

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, CHIEF OFFICER (PEOPLE AND RESOURCES), CORPORATE FINANCE MANAGER**

SUBJECT: **COUNCIL FUND REVENUE BUDGET 2015/16 EXECUTIVE SUMMARY**

1.00 PURPOSE OF THE REPORT

1.01 To present the final revenue budget proposals for the Council Fund for 2015/16 for recommendation to Council.

2.00 BACKGROUND

2.01 The final Local Government Settlement for 2015/16 was published by Welsh Government on 10 December 2014.

2.02 As a consequence of the combined impacts of:-

- a reduction in Revenue Support Grant from Welsh Government;
- reductions by Welsh Government in specific grants;
- no provision within the Settlement for pay and price inflation;
- no provision within the Settlement for nationally recognised demand led and policy led service pressures; and
- local service and financing pressures.

a total funding 'gap' of £16.4m to be 'bridged' for the 2015-16 financial year was reported to Cabinet on 16 December 2014. As reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee subsequently the gap has been increased by £1.865m to £18.265m

2.03 The draft budget reported to Cabinet in December presented corporate and service portfolio efficiencies totalling £12.640m. At that time the remaining gap to be found stood at £1.760m. This gap has since been increased to £3.625m

2.04 Budget Strategy

As reported to Cabinet on 16 December 2014 the budget strategy developed for 2015/16 onwards is based on an organisational strategy to reduce costs to shield and protect local public services.

The overall budget is a package of measures and proposals which combine:-

- corporate financing options e.g how to manage inflation;
- portfolio level business plan proposals;
- reviews pressures on portfolio budgets;
- maximising income generation;
- reviews of workforce numbers and costs;
- a review of council tax levels; and
- a full review of Reserves and Balances.

3.00 **CONSIDERATIONS**

FIRST STAGE OF CLOSING THE BUDGET 'GAP'

- 3.01 The ongoing work on developing further efficiencies had produced a set of further proposals, by the January meeting of Cabinet, to a value of £2.848m, leaving a remaining gap of £0.777m.

Table 1: Closing the Gap Stage 1

Proposal	£m
Procurement Supplier Charging	0.116
Non Standard Inflation Provision Review	0.348
Reduction in Fire and Rescue Authority Levy Provision	0.124
Council Tax Reduction Scheme projected provision	0.130
Central Loans and Investments Reviews	1.830
Workforce Efficiency Projects	0.300
Running Total	2.848
Remaining Gap	0.777

3.02 ***Table 1A: Proposal Explanations***

Procurement Supplier Charging

An income generating opportunity has been identified by applying a charge to suppliers of the Council for the use of electronic invoicing software. A charge of £50 p.a. will apply in relation to suppliers who undertake in excess of £1,000 of business per year.

Non Standard Inflation Review

The draft budget proposals provided for an inflationary increase for energy (8%), Fuel (6%) and Food (4%), products where inflation has been running above standard inflation. Due to reducing unit prices, and taking into account specialist advice, the provision for NSI allocation was first revised downwards by £0.348m, with a commitment to review further on the basis of latest advice, prior to the setting of the final budget.

Reduction in Fire and Rescue Authority Levy Provision

The draft proposals reported to Cabinet in December provided for an inflationary increase of 2% on the 2014/15 levy of £0.139m. The annual budget has been set by the Fire and Rescue Authority. The budget requires a minimal increase of £0.015m, thereby reducing the required provision by £0.124m.

Council Tax Reduction Scheme Projected Provision

The draft proposals included an additional amount of £0.308m to reflect the impact of the annual council tax rise (3% at draft stage) which is not provided for in the Revenue Support Grant received from Welsh Government. Current demand levels have been reviewed and the additional amount required to meet demand is £0.130m less than first predicted.

Central Loans and Investment Reviews

The additional efficiencies in this complex account are:-

Reprofiling of the Minimum Revenue Provision (MRP): accounting principles provide an opportunity to account for the cost of borrowing in the year after the related asset becomes operational. The draft proposals provided for this charge in the year that the expenditure was incurred. In view of the overall financial challenges it is deemed appropriate to take advantage of this 'borrowing holiday'.

Interest on borrowing: the required level of borrowing and the timing of that borrowing is reliant on the Capital Programme set by the Council and the internal resources available to meet that expenditure. The draft capital programme and the information arising from the detailed review of reserves and balances has allowed a review of the amount of borrowing required, the timing of that borrowing and the types of loans and associated interest rates.

Impact of the exit from the Housing Revenue Account Subsidy System (HRAS) exit: arrangements are continuing for the exit of the Housing Revenue Account Subsidy system by April 2015. The settlement transaction will be dealt with in line with corporate practice and the revised apportionment rates will result in a benefit to this account.

