

FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 30 January 2018
Report Subject	Stages One and Two of the Council Fund Budget 2018/19 and Planning for the Closing Stage Three
Report Author	Corporate Finance Manager and Chief Executive

EXECUTIVE SUMMARY

The annual Council Fund 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 Committees throughout October and approved by Council on 14 November. They had all been approved with the exception of the proposal to introduce charging for green waste collection which was called in for further review by Overview and Scrutiny.

Stage Two: secondary options were considered at Corporate Resources Overview and Scrutiny Committee on 6 December and considered by Council on 12 December. All were approved with the exception of schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. The options for Council Tax income were shown as a range and deferred for full consideration at Stage Three of the budget setting process. Three requests for specific support from Welsh Government were also included in the Stage Two proposals.

An update on the incomplete Stage One and Stage Two proposals is included within the report.

Stage Three: final Balancing options will be considered at Council on 20 February with the advice and recommendations of Cabinet which will meet prior to full Council. At Stage Three the Council will attempt to set a balanced budget to meets its statutory duty.

The Stage One budget proposals of £3.0m approved by Council reduced the forecast budget gap from £13.6m to £10.6m (excluding the impact of any in-year cost pressures which would continue into the new financial year if not able to be mitigated).

The Final Local Government Settlement was announced on 20 December. Whilst still providing a reduction in the allocation to Flintshire, an uplift in funding from the earlier Provisional Settlement improved the forecast position by £1m and further reduced the working gap to £9.6m.

The value of the Stage Two options is in the range of £7.590m to £9.000m noting that several of the options are subject to the agreement of Welsh Government and other parties, and that the level of Council Tax to be charged for 2018/19 will not be determined until February.

Further work has been concluded on other in-year variances and cost pressures that will impact on 2018/19 and the outcome is included in the report.

Cabinet will make recommendations to Council in February on (1) the incomplete Stage Two options taking into account the feedback from the respective Overview and Scrutiny Committees and (2) final balancing options for setting the budget.

RECOMMENDATIONS

1	Council to note that Stages One and Two of the budget are complete with the exception of the Stage Two options for schools funding, car parking charges and Council Tax levels, and the three requests made to Welsh Government which are under negotiation.
2	Council to note and approve the final forecast for 2018/19 taking into account the review of in-year cost pressures and their predicted impact on the following year.
3	Council to note the arrangements for the third and closing stage of the budget setting process.

REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION ON THE BUDGET 2018/19
1.01	Budget Process and Timeline The annual budget for 2018/19 is being developed in three stages.
1.02	<p>Stage One: Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committees throughout October and approved by Council on 14 November. They had all been approved with the exception of the proposals to introduce charging which was called in for further review by Overview and Scrutiny.</p> <p>Stage Two: Secondary options were considered at Corporate Resources Overview and Scrutiny Committee on 6 December and then considered by Council on 12 December. All were approved with the exception of schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. The options for Council Tax income were shown as a range and deferred for Stage Three of the budget setting process. Three requests for support from Welsh Government were also included in the Stage Two proposals.</p> <p>To ensure that impacts and consequences for all public facing budget options have been considered, detailed impact and consequence statements have been prepared. These include consideration of the impacts following mitigating actions. The summary of these is attached at Appendix 3.</p> <p>Stage Three: Final Balancing options will be considered at Council on 20 February with the advice and recommendations of Cabinet which will meet prior to full Council. At Stage Three the Council will attempt to set a balanced budget to meets its statutory duty.</p> <p>The progress of these stages, and intervening national developments, are explained in chronological order.</p>
1.03	Stage One The Stage One budget proposals of £3.0m were approved by Council in November, reducing the then forecast budget gap from £13.6m to £10.6m. The proposal for introducing charging for green waste collection was called in for further review by the Environment Overview and Scrutiny Committee. The Committee met on 16 January and the outcome is set out below:- <i>That having considered the explanations which it has received, the Committee is satisfied and the decision to introduce garden waste collection charging in Flintshire may now be implemented.</i> This call-in is now complete and the charging will be implemented as planned. The income target can be re-included in the Stage One budget total to reinstate the £3.0m staged target.

