



Council Fund Revenue Budget 2018/19

County Council
20 February, 2018



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Review of Budget Process for Future Years: Constitution Committee

- » The staged budget process is positively supported
- » Early engagement of members to continue
- » Early forecasting information a helpful aid
- » Information and analysis to support member scrutiny
- » The role of Overview and Scrutiny Committees in assessing and contributing to options at an early stage; testing options and proposals; tracking the implementation of approved proposals and evaluating their impacts as part of Committee forward work plans
- » A detailed process for 2019/20 to be set out

Setting a Legal and Balanced Budget

- » The duty to set a legal balanced budget is upon the whole Council as a collective
- » Legal: all budget proposals are within our powers
- » Balanced: income and planned efficiencies combined equal planned and expected expenditure
- » Risk Balance: not overloading the budget with risks e.g. speculative or imprecise/un-costed budget proposals
- » Implementation: proposals having realistic timescales
- » Provisions: sufficient financial set-aside for main risks
- » Advice: statutory role of the S151 Officer in advising

National Positions on Local Government

- » Welsh Local Government Association and Local Government Association combined position is that local government needs fairer funding
- » The national case has been well made on the need for parity of health and social care funding
- » Welsh Government position that Wales needs a fairer funding settlement at the UK level
- » Welsh Government position that nationally negotiated pay awards should be funded at the UK level
- » Welsh Government position that any next pay award for teachers cannot be funded in Wales and should be funded at the UK level

Local Government National Position

The Guardian UK edition

Northamptonshire council faces up to cost of effective bankruptcy



Council tax rises on the way as local authorities try to stay afloat

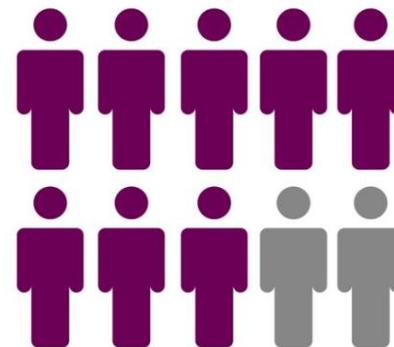
ITV News @itvnews · Feb 7
Exclusive: Crisis-hit English councils at 'cliff edge' with 75% tipped to hike council tax by 5.99% maximum this year itv.com/news/2018-02-0...

Authorities hit as 40% of care homes hand back contracts

Grant us the funding we need



Funding red flags raised



8 in 10 councils lack confidence in their financial sustainability

Source: LGIU/MJ State of Local Government Finance Survey 2018

Local Government settlement – the War of Attrition continues, says WLGA
Tuesday, 10 October 2017

Through innovation - £79m efficiencies over 10 years!



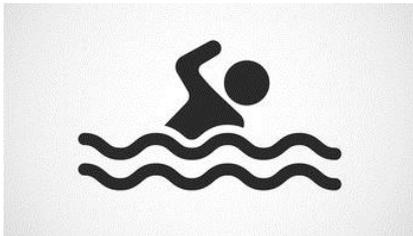
Fleet Review & Depot Rationalisation



Alternative delivery models

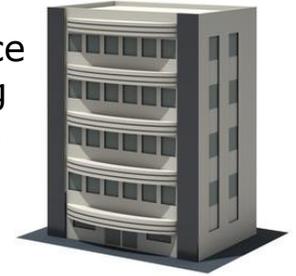


Schools modernisation

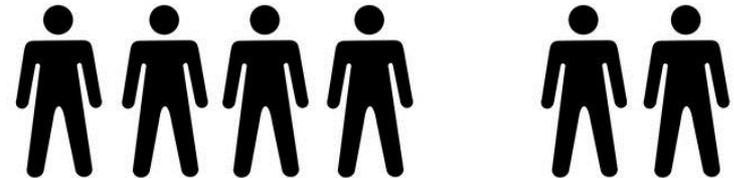


Community Asset Transfers

Rationalisation of office buildings and sharing accommodation with partners



Reductions in service budgets (except Education & Social Services)



Workforce reductions

Big things we have achieved

Workforce

- » Lean corporate operating models; 50% reduction in senior management
- » 40% reduction in administration and clerical posts
- » 30% reduction in middle management posts
- » A smaller, agile and low cost workforce

Service Reform

- » 30%+ efficiencies in all budgets except schools and social care
- » Delivering Services in different ways through Alternative Delivery Models (ADMs), Community Asset Transfers, and collaborations

Asset Utilisation

- » 20% reduction in office accommodation
- » A single and high performing operational depot

Council Resilience

- » Diminishing local options for budget efficiencies, reductions, alternative models and income raising
- » A number of service model options to be brought forward for early review for 2019/20 onwards
- » Resilience of all services to be re-reviewed
- » Service business plans and operational efficiency options to be re-reviewed
- » Workforce scale and costs to be re-reviewed
- » Corporate costs and overheads to be re-reviewed
- » Collaboration and partnership options remain open