Workforce Efficiency Projects

The next phase of the strategy to make further reductions to workforce costs is under development in consultation with the Trade Unions. Projects including the "buy back" of annual leave are well advanced.

3.03 SECOND STAGE OF CLOSING THE BUDGET ‘GAP’

Changes proposed by Cabinet to the following efficiencies as a consequence of the challenge and suggestions made by Overview and Scrutiny are listed below:-

Table 2: Responding to the Challenges from Overview and Scrutiny

<p>Housing: Portfolio: Response Service Out of Hours</p> <p>Amended proposal to withdraw the charging proposals (budget pressure of £20K)</p>
<p>Life Long Learning Portfolio: Let’s Walk Cymru</p> <p>Amended proposal to include a transitional grant of £7.5k for Walkabout Flintshire pending agreement of a longer term plan (budget pressure of £7.5k)</p>
<p>Corporate Resources: Switchboard and Contact Centre Services</p> <p>Amended proposal to phase implementation of call handling systems changes (budget pressure of £40k)</p>
<p>Corporate Resources: Post Office Counter Payments Options</p> <p>Amended proposal to defer implementation of the payments option to assist vulnerable clients with an alternative personalised payment option and budgeting advice (budget pressure of £7.5k)</p>

3.04 Summary of Balancing Position

Table 3: Table 1: Closing the Gap Stage 2 to Balance the Budget

	£m
Remaining “Gap” (as per Table 2)	0.777
Revisions following Overview & Scrutiny Challenge (3.04)	0.075
Revised “Gap”	0.852
Reduction of NSI (3.05)	(0.197)
Council Tax at 3.75% (Net of CTRS Impact) (3.06)	(0.385)
Use of Reserves (3.07)	(0.270)
Balance	0

4.00 RECOMMENDATIONS

4.01 That the Cabinet makes the following recommendations to County Council on 17 February 2015:-

1. the 2015/16 Council Fund Revenue Budget Requirement to be set at £249.979m (which is £1.827m below its calculated Standard Spending Assessment) (5.02)
2. there be a 3.75% increase in Council Tax at Band D and an assumed 99% collection rate (5.02)
3. inclusion of the Outcome Agreement Grant of £1.479m in the budget (5.03)
4. acceptance of the levels of inflation assumed in the budget (5.04 – 5.06)
5. acceptance of the amounts for transfers in and out of the settlement (5.07)
6. inclusion of £2.853m of recurring pressures in the budget (5.08)
7. inclusion of £0.730m of one-off costs to be funded from Reserves (5.09)
8. inclusion of efficiencies of £12.874m in the budget (5.10)
9. The use of reserves to fund transitional funding of £0.270m pending the identification of additional efficiencies (5.11)
10. the contingency reserve be maintained and its use considered in the context of the overall medium term financial plan for 2015/16 and future years (6.03)

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SUBJECT: **COUNCIL FUND REVENUE BUDGET 2015/16**

1.00 PURPOSE OF REPORT

1.01 To present the final revenue budget proposals for the Council Fund for 2015/16 for recommendation to Council.

2.00 BACKGROUND

2.01 The final Local Government Settlement for 2015/16 was published by Welsh Government on 10 December 2014 following a period of consultation during which Flintshire made representations over the risks to local services being caused by continued annual reductions in revenue and capital support for local government.

2.02 As a consequence of the combined impacts of:-

- a reduction in Revenue Support Grant from Welsh Government;
- reductions by Welsh Government in specific grants;
- no provision within the Settlement for pay and price inflation;
- no provision within the Settlement for nationally recognised demand led and policy led service pressures; and
- local service and financing pressures

a total funding 'gap' of £16.4m to be 'bridged' for the 2015-16 financial year was reported to Cabinet on 16 December 2014. As reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee subsequently the gap has been increased by £1.865m to £18.265m as a consequence of the adjustments made to the efficiency targets set for achieving reductions in workforce costs (based on targets for reductions in workforce numbers) as part of the 2014-15 budget and the minor impact of the final settlement.

2.03 The draft budget reported to Cabinet in December presented corporate and service portfolio efficiencies totalling £12.640m. At that time the remaining gap to be found stood at £1.760m. This gap, which has since been increased to £3.625m with the adjustments to efficiency targets through workforce reductions, was to be bridged through a combination of:-

- corporate financing options e.g central loans and investments and

- inflation provision;
- income levels including Council Tax;
- further specific workforce efficiencies; and
- further service efficiencies.

2.04 **Budget Strategy**

As reported to Cabinet on 16 December 2014 the budget strategy developed for 2015/16 onwards is based on an organisational strategy to reduce costs to shield and protect local public services. Whilst building and capitalising upon the efficiency programmes in being from earlier years, it was recognised that the renewed strategy had to be more ambitious due to the scale of the financial challenge. The strategy was built on the four pillars of 'corporate' or whole council efficiencies, 'functional' or within service efficiencies, organisational redesign on management structures based on a new 'operating model', and workforce efficiencies through phased reductions in the number of people we employ.