	<p>The Stage One proposals included a potential efficiency from the GwE budget of 3%. GwE is the regional school improvement service. The GwE contributions are controlled by a binding Inter Authority Agreement and a collective decision is required by all six contributing authorities on budget setting. The best outcome that could be negotiated was a collective 1% reduction in contributions. Having allowed for inflationary pressures, as per the Inter Authority Agreement, the 1% reduction does not save the Council any funding in real terms. The longer term budget for GwE is now to be subject to a review prior to 2019/20.</p> <p>The planned Stage One efficiency proposal for integrating the Music Service and Arts Development Team within Theatr Clwyd has been included within the Stage Two proposal to recover £0.075m of the Theatre Tax Relief that Theatr Clwyd is due to receive annually.</p>
1.04	<p>Impact of the Final Local Government Settlement</p> <p>The Final Local Government Settlement was announced on 20 December.</p> <p>The Standing Spending Assessment (SSA) for Flintshire for 2018/19 is set at £264.333m (£262.516m at the provisional stage) and the final Aggregate External Finance (AEF) for 2018/19 is £189.156m – an annual decrease for Flintshire of 0.2% compared to an all Wales average increase of 0.2%.</p> <p>One new responsibility was confirmed at this final stage - increasing Capital Limits for Residential Care estimated at of £0.303m – this is included in the Settlement as an additional cost pressure to the Council.</p> <p>The funding impact of the Final Settlement is a reduction of £1.037m to the forecast gap for 2018/19.</p>
1.05	<p>Stage Two – Portfolio Budget Options</p> <p>Stage Two: these were considered at Corporate Resources Overview and Scrutiny Committee on 6 December and then considered by Council on 12 December. All were approved with the exception of schools funding and public car parking charges which were referred for further consideration by the Education and Youth and Environment Overview and Scrutiny Committees respectively. The options for Council Tax income were shown as a range and deferred for Stage Three of the budget setting process. Three requests for support from Welsh Government were also included in the Stage Two proposals.</p>
1.06	<p>Education and Youth Scrutiny Committee considered the proposals for school budgets on 18 January. The outcome is set out below:-</p> <p><i>(a) That the Committee acknowledges the work done in previous years to protect schools budgets;</i></p> <p><i>(b) That the Committee recognises that a ‘cash flat’ settlement poses risks to schools and their ability to deliver the curriculum effectively;</i></p> <p><i>(c) That should additional resources become available, the Committee recommends that Council provides an uplift to schools budgets if at all possible; and</i></p>

	<p><i>(d) That the Committee urge all parties to campaign as vigorously as possible to the National UK Government and Welsh Government to press for an increase in quantum funding.</i></p> <p>Cabinet is to consider the feedback in February and make a recommendation to full Council on 20 February. Council should note that the Council does not have the resources to meet the inflationary costs for schools and has received a reduced annual settlement from Welsh Government. The position is compounded by planned reductions to certain specific grants which fund education.</p>
1.07	<p>Environment Scrutiny Committee considered the options to increase public car parking charges at its meeting on 16 January.</p> <p>The outcome is set out below:-</p> <p><i>That the comments and concerns raised by the Committee be forwarded to Cabinet for consideration.</i></p> <p>Cabinet is to consider the feedback and make a recommendation to full Council. If this work is incomplete by the Council meeting on 20 February, and there is no final proposal at that stage, Council will be in the position of having to set an income target for car park charging as part of balancing the budget. Cabinet will then have to agree a scheme which will meet that target. Otherwise, the Council Fund budget will be deficient in balancing.</p>
1.08	<p>Of the remaining Stage Two options, two requests for support from Welsh Government in social care are under negotiation. These requests are (1) agreement to move to the maximum weekly charge for recovering domiciliary care costs of £100 from 2018/19, two years ahead of the date planned by Welsh Government and (2) guaranteed continuation of the £0.500m Intermediate Care Fund (ICF) funding which supports intensive temporary support for elderly clients to prevent hospital admissions/enable timely discharges for 2018/19. On the third request, for the Council to retain a proportion of its Apprentice Tax Levy contributions to maintain our own trainee and apprenticeship programme, Welsh Government is still developing its strategy for the deployment of the additional tax income available to it through this national scheme.</p> <p>Council Tax is covered in 1.11 below.</p>
1.09	<p>New Pressures and Efficiencies</p> <p>As previously reported expenditure is currently projected to exceed budget in the 2017/18 financial year (£0.846m at month 8). A comprehensive and robust piece of work has been undertaken to assess the risks and mitigations of these variances and any potential impacts on the 2018/19 budget. The outcome of this work is detailed in Appendix 4 and has the result of increasing the budget gap by £0.635m.</p>
1.10	<p>The impact of the known outcomes from Stages One and Two have been brought together in the following summary.</p>

Table 2. Revised Financial Forecast**Summary Position: January**

Detail	£m
Original Forecast	11.7
Add: Provisional Settlement Impact	1.9
Less: Stage 1 Budget Proposals Confirmed	(3.0)
Final Settlement Impact	(1.0)
Working Gap	9.6
Less: Stage 2 Options Confirmed (see notes 1 and 2)	(2.4)
Stage 2 Options Under Review - Schools	(1.4)
- Car Parking	(0.5)
Add: New Pressures and Efficiencies	0.6
Remaining Working Gap	5.9

Note 1: of the three requests made to Welsh Government for local flexibilities and support one for ICF is included due to the level of confidence, and two are not included (Care Cap and Apprentice Tax recovery of 50%) as these are under negotiation.

