

CABINET

Date of Meeting	Tuesday, 15 December 2015
Report Subject	Provisional Local Government Settlement and the Council Fund Revenue Budget 2016/2017
Cabinet Member	Leader of the Council and Finance Cabinet Member
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The Council has adopted a Medium Term Financial Strategy (MTFS). The Strategy sets out the first two parts of a developing Council Fund Revenue Budget for 2016/17.

The Overview and Scrutiny Committees are considering the first two parts or 'building blocks' of this proposed budget throughout December in a series of special meetings. The first 'block' is made up of service changes and efficiencies drawn from the business plans of each Chief Officer. Each Overview and Scrutiny Committee is being presented with the proposals for its respective portfolio for review and challenge. Whilst a complete set of proposals has been set out in a detailed document for each Committee, most attention is being given to the proposals considered to have greater risk. Members are already sighted on the proposals from a series of internal workshops.

The second 'block' of the developing budget is based on Corporate Financing proposals. These proposals will be considered by the Corporate Resources Overview and Scrutiny Committee which, with its wider corporate budget overview and monitoring role, will meet at the end of this series of meetings. The Committee will meet twice. Firstly, to review the budget proposals for corporate services and the corporate financing options for the whole Council and, secondly, to review the whole budget scrutiny process and advise on further information requested of the Cabinet.

As part of its Strategy the Council has made a case for some support and relief from Welsh Government to enable it to produce a supportable and balanced budget for 2016/17. This case has been presented locally through a series of

public statements, media coverage, internet exposure and community engagement meetings. Behind the scenes the Council has been engaged in an intensive campaign to build support for its case at a national level, both as part of the collective effort of the Welsh Local Government Association (WLGA) and separately.

The Draft Welsh Budget was announced by Welsh Government on 8 December. The more detailed Provisional Local Government Settlement was to be announced on 9 December (and after this report was written for publication).

The Council will need to consider what other options are possible in order to be able to balance the budget for 2016/17, once the detail of the Provisional Settlement is known and its impacts fully understood. This will be done throughout January and February. A second series of Overview and Scrutiny Committees has been set in the diary for mid to late January.

The Council will have to set its final annual budget by 10 March.

A presentation will be made at this Cabinet meeting with an initial analysis of the Provisional Local Government Settlement and its implications for Flintshire.

RECOMMENDATIONS

1	To receive an initial assessment of the Provisional Local Government Settlement as the basis for a fuller report for Cabinet and Overview and Scrutiny Committees in January 2016 to inform (1) the annual budget setting process and (2) a revision of the Medium Term Financial Strategy.
2	To set out a timetable for recommendation of the budget in stages through January to March 2016 including the further development of 'fall back' options to reach a balanced budget.

REPORT DETAILS

1.00	BUDGET SETTING FOR 2016/17
1.01	The Council has adopted a Medium Term Financial Strategy (MTFS). The Strategy has been published in two documents over the course of the summer. The first document <i>Forecasting the Challenge</i> sets out the predicted budget needs and resources of the Council. The second, <i>Meeting the Financial Challenge</i> , sets out a response with possible solutions. The Strategy sets out the first two parts of a developing annual Council Fund Revenue Budget for 2016/17. The Strategy has been the subject of a series of member workshops, and briefings with Group Leaders and the Chairs and Vice-Chairs of the Overview and Scrutiny Committees. The Strategy has been shared with local and regional partner organisations and has been central to the recent public engagement exercise and national campaigning.

1.02	<p>The Overview and Scrutiny Committees are considering the first two parts or 'building blocks' of the annual budget throughout December in a series of special meetings. The first part or 'block' of the budget proposals is made up of service changes and efficiencies drawn from the business plans of each Chief Officer. These business plans are being developed for a three year period with 2016/17 being the second year. The detailed budget proposals adopted for 2015/16 were also drawn from the business plans. Options from within the business plans for 2017/18 will be the subject of scrutiny early in the 2016/17 financial year and well in advance of the formal annual budget setting process for that year. The business plan proposals for each service portfolio are listed on the website within the agenda set for each Overview and Scrutiny Committee meeting in December.</p>
1.03	<p>Throughout December each Overview and Scrutiny Committee is being presented with the proposals for its respective portfolio for review and challenge. A complete set of proposals has been set out in a detailed document for each Committee and most attention is being given to the higher risk proposals. Members are already sighted on the proposals from the earlier internal workshops.</p>
1.04	<p>The second part or 'block' of the developing budget is based on Corporate Financing proposals. These proposals will be considered by the Corporate Resources Overview and Scrutiny Committee which, with its wider corporate budget overview and monitoring role, will also meet at the end of this series of meetings. The Committee will meet twice. Firstly, to review the budget proposals for corporate services and the corporate financing options and, secondly, to review the whole budget scrutiny process and advise on further information requested of the Cabinet. The corporate financing proposals are detailed in the MTFS and have also been part of the member workshops and briefings. Members will be well acquainted with the corporate financing issues to 'size-up' and manage, such as inflation management, from previous annual budget setting exercises.</p>
1.05	<p>As part of its Strategy the Council has made a case for some support and relief from Welsh Government to enable it to produce a supportable and balanced budget for 2016/17. This case has been presented locally through a series of public statements, media coverage, internet exposure and community engagement meetings. Behind the scenes the Council has been engaged in an intensive campaign to build support for its case at a national level, both as part of the collective effort of the Welsh Local Government Association (WLGA) and separately. The WLGA has recently published its <i>Manifesto</i>. The <i>Manifesto</i> makes the case for local government funding, and supporting national policies, both to influence Welsh Government in setting its Welsh budget for 2016/17, and to influence the commitments to be made by the political parties for local government and local public services in the run up to the 2016 elections for the National Assembly for Wales.</p>
1.06	<p>The Draft Welsh Budget was announced by Welsh Government on 8 December. Details of the announcement are available on the Welsh Government website and will have been covered in the media. The more detailed Provisional Local Government Settlement was to be announced on 9 December (after this report was written for publication). Detailed</p>