The principles which underpinned this strategy, as set out in the Council's Medium Term Financial Strategy for the period 2013-2017, have been followed through:-

- planning for the long-term as a whole organisation;
- making decisions for local public services which can be sustained;
- being ambitious and positive about change to better the organisation;
- having a clear philosophy underpinned by social values; and
- managing the transition from the current to the future with care.

The twin objectives of these programmes of change and cost reduction have been and remain as:-

- maximising the financial efficiency of the organisation and prioritising our resources; and
- modernising the organisation to be lean, productive, efficient, resilient and high performing.

Whilst the Medium Term Financial Plan (MTFP) is under review alongside the developing budget for 2015/16, with the purpose of re-forecasting the changing budget assumptions for future years and realigning our organisational strategy to suit, the principles and objectives within stand fast. This Cabinet led review will be reported upon, and shared with Corporate Resources Overview and Scrutiny Committee, in April/May.

The continued organisational change strategy from 2014-15 and a series of fundamental business plan reviews across each new Chief Officer portfolio form the basis of the renewed financial strategy for 2015-16 and future years. Chief Officers and their operational teams have been set the challenge of working to a collective budget savings target of up to 30% of total Council resources up to 2017/18. The business planning approach, which has

challenged priorities, models of service design and delivery, base budget allocations, value for money, income and cost recovery for services and management and workforce structures and cost, has generated the proposals listed in the appendices to this report.

The overall budget is a package of measures and proposals which combine:-

- corporate financing options e.g how to manage inflation;
- portfolio level business plan proposals;
- review of pressures on portfolio budgets;
- maximising income generation;
- reviews of workforce numbers and costs;
- a review of council tax levels; and
- a full review of Reserves and Balances.

The MTFP and the Improvement Plan of the Council set out ambition for alternative ways of working and alternative service delivery models, some of which will be new to Flintshire. A number of the budget proposals for this and later budgets are based on creative and ambitious ideas for community ownership of assets, community and social enterprise, commissioning and trading, and more extensive collaboration. Within the budget are the seeds of new ways of working described in the new Council operating model, the MTFP and the Improvement Plan.

3.00 CONSIDERATIONS

FIRST STAGE OF CLOSING THE BUDGET “GAP”

- 3.01 The ongoing work on developing further efficiencies within the four areas listed in 2.03 above had produced a set of further proposals, by the January meeting of Cabinet, to a value of £2.848m, leaving a remaining gap of £0.777m. These further efficiencies, which are shown in the table below, were reported in full to the special budget meeting of the Corporate Resources Overview and Scrutiny Committee on 22 January 2015 and have been explained to the four service portfolio Overview and Scrutiny Committees at their respective special budget review meetings held on 23 and 26 January 2015.

Table 1: Closing the Gap Stage 1

Proposal	£m
Procurement Supplier Charging	0.116
Non Standard Inflation Provision Review	0.348
Reduction in Fire and Rescue Authority Levy Provision	0.124
Council Tax Reduction Scheme projected provision	0.130
Central Loans and Investments Reviews	1.830
Workforce Efficiency Projects	0.300
Running Total	2.848
Remaining Gap	0.777

3.02 The six proposals set out in the table above are explained in more detail below :-

Table 1A: Proposal Explanations

<p>Procurement Supplier Charging</p> <p>An income generating opportunity has been identified by applying a charge to suppliers of the Council for the use of electronic invoicing software. A charge of £50 p.a. will apply to suppliers who undertake in excess of £1,000 of business per year.</p>
<p>Non Standard Inflation Review (NSI)</p> <p>The draft budget proposals provided for an inflationary increase for energy (8%), Fuel (6%) and Food (4%), products where inflation has been running above standard inflation. Due to reducing unit prices, and taking into account specialist advice, the provision for NSI allocation was first revised downwards by £0.348m, with a commitment to review further on the basis of latest advice, prior to the setting of the final budget.</p>
<p>Reduction in Fire and Rescue Authority Levy Provision</p> <p>The draft proposals reported to Cabinet in December provided for an inflationary increase of 2% on the 2014/15 levy of £0.139m. The annual budget has been set by the Fire and Rescue Authority. The budget requires a minimal increase of £0.015m, thereby reducing the required provision by £0.124m.</p>
<p>Council Tax Reduction Scheme Projected Provision</p> <p>The draft proposals included an additional amount of £0.308m to reflect the impact of the annual council tax rise (3% at draft stage) which is not provided for in the Revenue Support Grant received from Welsh Government. Current demand levels have been reviewed and the additional amount required to meet demand is £0.130m less than first predicted.</p>
<p>Central Loans and Investment Reviews</p> <p>The additional efficiencies in this complex account are:-</p> <p>Reprofiling of the Minimum Revenue Provision (MRP): accounting principles provide an opportunity to account for the cost of borrowing in the year after the asset for which the borrowing is incurred becomes operational. The original budget proposals provided for this charge in the year that the expenditure was incurred. A rescheduling of borrowing is proposed which defers making some significant capital payments for two financial years.</p>