Local Position

Plan for one of the UK's biggest council tax hikes

CALL FOR REFERENDUM RIGHTS OVER AUTHORITY'S 6.71% RISE

Council considers jobs freeze to cut spending

Budget 'insufficient to meet service demands'

Proof we're poor relations of the north-south divide

Flintshire residents could face six per cent rise in council tax rate

Council is in an unprecedented and increasingly difficult position

Budget Stage One Portfolio Business Plans



Stage One – Portfolio Business Plans

- » Endorsed by Cabinet, reviewed by Overview and Scrutiny Committees and approved by Council in November (with the exception of charging for garden waste)
- » Proposal on charging for garden waste was subsequently considered by Environment Overview and Scrutiny Committee on 16 January
- » Committee confirmed agreement to the proposals and stage one was thereby closed

Portfolio Business Plans

Portfolio	£m
Social Services	0.450
Community & Enterprise	0.837
Education & Youth	0.070
Organisational Change 1	0.416
Organisational Change 2	0.286
Streetscene & Transportation	0.800
Planning & Environment	0.160
Corporate Services	0.010
Total	3.029



Budget Stage Two

Secondary / Corporate Proposals



Stage Two – Secondary / Corporate

- » Considered in detail at Corporate Resources and Scrutiny Committee on 6 December
- » Approved by Council on 12 December with the exception of schools funding and public car parking
- » Schools funding and public car parking reviewed by Education and Youth and Environment Overview and Scrutiny meetings respectively
- » Both of these areas remain unresolved and need to be closed at Stage Three today

Stage Two – Summary of Approved Proposals

Efficiency Item	£m
Efficiencies:	
Theatre Clwyd Tax Relief	0.075
County Hall Partial Demolition	0.300
Intergrated Care Fund (note 2)	0.500
Cost Pressure Provision Reductions:	
Council Tax Reduction Scheme	0.323
Pensions Auto Enrolment	0.100
Price Inflation	0.139
Social Care Commissioning Costs	0.831
Autism Spectrum Disorder	0.100
Planning Fee Income	0.050
Total	2.418

School Funding

- » Reviewed in detail at Education and Youth Overview and Scrutiny on 18 January and outcome reported back to Council on 30 January
- » Shared concern for the financial risks
- » Given the budget position there is no financial capacity to provide a sustained year on year uplift for schools
- » In the absence of supplementary support from Welsh Government the only options are:
 - » Further use of reserves and balances
 - » Specific increase in Council Tax

Public Car Parking Charges

- » Considered in detail at Environment Overview and Scrutiny Committee on 16 January and the outcome reported back to Council on 30 January
- » Options for charging are still under review
- » Pending the outcome there is a pressing need to include a target in the budget that will need to be met when making a final decision of the preferred option
- » A financial target of £0.450m is included. Changes will need to be introduced at the earliest possible point in 2018/19 to avoid slippage against target

Revised Financial Forecast

Item	£m
Original Forecast Budget Gap	11.601
Revised Forecast Budget Gap at the Provisional Settlement	13.501
Less: Stage 1 Budget Proposals Approved	(3.029)
Less: Final Settlement Revised Reduction in Grant	(1.037)
Less: Stage 2 Budget Proposals Approved	(2.418)
Less: Stage 2 Outstanding Options (Schools Funding and Public Car Parking Charges)	(1.881)
Add: New and Emergent Cost Pressures	0.635
Revised Working Budget Gap	5.771



Stage Three – Closing and Balancing the Budget



Remaining Options and Possibilities

- » **Welsh Government Requests**
- » Supplementary funding for schools and social care
 - » No change in policy at this stage
- » Local flexibility for charging for domiciliary care
 - » No change in policy at this stage
- » Apprenticeship Tax Levy
 - » No final Government policy at this stage
- » **Draw down on use of Reserves and Balances and Council Tax setting**

Types of Reserves

- » **Base Reserve:** good practice and expected by regulators (stands at 2% of budget)
- » **Contingency Reserve:** useable reserve set aside as a safeguard against in-year predicted and unforeseen cost pressures
- » **Earmarked Reserves:** funding set aside for a specific purpose e.g. winter maintenance reserve

Outcome of Review of Reserves

- » All earmarked reserves and balances rigorously reviewed and challenged
- » Specific reserves released in part or in full if (1) of a scale where the respective service could be expected to absorb the financial risk (2) do not have a strong business case and/or legal or technical reason for retention and/or (3) have no firm draw-down requirement in 2018/19 or 2019/20
- » £2m of reserves are recommended for release through this latest review
- » It should be noted that £2.345m of reserves were drawn down to balance the 2017/18 budget