	analysis of the Provisional Settlement will be required before the Council can plan with any certainty a final budget for 2016/17. The Council will need to consider what other options are possible in order to be able to balance the budget for 2016/17, once the detail of the Provisional Settlement is known and its impacts fully understood. This will be done throughout January and February. Following an initial report to Cabinet in mid-January a second series of Overview and Scrutiny Committees will follow in mid to late January.
1.07	A presentation will be made at the Cabinet meeting with an initial analysis of the Provisional Local Government Settlement and its implications for Flintshire.
1.08	The Council will have to set its budget by 10 March. The budget setting process for 2016/17 is particularly complex given the lateness of the expected Final Local Government Settlement from Welsh Government and the scale of the annual budget reductions the Council has to manage. The Provisional Settlement is an indication of the intentions of Welsh Government for its budget, and one from which councils can plan their own budgets. However, Welsh Government has already explained that due to the need to consult on the Settlement, and due to the need to have a full understanding of the recently published Comprehensive Spending Review and its implications for Wales, the Final Settlement cannot be published until March. Council meetings are set in the diary for 26 January and 16 February, with a third and final meeting, at which the Council Tax will need to be set, being scheduled for 10 March.
1.09	In the interim the WLGA will continue intensive discussions with Welsh Government over funding relief over and above that provided with the Provisional Settlement, such as parity of funding for social care within the additional resources being made available for the National Health Service in Wales. Flintshire has already notified Welsh Government of its request for an exemption from certain income capping policies such as homecare services.
1.10	'Fall back' options to balance the budget are being developed in the five areas of services, education funding, workforce, corporate financing, and income and local taxation. These options will inform the further work for the New Year outlined above.

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the Medium Term Financial Strategy.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	This report summarises the consultation process.

4.00	RISK MANAGEMENT
4.01	As set out in the Medium Term Financial Strategy.

5.00	APPENDICES
5.01	<p>Appendix 1 – Business Plan Proposals 2016/17 for Community and Enterprise.</p> <p>Appendix 2 – Business Plan Proposals 2016/17 for Corporate Resources</p> <p>Appendix 3 – Business Plan Proposals 2016/17 for Education and Youth</p> <p>Appendix 4 – Business Plan Proposals 2016/17 for Organisational Change</p> <p>Appendix 5 – Business Plan Proposals 2016/17 for Planning and Environment and Streetscene and Transportation</p> <p>Appendix 6 – Business Plan Proposals 2016/17 for Social Services</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Medium Term Financial Strategy Parts 1 and 2 http://www.flintshire.gov.uk/en/Resident/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy.aspx</p> <p>Medium Term Financial Strategy Executive Summary http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Summary-Medium-Term-Financial-Strategy.pdf</p> <p>Flintshire County Council 24th October 2015 Report http://cyfarfodyddpwyllgor.siryfflint.gov.uk/ieListDocuments.aspx?CId=143&MId=3551&Ver=4&LLL=undefined</p> <p>Cabinet 15th September 2015 Report http://cyfarfodyddpwyllgor.siryfflint.gov.uk/ieListDocuments.aspx?CId=391&MId=3537&Ver=4&LLL=undefined</p> <p>Contact Officer: Colin Everett Chief Executive</p> <p>Telephone: 01352 702101</p> <p>Email: chief.executive@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it

includes both the revenue budget and capital programme and any authorised amendments to them.

Local Government Finance Settlement: This sets out what the Welsh Government is to allocate to each local authority in Wales. It is issued in two stages. This year, the Provisional Settlement is expected on 9th December with the final Local Government Finance Settlement being announced on 1st March 2016.

Medium Term Financial Strategy (MTFS): 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.

Council Fund: the majority of the Council's revenue expenditure covering all services except Council Housing for which there is a stand-alone and ring-fenced account called the Housing Revenue Account (HRA).

Annual Settlement: 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.