Interest on borrowing: the required level of borrowing and the timing of that borrowing is reliant on the Capital Programme set by the Council and the internal resources available to meet that expenditure. The draft capital programme and the information arising from the detailed review of reserves and balances has allowed a review of the amount of borrowing required, the timing of that borrowing and the types of loans and associated interest rates.

Impact of the exit from the Housing Revenue Account Subsidy System (HRAS): arrangements are continuing for the exit of the Housing Revenue Account Subsidy system by April 2015. The settlement transaction will be dealt with in line with corporate practice and the revised apportionment rates will result in a net benefit to this account.

Workforce Efficiency Projects

The next phase of the strategy to make further reductions to workforce costs is under development in consultation with the Trade Unions. Projects, including the “buy back” of annual leave, are well advanced.

3.03 SECOND STAGE OF CLOSING THE BUDGET ‘GAP’

The Overview and Scrutiny Committees have been given an assurance that further service efficiencies, over and above those which have been presented and scrutinised through the budget preparation process, would only be considered as a last resort. This limits the options to bridge the remaining gap of £0.777m and achieve a balanced budget. The options which remain are a further review of Non Standard Inflation, the Council Tax precepting level, and drawing upon reserves and balances.

3.04 Responding to the Challenges from Overview and Scrutiny

At the closing budget review meeting of Corporate Resources Overview and Scrutiny Committee (to which all members were invited) the Chief Officers and Cabinet members summarised the main challenges from the Overview and Scrutiny Committees on itemised budget proposals, and gave an initial response.

The Overview and Scrutiny Committees have been provided with the summary feedback from the first phase of the public ‘Big Budget Conversation’ held in August and September 2014 and the full unedited feedback from the second phase of this information and consultation exercise held from December 2014 to January 2015. The first phase consultation was based on the general financial position and the actions the council could take to manage its reducing finances; the second on the specific draft budget proposals of the Cabinet published in December 2014. The Committees were encouraged to draw upon the feedback in examining the budget proposals.

The attention of the public was drawn to the specific proposals where there will be some public impact, as opposed to the proposals which are to be achieved from internal change without any impact. There has been a strong alignment between the proposals selected by the public for feedback and those which members have chosen to examine from the beginning of the internal consultation process in October 2014. Therefore, the questions and concerns of the public have been well tested by members as part of the democratic process.

Changes proposed by Cabinet to the following efficiencies as a consequence of the challenge and suggestions made by the Overview and Scrutiny Committee will be presented in full at the Cabinet meeting, and will have an impact on the budget 'gap' as summarised above:-

Table 2: Responding to the Challenges from Overview and Scrutiny

<p><i>Housing: Portfolio: Response Service Out of Hours</i></p> <p>Amended proposal to withdraw the charging proposals (budget pressure of £20K)</p>
<p><i>Life Long Learning Portfolio: Let's Walk Cymru</i></p> <p>Amended proposal to include a transitional grant of £7.5k for Walkabout Flintshire pending agreement of a longer term plan (budget pressure of £7.5k)</p>
<p><i>Corporate Resources: Switchboard and Contact Centre Services</i></p> <p>Amended proposal to phase implementation of call handling systems changes (budget pressure of £40k)</p>
<p><i>Corporate Resources: Post Office Counter Payments Options</i></p> <p>Amended proposal to defer implementation of the payments option to assist vulnerable clients with an alternative personalised payment option and budgeting advice (budget pressure of £7.5k)</p>

The combined effect of these amendments is a pressure of £75k which would increase the remaining budget 'gap', as it stands at 3.01, to £852k.

3.05 **Review of Non Standard Inflation (NSI)**

As also discussed at the budget review meeting of the Corporate Resources Overview and Scrutiny Committee the need to set aside any provision for Non Standard Inflation (NSI) has been re-reviewed. Specific market intelligence on energy (Crown Commercial Services, UES Energy) has identified that gas prices are currently predicted to stay at a similar level to 2014/15 with the

potential for a small reduction, whilst electricity is likely to increase slightly due to electricity market reforms which is likely to increase the standing charges within bills between 2% - 3% although the energy supply cost is forecast to remain similar to current levels.

