p> <ul style="list-style-type: none"> <li>• 3% - £2.435m</li> <li>• 3.5% - £2.788m</li> <li>• 4% - £3.140m</li> <li>• 4.5% - £3.492m</li> <li>• 5% - £3.844m</li> </ul> <p>These amounts take into account an increase in the property base of 0.46% for 2018/19.</p> <p>In addition, there is a current in-year underspend on CTRS due to a reduction in demand and further modelling of this position being continued into 2018/19 gives a further saving of £0.323m from the removal of the current pressure within the MTFS.</p> <p>Any increase would therefore contribute between £2.758m and £4.167m to the “gap”.</p>
	<b>Category 2: Low Level of Control/Certainty – Local</b>
1.12	Pensions Auto-Enrolment (£0.100m) – Reduce the provision for auto enrolment by £0.100m. There is currently a provision of £0.270m within the forecast. A half year provision was made for this scheme in 2017/18 which has just come into effect on 1 <sup>st</sup> October. The actual impact of this is currently being assessed including the potential to reduce the provision further.
1.13	Price Inflation (£0.139m) – Services to manage standard price inflation (but not Non Standard Inflation (NSI)). This provision is made up of potential increases to the Fire Authority levy, increase in Non-Domestic Rates (NDR) and Information Technology (IT) software increases.
1.14	Commissioned Social Care Services (£0.831m) – Increases in fees to providers of commissioned care services are forecast annually and based on a combination of national, regional and local modelling. Through negotiation with providers and the management of commissioned services within budget estimates a reduction in cost pressures is possible.
1.15	Provision for Autism Support (£0.100m) – A reduction to the provision currently included within the forecast until actual need can be assessed from clients presenting for services.
1.16	County Hall (£0.300m) – Acceleration of the scheme to demolish Phases three and four of County Hall and partial transition to Unity House Ewloe would result in the reduction of premises costs.
1.17	Planning Fee Income (£0.050m) - This reflects a reduction in the current pressure within the forecast for planning fee income based on an increase in the current trend.

<b>Category 3: No Level of Control/Certainty – National</b>																			
1.18	Domiciliary Care Fee Cap (£0.490m) – The Council will make an application to Welsh Government to apply the full cap limit of £100 per week (subject to assessment on the ability to pay) from April 2018. The current cap for 2018 is set at £80 per week and is due to rise to £100 per week in 2020.																		
1.19	Intermediate Care Fund (ICF) (£0.500m) - The Council currently receives a share of ICF funding which is allocated to Betsi Cadwaladar University Health Board (BCUHB). This funding is used as a contribution to support core Social Care Services and is currently allocated on an annual basis. As ICF funding is now confirmed to continue the Council will seek to “lock down” this contribution to ensure continuation of funding.																		
1.20	Apprentice Tax Levy (£0.350m) – The Council will make an application to Welsh government for the recovery of 50% of the cost of our internal apprenticeship/trainee scheme with the guarantee to protect and grow the scheme. Welsh Government has a projected £40m of new funds for apprenticeship schemes in Wales from the new UK Levy which was introduced in April 2017.																		
1.21	The above three national requests may not be resolved prior to the end of the calendar year and may be deferred until Stage 3 of the budget. Welsh Government have been formally invited to meet these requests.																		
1.22	<p><b>Summary of all Stage 2 Options</b></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Lower Range (£m)</th> <th>Higher Range (£m)</th> </tr> </thead> <tbody> <tr> <td>1: High Level of Control/Certainty – Local</td> <td>1.974</td> <td>1.974</td> </tr> <tr> <td>1a: High Level of Control/Certainty – Local Taxation</td> <td>2.758</td> <td>4.167</td> </tr> <tr> <td>2: Low Level of Control/Certainty - Local</td> <td>1.520</td> <td>1.520</td> </tr> <tr> <td>3: No Level of Control/Certainty - National</td> <td>1.340</td> <td>1.340</td> </tr> <tr> <td><b>Total</b></td> <td><b>7.592</b></td> <td><b>9.001</b></td> </tr> </tbody> </table>	Category	Lower Range (£m)	Higher Range (£m)	1: High Level of Control/Certainty – Local	1.974	1.974	1a: High Level of Control/Certainty – Local Taxation	2.758	4.167	2: Low Level of Control/Certainty - Local	1.520	1.520	3: No Level of Control/Certainty - National	1.340	1.340	<b>Total</b>	<b>7.592</b>	<b>9.001</b>
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<b>Total</b>	<b>7.592</b>	<b>9.001</b>																	
<b>Emerging Issues Affecting the forecast</b>																			
1.23	In 2017/18 there is a projected budget Council Fund overspend of £1.3m which will impact, to some extent, on the forecast gap for 2018/19. The variances in expenditure which are at the cause are under critical examination. Any carry-forward of any recurring overspend in the base budget will increase the budget gap for 2018/19.																		
<b>Next Steps and Timescales</b>																			
1.24	County Council will be requested to approve Stage 2 of the budget on 12 December.																		

1.25	The Final Local Government Settlement is due to be received on 20 December 2017 and careful analysis will be needed to assess any variable to the amount notified within the Provisional settlement. Following the Council debate and resolution at the special meeting on 14 November a formal response has been made to Welsh Government on the inadequacy of the Provisional Settlement.
1.26	Stage Three of the budget – the closing stage in January and February – will be the most challenging.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Member Workshops in July, September and November.  Overview and Scrutiny Meetings in October.  School Budget Forum in October.  Public Engagement Sessions throughout October and November.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The Settlement is provisional only at this stage. The Final Settlement is due to be announced on 20 December 2017.
4.02	Within the Settlement there is limited information on specific grants. Proposed reductions in and change to specific grants pose a significant risk. The Education Improvement Grant and Single Environment Grant are of particular concern.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Gary Ferguson <b>Telephone:</b> 01352 702271 <b>E-mail:</b> <a href="mailto:gary.ferguson@flintshire.gov.uk">gary.ferguson@flintshire.gov.uk</a>

7.00	GLOSSARY OF TERMS
7.01	<p><b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to the Council for a given period, and sets out plans for how best to deploy those resources to meet our priorities, duties and obligations.</p> <p><b>Annual Settlement:</b> the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget and to individual councils one by one. The amount of Revenue Support Grant (see below) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p><b>Aggregate External Finance (AEF):</b> the total amount of support the Welsh Government provides to councils each year. The total is made up of Revenue Support Grant, a share of the national “pool” of National Non-Domestic Rates and a number specific grant where funds are provided for councils to spend on specified services to achieve pre-set outcomes, for example education and waste collection.</p> <p><b>Revenue Support Grant:</b> the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p><b>Budget:</b> a statement expressing the Council’s policies and service levels in financial terms for a particular financial year. It includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p><b>Specific Grants:</b> An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p><b>Office of Budget Responsibility:</b> created in 2010 to provide independent and authoritative analysis of the UK public finances.</p> <p><b>Institute of Fiscal Studies:</b> formed in 1969 and established as an independent research institute with the principal aim of informing public debate on economics in order to promote the development of effective fiscal policy.</p>

**Independent Commission on Local Government Finance in Wales:**

established to examine how local government funding can be made more sustainable with a view to providing specific recommendations for improvement and reform.

**Welsh Local Government Association:** the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.