Note 2: Council Tax setting is not included in the above calculations

1.11 Level of Council Tax Increase

Stage 2 of the budget options shared with Members included a range of options to increase Council Tax from between 3% and 5%.

The Final Settlement from Welsh Government has set the Standard Spending Assessment (SSA) for Flintshire at £264.333m. For Flintshire to be funded at SSA and to maximise its local taxation income against this notional target would require an increase in Council Tax of 6.71%.

Welsh Government has confirmed that councils have the local flexibility to go above the previous annual 'cap' of a 5% increase should they have a strong local case.

1.12 Reserves and Balances

The Council has limited useable (un-earmarked) reserves (around £4.2m). The Council also has a number of earmarked reserves which include some service balances carried forward to fund specific expenditure in year, and some reserves with terms and conditions attached to them which limit their use.

Work is underway to review all earmarked reserves and to challenge those that have not been used within the timeframe originally specified.

Any use of reserves to balance the 2018/19 budget would need to be repaid in a later year.

1.13	<p>Next Steps and Timescales</p> <p>Council is due to set a balanced budget on 20 February 2018</p>
1.14	<p>Stage Three of the budget – the closing stage – will be the most challenging. Local solutions which remain are (1) further service reductions (2) new or increased sources of income (3) the prudent use of reserves and balances and (4) Council Tax setting. The scope for the first of these four options has been exhausted as accepted by all Overview and Scrutiny Committees and Cabinet.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>Chief Officers and their management teams.</p> <p>All-Member Workshops in July, September and November.</p> <p>Overview and Scrutiny Meetings.</p> <p>School Budget Forum and Headteacher Federations.</p> <p>Trade Unions</p> <p>Public Engagement Sessions throughout October and November.</p> <p>Workforce through a special seminar.</p>

4.00	RISK MANAGEMENT
4.01	<p>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 (EIG) and Single Environment Grant are of particular concern.</p> <p>The new pressures and efficiencies included within the revised forecast include the latest intelligence on the reduction in the Single Environment Grant. However until final confirmation is received, further reductions remain a risk.</p> <p>Welsh Government (WG) has announced a reduction in EIG of 11.36%. This would be a significant reduction; as yet no guidance has been issued as to how the grant terms will be changed to reflect this funding.</p> <p>Further information and guidance is awaited on the Minor Ethnic and Language Achievement Grant (MEAG) which funds support services for pupils from Gypsy/Traveller Communities and for those for whom English is an additional language. The value of this grant to Flintshire is £0.174m. There is no information whether this funding has been included in the Revenue Support Grant (RSG) or is to be funded through some other means.</p>

4.02	<p>National Pay Negotiations</p> <p>The Council has budgeted for a 1% annual pay award in its forecast.</p> <p>Given national developments and raised expectations amongst trade unions and the public sector workforces, UK level national negotiations between employer representatives and trade union representations are driving potentially higher pay awards.</p> <p>Welsh Government has made it clear that it has no funding to meet higher than forecast national pay awards and expects the UK Government to make additional funding available for it to meet any difference in cost.</p> <p>Public sector employers are the ones exposed to this risk. There has been no meaningful consultation with Flintshire as one of the member councils bound up in the national machinery. We have confirmed our position to the national bodies, and Welsh Government, that we have no funding provision above 1%. This has also been shared with the local trade unions. This remains an open and a significant budget risk.</p>
------	--

5.00	APPENDICES
6.01	<p>Appendix 1 – Stage 1 Efficiency Options</p> <p>Appendix 2 – Stage 2 Efficiency Options Confirmed</p> <p>Appendix 3 – Impact Assessment Summary</p> <p>Appendix 4 - New Cost Pressures and Efficiencies</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officers: Colin Everett and Gary Ferguson</p> <p>Telephone: 01352 702101</p> <p>E-mail: gary.ferguson@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>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.</p> <p>Revenue Support Grant: 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>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p>

Office of Budget Responsibility: created in 2010 to provide independent and authoritative analysis of the UK public finances.

Institute of Fiscal Studies: 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.

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.