Market intelligence within the food markets (Tucos Ltd, Procurement Partner) indicates that some food groups (fish, pasta, canned groceries) may be subject to an increase of between 0.5% and 3% though there is likely to be stability within other food groups. Inflation on food is considered to be the area of greatest risk in 2015/16; therefore an allocation of £0.064m will be maintained and held centrally within the budget.

NSI provision is set aside to support services which are exposed to higher than normal annual inflationary pressures in procuring fuel, energy and food supplies. Over and above the £0.348m proposed to be withdrawn as an efficiency in the table in 3.01, a provision of £0.261m still remains in the draft budget. On the basis of the review this amount is recommended to be reduced to £0.064m with the remaining £0.197m contributing to a further efficiency to reduce the remaining reported budget gap. The reduction of NSI is considered low risk although it will be closely monitored as an in-year risk with any financial pressure caused by a reverse in the deflationary market trends to be met corporately in-year should it arise.

3.06 Review of Council Tax Level

Following a review of Council Tax levels and taking account of the overall remaining budget gap the proposed Council Tax level for 2015/16 is an increase of 3.75% which equates to an increase of £37.06 on the Band D rate raising the annual amount to £1,025.27. The Council Tax rate at 0.75% above the working assumption within the original budget proposals has the effect of reducing the budget gap by a net £0.385m after taking account of the corresponding increase in the Council Tax Reduction Scheme.

3.07 Reserves and Balances

Councils can draw on reserves and balances to help balance their annual budget. This is an option which Flintshire has generally avoided in recent years. Whilst a lawful option, provided that there are sufficient uncommitted reserves available, this practice poses risks. Whereas reserves can only be used once, the annual efficiency to be funded by them recurs year on year and would have to be funded through a different solution in each and every financial year which follows. A modest use of reserves and balances could be a part of the solution to closing the remaining budget gap, noting that the Council has only limited uncommitted reserves and balances with other demands upon them. These demands include the ongoing need to meet the redundancy and other exit costs of employees leaving the organisation under our ongoing programme to reduce workforce numbers, and service pressures which emerge in-year once the budget has been set. Taking into account the adjustments proposed in 3.04 – 3.06 there is still a remaining gap of £0.270m and it is proposed that this is met from transitional funding by way of the

utilisation of reserves.

3.08 Summary of Balancing Position

Table 3: Closing the Gap Stage 2 to Balance the Budget

	£m
Remaining "Gap" (as per Table 1)	0.777
Revisions following Overview & Scrutiny Challenge (3.04)	0.075
Revised "Gap"	0.852
Reduction of NSI (3.05)	(0.197)
Council Tax at 3.75% (Net of CTRS Impact) (3.06)	(0.385)
Use of Reserves (3.07)	(0.270)
Balance	0

3.09 Implementation of the Budget Efficiencies

The Council has developed processes for the in-year tracking and reporting on the progress of implementing agreed efficiencies in recent years. Given the growing scale of the annual efficiency programme, and the reducing financial flexibility to accommodate any significant in-year under-achievement in efficiency targets, these processes need to be strengthened. Actions will include extended programme management arrangements, more consistent use of the corporate model for project management, internal escalation of risks for resolution, and higher profile reporting of the higher risk efficiency proposals to members. As proposed by the Corporate Resources Overview and Scrutiny Committee all higher risk efficiency proposals of a significant financial value will be featured in the monthly budget monitoring report (which is reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee). The implementation of specific service change proposals of significance and/or risk can also be reviewed by the respective Overview and Scrutiny Committees, at their request, as part of the forward work programming.

- 3.10 As discussed at the second and closing budget meeting of the Corporate Resources Overview and Scrutiny Committee, the achievement of a number of itemised budget efficiencies will be dependent on the completion of service reviews and the adoption of their outcomes by Cabinet, with the input of Overview and Scrutiny. These reviews are Day Care Services, Car Parking Strategy, Transportation, Highway Winter Maintenance, Part Night Street Lighting, and Household Recycling Centres. In recommending these proposals Cabinet has a policy intent to implement change once these reviews are completed and reported. It is important that Council supports the policy intent and accept that the outcomes of the reviews will need to be 'sized' to meet the efficiency targets set for each.

3.11 Schools Budget

The budget report to Cabinet on 16 December 2014 provided details on the impact of the proposed budget on schools. There have been no further changes made to the schools budget and the budget has been set at an overall increase of 0.6% in line with national expectations of protecting investment in schools. Welsh Government has been notified of the schools budget for 2015/16 in line with the statutory deadline of 14 February 2015.