Managing In-Year 2018/19

- » The big in-year risks for which reserves need to be held back for the budget to be prudent are:-
 - » Any increase in the nationally negotiated NJC pay award above 1%
 - » Protection against an in-year overspend as per the adopted MTFS key performance indicator
 - » Protection against an in-year efficiency 'failure rate' of 5% as per the adopted MTFS key performance indicator
 - » Invest to Save to release further efficiencies e.g. the digital strategy
 - » Unforeseen in-year cost pressures



Prudent Level of Reserves for 2018/19

Detail	£m
Contingency Reserve Available (as per budget monitoring 2017/18 at month 9)	5.082
Add: Released as part of Review of Reserves and Balance	1.989
Less: Required to meet projected out-turn overspend 2017/18	(0.908)
Revised Amount remaining	<u>6.163</u>
Less: NJC Potential Additional Pay Award (non schools)	(0.770)
Less: Annual Budget Management tolerance level (of 0.5% as per MTFS Performance Indicator)	(1.250)
Less: Potential shortfall in efficiencies (of 5% as per MTFS Performance Indicator)	(0.275)
Less: Invest To Save to Achieve Future Efficiencies	(0.900)
Less: Significant Unforeseen Cost Pressures (national or local)	<u>(1.000)</u>
Amount remaining	1.968



Council Tax

- » Budget Forecast does not include an annual increase in Council Tax at this stage
- » Prudent use of reserves will bridge the budget gap in part. In the absence of other solutions the balance will need to be met from Council Tax income
- » Welsh Government have confirmed that councils have the local flexibility to set Council Tax at the level required and that the previous advisory cap will not be applied

Council Tax (Band D) – comparators 2017/18

» Flintshire County Council	£1,104
» Blaenau Gwent (highest)	£1,507
» Pembrokeshire (lowest)	£ 883
» Welsh Average	£1,162
» <i>Flintshire is £58 below the Welsh Average</i>	
» <u>English Authority Comparators</u>	
» Cheshire West and Chester	£1,448
» Cheshire East	£1,404
» Wirral	£1,480

Council Tax Yield

Increase (%)	Net Contribution (£m)
3.0	2.435
3.5	2.788
4.0	3.140
4.5	3.492
5.0	3.844
5.5	4.182
6.0	4.514
6.71	4.984
7.0	5.161
8.0	5.763
9.0	6.353

Professional Opinions



Professional Opinions

- » **Section 151 Officer/Corporate Finance Manager:** confirms the reasonableness of the budget estimates; significant risks around pay provision and social care demand; essential to protect a sizeable Contingency Reserve; a robust programme for the delivery of the efficiencies with effective and disciplined in-year financial management is essential
- » **Chief Executive:** the most balanced approach possible for achieving the annual budget; risks that the Council will not achieve priority outcomes or maintain performance standards; level of risk higher than previous years; concern over risks for schools; concerns over and over-reliance on diminishing non-funded national commitments

Future Outlook



The Future

- » The forecast for 2019/20 and the medium-term is being reviewed for report to Cabinet in April/May
- » Major factors outside of the Council's control include:
 - » Revenue Support Grant levels
 - » Specific Grant continuity
 - » Nationally negotiated annual pay awards and pay reform e.g. The Living Wage
 - » New responsibilities and service demands
- » Managing demand-led service pressures

The Future – Emerging Position 2019/20

Detail	Min (£m)	Max (£m)
Reduction in Core Welsh Government Grant (Revenue Support Grant and National Rates Pool) 0% - 1.5%	No Change	2.800
Impacts of Pay Provision 2018/19 and 2019/20 (Green Book staff non schools)	Nil	2.500
Social Care Demands	3.000	4.000
School Pressures	2.500	3.000
Inflationary Pressures (non-pay)	0.200	0.500
Replenishment of any use of Reserves for 2018/19	0.800	1.800
Range of Budget Gap for 2019/20	6.500	14.600

Professional Opinions – The Future

- » The sustainability of Council budgets is under serious threat with few local service choice options remaining
- » Concern over a reliance on diminishing reserves in annual budget-setting over a series of years
- » Proliferation of unfunded national commitments an ongoing cause of major concern
- » Difficult to see how the Council will be able to successfully balance the budget for 2019/20 without some reversal of national fiscal policy
- » Inevitable pressure on local taxation and local income sources to sustain future budgets
- » Early planning for 2019/20 and 2020/21 critical with an updated forecast for the medium-term

Budget – Next Steps



Next Steps

- » Need to set a legal and balanced budget today
- » Council meets again on 1 March to formally set the Council Tax for 2019/20
- » The review of the Minimum Revenue Provision (MRP) policy will be reported in March or April. Any change of policy would have to be considered for the Medium Term Financial Strategy (MTFS) and the funding requirements for a sustainable budget for 2019/20 onwards
- » Detailed forecast for 2019/20 and the medium term to follow in April/May
- » Budget process for 2019/20 to begin from April/May