3.12 Medium Term Financial Planning

The Medium Term Financial Plan (MTFP) is being reviewed thoroughly to (1) forecast the financial resources to be available to the Council during the period 2015-16 to 2017-18, and the budget pressures, based on the best available intelligence and (2) project the collective efficiency targets to be set to enable the corporate and portfolio targets to be re-set. The MTFP will set the context for the next stage of developing, agreeing and implementing the organisational strategy for the next three years. For the second part of this critical work the starting point will be the review of the new three year business plans for each service, for which the 2015-16 financial year is the first year of implementation.

4.00 PUBLIC ENGAGEMENT

Following on from the Council's Big Budget Conversation held during August and September, the Council's budget proposals were published on 18 December 2014 and were open for public feedback for a four week period.

In meeting its duties to assess the potential equality impact of its budget proposals the Council facilitated an Equality Impact Assessment (EIA) workshop on the evening of Monday 5 January 2014. The purpose of the workshop was to look at Category 2 and 3 proposals (those with lower and higher direct public impact) and discuss what potential they had to specifically impact on any of the 9 protected characteristic groups and the Welsh Language.

Those proposals, where it was felt there was potential to impact on people to whom the Council owes an equality duty, have also been subject to specific EIAs and consultations have been undertaken, or are in progress, with those people most impacted.

A summary report of the public feedback and EIA workshop is attached at Appendix 9. As reported in 3.04 the public feedback has been shared with all members and the Overview and Scrutiny Committees have been invited to draw upon the feedback in scrutinising the budget proposals.

5.00 SUMMARY OF FINAL BUDGET PROPOSALS AND ASSUMPTIONS

5.01 As a result of the changes outlined above, total expenditure and funding now equates to £287.605m and the total budget build up is outlined below. Details of the figures making up the total budget are attached in appendices 1 – 7.

Summary Position

Proposed Budget 2015/16	
Funding	£m
Aggregate External Funding (AEF)/RSG NNDR	186.419
Council Tax	63.560
SSA/Budget Requirement	249.979
Specific Grants (Estimated)	35.147
Outcome Agreement Grant (Estimated)	1.479
Use of Reserves – Investment Strategy	0.730
Use of Reserves – Transitional Funding	0.270
Total Funding	287.605
Expenditure	
Base Budget Rolled Forward	296.945
Prior Year Budget Decisions (Appendix 1)	(1.657)
Inflation (Appendix 2)	1.573
Transfers in/out of the settlement (Appendix 3)	0.406
Pressures & Investments Recurring (Appendix 4)	2.853
Pressures & Investments One off (Appendix 5)	0.730
Efficiencies – Business Planning (Appendix 6)	(12.874)
Less Specific Grants 2014/15	(35.518)
Plus Specific Grants 2015/16 (Estimated Appendix 7)	35.147
Total Expenditure	287.605

5.02 **Income**

The budget proposals in this report set a budget requirement of £249.979m which is an amount of £1.827m below the calculated Standard Spending Assessment (SSA). At this level of spend, the increase on the Band D Council Tax Rate (excluding Police and Town/Community Councils' precepts) is 3.75%. This equates to an increase of £37.06 on 2014/15 and a Band D rate of £1,025.27. 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.

- 5.03 The amount of the Outcome Agreement Grant available for 2015/16 has been advised by Welsh Government. As always the achievement of this is subject to assessment against agreed performance. The Council has been successful in achieving 100% of its grant in previous years and full grant achievement has been assumed for 2015/16.

Expenditure

Inflation

- 5.04 Pay and Price Inflation of £1.573m is included in the budget proposals as detailed in Appendix 2. The proposals include pay inflation at 1% for increases on pay from April 2015 which is sufficient to meet the outcome of the nationally negotiated agreement. Price Inflation of £0.421m has only been included for some targeted service areas at levels where this has been judged as essential.
- 5.05 As shown in 3.05, for 2015/16 it is recommended that a risk based approach be taken to Non Standard Inflation for energy, food and fuel. As such there will remain a small provision for inflation on food supply procurement only of £0.064m to recognise the risks within the market and this will be monitored throughout the financial year as part of the Corporate risk process. A small amount of Non Standard Inflation (£0.038m) also remains to meet increases in Non domestic rates (NNDR).
- 5.06 Inflation of 3% amounting to £0.254m has been generally assumed on the yield from existing fees and charges.
- 5.07 The final settlement included various transfers in and out of the settlement and, following an assessment of the local impact for Flintshire, the relevant amount of funding has either been "passported" to (for transfers in) or taken from (for transfers out) the service concerned as detailed in appendix 3.
- 5.08 Appendix 4 sets out the recurring pressures and investment of £2.853m recommended for inclusion in the 2015/16 budget. These now include the unachieved workforce efficiencies remaining from the 2014/15 budget.

- 5.09 Appendix 5 details one-off costs of £0.730m associated with the achievement of efficiencies included in the budget which will be funded from the reserves identified as being available following the extensive review of historical reserves and balances.
- 5.10 Appendix 6 sets out the efficiencies, totalling £12.874m, recommended for inclusion in the budget. This now includes the additional efficiencies identified from Central and Corporate Budgets as part of the Strategy to close the budget “gap” as identified in 3.02

Transitional Funding

- 5.11 As part of the final balancing budget strategy, there is a requirement to contribute a temporary amount of £0.270m from reserves pending the identification of further efficiencies in-year. This is considered a reasonable strategy due to the relatively modest amount required and the fact that there are sufficient reserves available to meet it.

6.00 UNEARMARKED BALANCES AND EARMARKED RESERVES

Base Level of Unearmarked Reserves

- 6.01 The Council's Medium Term Financial Strategy confirms the Council's commitment of maintaining a base level of reserves of 2% of turnover. The current base level of reserves is £5.769m as reported in monthly budget monitoring reports. Despite the fact that funding has reduced in 2015/16 over 2014/15 it is proposed that unearmarked reserves are maintained at the same level for 2015/16 which will provide an additional safeguard in the current uncertain financial climate.

Contingency Reserve

- 6.02 When the 2014/15 budget was set the Contingency Reserve was estimated to be £3.709m at 31 March 2014. As a result of the net underspend reported in the final outturn for 2013/14 the actual amount in the Contingency Reserve at the year end was £5.328m.
- 6.03 The monthly budget monitoring report has provided updates on the movements on the reserve and the Month 8 monitoring report (also on this agenda) shows an estimated balance of £3.955m in the contingency reserve as at 31 March 2015. It is recommended that this reserve is retained and its use considered within the context of the overall medium term financial plan for 2015/16 and future years.
- 6.04 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.

Review of Reserves and Balances

- 6.05 As part of its budget strategy, a critical review and challenge of all reserves and balances held by the Council was undertaken to ensure that all balances were still required for the intended purpose and for the same amount. The aim of this review was to maximise the amount of one off funding available for use in relation to future investment costs. The outcome of this work has identified £1.138m of reserves and balances that have been released with no direct risk or impact on service levels.

Council Fund Earmarked Reserves

- 6.06 Council Fund Earmarked Reserves include service balances, corporate balances and schools balances.

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.

The Council also holds Specific Reserves which are set aside for a specific future service.

Appendix 8 details the estimated closing balances for 2014/15 and 2015/16 in respect of all reserves and balances. The Section 151 Officer is satisfied that the level of these reserves is appropriate (see also Section 6 below)

7.00 CHIEF FINANCE OFFICER REPORT ON ESTIMATES AND RESERVES

- 7.01 Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting 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 in relation to the budget.

- 7.02 The 2015/16 budget has been set within the context of the Medium Term Financial Plan and continues to recognise a significant reduction in the funding available to the Council from Welsh Government (3.4% for 2015/16). The Council's budget strategy for dealing with this significant financial challenge, which is based on its organisational strategy, has been set out in detail for members in previous budget reports and at the member drop in sessions and various overview and scrutiny meetings.

- 7.03 The Council's overall level of reserves and balances is reviewed annually as part of the budget process. However, to ensure that the Council was best positioned to respond to the scale of the financial challenges it faces for 2015/16, it was important for me to ensure that this review was undertaken in greater detail and with more challenge than in previous years. This was done with a view to maximising the level of resources available to contribute to current and future funding requirements and the outcome of this review resulted in an amount of £1.138m being made available as previously reported.

7.04 Details of all the Council's earmarked reserves were also sent in a letter to the Minister for Public Services following a request made to all Welsh councils. The letter also included details of the Council's strategy for dealing with and utilising its reserves and a copy of this letter was sent to members attending the budget review overview and scrutiny session on 30th January 2015.

7.05 Supported by the above, I can confirm the reasonableness of the estimates contained in the proposed budget, having regard to the Council's spending needs in 2015/16 and the financial context within which the budget is being set. Inevitably in managing a budget of this scale across a large and diverse organisation variances will occur, but I believe that the budget assumptions represent a measured and acceptable level of risk. A robust programme for the delivery of the £12.874m of efficiencies within the budget and to the timescales anticipated is essential together with effective and disciplined in- year financial management that will assist with ensuring that budgets are managed effectively and prompt action taken to mitigate any impacts should variances occur.

7.06 Within the context described above, I recommend that the Council should maintain the level of general balances of £5.769m which will safeguard its position and also enable it to plan ahead to meet future financial challenges as set out in the Medium Term Financial Plan. The level of earmarked reserves and balances is set out in Appendix 8.

CHIEF EXECUTIVE'S REPORT ON RISK

8.00 The budget strategy for 2015/16 has been a major challenge for the organisation with diminishing options being available year on year to secure organisational efficiencies, following successive years of significant reductions to Council budgets. The budget for 2015/16 relies on a combination of the continued implementation of the organisational change programme and the service-level efficiencies derived from the new Chief Office portfolio service business plans.

8.01 The Council needs to be satisfied that these levels of financial efficiency are achievable (1) based on the risk-assessed plans shared with members and (2) in proportion to the overall budget.

8.02 There is a sufficient level of confidence that the efficiency targets are achievable provided that the organisation improves its systems for programme to co-ordinate, track and review the implementation of budget plans in each portfolio. A number of specific budget proposals are subject to the completion of reviews and the adoption of their outcomes as set out in 3.10.

8.03

9.00 RECOMMENDATIONS

9.01 That the Cabinet makes the following recommendations to County Council on 17 February 2015:-

1. the 2015/16 Council Fund Revenue Budget Requirement to be set at

£249.979m (which is £1.827m below its calculated Standard Spending Assessment) (5.02)

2. there be a 3.75% increase in Council Tax at Band D and an assumed 99% collection rate (5.02)

3. inclusion of the Outcome Agreement Grant of £1.479m in the budget (5.03)

4. acceptance of the levels of inflation assumed in the budget (5.04 – 5.06)

5. acceptance of the amounts for transfers in and out of the settlement (5.07)

6. inclusion of £2.853m of recurring pressures in the budget (5.08)

7. inclusion of £0.730m of one-off costs to be funded from Reserves (5.09)

8. inclusion of efficiencies of £12.874m in the budget (5.10)

9. the use of reserves to fund transitional funding of £0.270m pending the identification of additional efficiencies (5.11)

10. the contingency reserve be maintained and its use considered in the context of the overall medium term financial plan for 2015/16 and future years (6.03)

10.00 FINANCIAL IMPLICATIONS

10.01 As set out in detail in the report.

11.00 ANTI POVERTY IMPACT

11.01 As part of the EIAs impacts on poverty have been raised and will be considered by services at the point of developing the detail around the proposals for implementation.

12.00 ENVIRONMENTAL IMPACT

12.01 None directly.

13.00 EQUALITIES IMPACT

13.01 The impact of the proposals on the 9 protected characteristics and the Welsh language have been assessed by means of an EIA workshop. Further specific EIA's have also been undertaken, or are in progress, on those proposals where it was felt there was potential for impact. See section 4 above and Appendix 9. These will be considered by services at the point of developing the detail around the proposals for implementation.

14.00 PERSONNEL IMPLICATIONS

14.01 Continued workforce reductions are proposed within the portfolio business plans which generate the proposed budget efficiencies. Specific workforce efficiency projects with a value of £0.300m are in negotiation with the Trade Unions.

15.00 CONSULTATION REQUIRED

15.01 Consultation Required

Formal consultation on workforce proposals will be set out in the detailed plans and timescales of the workforce programme and in accordance with statutory requirements and Council policy. The requirement for further consultation on those proposals where there is a direct public impact will be subject to ongoing review.

16.00 CONSULTATION UNDERTAKEN

16.01 The budget proposals have been published and were open to public feedback from 18 December 2014 to 11 January 2015.

An Equalities Impact Assessment (EIA) workshop, attended by representatives from older age groups; disability groups; the Welsh language; people from a black and minority background; Lesbian, Gay, Bisexual and Transgender (LGBT) groups; Trade Unions and other groups representing all protected characteristics such as North Wales Regional Equality Network was held on the evening of Monday 5 January 2015.

Consultations and EIA's have been undertaken, or are in progress, on a number of specific proposals to ensure there is no discrimination or disadvantage.

The Council's Overview and Scrutiny Committees met on the dates below to debate the budget proposals and consider the public feedback and EIA findings:-

Corporate Resources - 22 January

Housing - 23 January

Environment - 23 January

Social & Health Care - 26 January

Lifelong Learning - 26 January

Corporate Resources (open invitation for all members) - 30 January

The School Budget Forum has received updates on an ongoing basis throughout this process and formal consultation has now been completed.

Consultation with Business Ratepayers has been undertaken with Flintshire's largest businesses and representative trade and business organisations.

Dialogue and information sharing has been a regular feature of the ongoing process and formal consultation has now been completed with the FJTUC.

17.00 APPENDICES

- 17.01 Appendix 1 – Prior Year Budget Decisions
- Appendix 2 – Inflation
- Appendix 3 – Transfers in/out of the Settlement
- Appendix 4 – Pressures and Investments – Recurring
- Appendix 5 – Pressures and Investments – One-Off
- Appendix 6 – Efficiencies
- Appendix 7 – Specific Grants
- Appendix 8 – Reserves
- Appendix 9 - Summary Report of Public Feedback and EIA Workshop

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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