

CABINET

Date of Meeting	Tuesday, 20 th November 2018
Report Subject	2019/20 Council Fund Budget: Updated Forecast and Stage 1 and 2 Budget Proposals
Cabinet Member	Leader of the Council and Cabinet Member for Finance,
Report Author	Corporate Finance Manager and Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

A report to Cabinet in April this year gave the first detailed overview of the financial forecast for 2019/20. At that stage the projected budget 'gap' between projected income and expenditure stood at £12.2m. This was reduced to £10.6m when taking into account the positive impacts of the change in policy for the Minimum Revenue Provision (MRP) approved by Council in March, and the impact of the stepped annual increase in the charging cap expected for domiciliary care services.

Workshops to brief members on the updated financial forecast and the changing national budget position were held in two phases in July and September. A report to Cabinet in September provided the latest update on the financial forecast for 2019/20. At this stage the projected budget gap stood at £13.7m.

The forecast has been subject to further revision to make allowance for changes in the costs of some known pressures, and to include new pressures that have emerged. The projected budget gap stands at £13.9m before we take account of the impacts of the Provisional Local Government Settlement. Announced on 9 October the Provisional Settlement will have the effect of increasing the overall gap to £15.3m once the reduction in Aggregate External Finance (AEF) for the Council has been applied.

As in recent years the budget for 2019/20 will be considered in stages. This report sets out solutions for the first and second stages. Stage 1 covers budget solutions for corporate finance. Stage 2 covers budget solutions for the service portfolios.

The Corporate and Resources Overview and Scrutiny Committee will have

considered the proposals for both Stages 1 and 2 on 15 November, having taken into account the recommendations and feedback from the five portfolio Overview and Scrutiny Committees which met during October and November.

The Welsh Local Government Association, with the full support of its membership, is resolute that the Provisional Settlement is grossly inadequate to meet the evidenced funding needs of local government in Wales. As a low funded council per capita, and a low funded council in the annualised formula-based settlement for 2019/20, Flintshire is particularly exposed to the risks of inadequate funding for local government.

To offset the need for a far higher than normal annual rise in Council Tax the Council is invited to renew its campaign for fairer funding for local government by pressing for the following from Welsh Government:-

- The extra £30m being held for social care in Wales is paid out to councils (worth an estimated £1.3m for Flintshire);
- The extra £15m being held for schools in Wales is paid out to councils (worth an estimated £0.800m for Flintshire and our schools);
- An extra £13m is found so that no council faces an annual reduction in their government grant (worth an estimated £1.9m for Flintshire); and
- The extra £33m 'consequential' funds coming to Wales as a result of the recent Chancellor's budget is paid out to councils as committed by Welsh Government (worth an estimated £1.6m for Flintshire).

RECOMMENDATIONS

1	That Cabinet adopt the Stage 1 – Corporate Finance budget solutions for 2019/20 having taken into account any feedback from the Corporate Resources Overview and Scrutiny Committee.
2	That Cabinet adopt the Stage 2 – Portfolio budget solutions for 2019/20 having taken into account any feedback from the Corporate Resources Overview and Scrutiny Committee, and the feedback and recommendations of the portfolio Overview and Scrutiny Committees.
3	That Cabinet invite Council to formally support the renewed campaign for fairer funding for local government in Wales and for Flintshire.

REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL FORECAST AND STAGE ONE AND TWO BUDGET PROPOSALS																																
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1.03	<p>Table 1: Updated Forecast prior to the Provisional Settlement</p> <table border="1" data-bbox="320 958 1383 2011"> <thead> <tr> <th data-bbox="320 958 1118 1016">2019/20 Council Fund Budget</th> <th data-bbox="1118 958 1383 1016">£M</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1016 1118 1075">September Forecast Budget Gap</td> <td data-bbox="1118 1016 1383 1075">13.657</td> </tr> <tr> <td colspan="2" data-bbox="320 1075 1383 1133"><i>Adjustments to Pressures:</i></td> </tr> <tr> <td data-bbox="320 1133 1118 1191">- Removal of ILF Pressure</td> <td data-bbox="1118 1133 1383 1191">(0.321)</td> </tr> <tr> <td data-bbox="320 1191 1118 1249">- Removal of CTRS Pressure</td> <td data-bbox="1118 1191 1383 1249">(0.380)</td> </tr> <tr> <td data-bbox="320 1249 1118 1308">- Reduction of Inflation Pressure</td> <td data-bbox="1118 1249 1383 1308">(0.447)</td> </tr> <tr> <td data-bbox="320 1308 1118 1366">- Increase in Education NJC Pay</td> <td data-bbox="1118 1308 1383 1366">0.152</td> </tr> <tr> <td data-bbox="320 1366 1118 1424">- Additional Contribution MEAG</td> <td data-bbox="1118 1366 1383 1424">(0.016)</td> </tr> <tr> <td colspan="2" data-bbox="320 1424 1383 1482"><i>New Pressures:</i></td> </tr> <tr> <td data-bbox="320 1482 1118 1541">- Teachers Pay 1%</td> <td data-bbox="1118 1482 1383 1541">0.694</td> </tr> <tr> <td data-bbox="320 1541 1118 1599">- Free School Meals</td> <td data-bbox="1118 1541 1383 1599">0.261</td> </tr> <tr> <td data-bbox="320 1599 1118 1657">- CLIA Pressure</td> <td data-bbox="1118 1599 1383 1657">0.226</td> </tr> <tr> <td data-bbox="320 1657 1118 1715">- Independent Review Panel Wales (IRPW)</td> <td data-bbox="1118 1657 1383 1715">0.030</td> </tr> <tr> <td data-bbox="320 1715 1118 1774">- Universal Credit funding transfer to DWP</td> <td data-bbox="1118 1715 1383 1774">0.019</td> </tr> <tr> <td data-bbox="320 1774 1118 1832">- Energy Efficiency pressure</td> <td data-bbox="1118 1774 1383 1832">0.050</td> </tr> <tr> <td data-bbox="320 1832 1118 1890">Revised Forecast Gap</td> <td data-bbox="1118 1832 1383 1890">13.925</td> </tr> </tbody> </table>	2019/20 Council Fund Budget	£M	September Forecast Budget Gap	13.657	<i>Adjustments to Pressures:</i>		- Removal of ILF Pressure	(0.321)	- Removal of CTRS Pressure	(0.380)	- Reduction of Inflation Pressure	(0.447)	- Increase in Education NJC Pay	0.152	- Additional Contribution MEAG	(0.016)	<i>New Pressures:</i>		- Teachers Pay 1%	0.694	- Free School Meals	0.261	- CLIA Pressure	0.226	- Independent Review Panel Wales (IRPW)	0.030	- Universal Credit funding transfer to DWP	0.019	- Energy Efficiency pressure	0.050	Revised Forecast Gap	13.925
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1.04	Provisional Welsh Local Government Settlement																																

The Provisional Local Government Settlement was announced on 9 October. The Settlement is open to consultation and the Council is to be recommended to make a formal response as an outcome of its debate later today. The decisions of Cabinet will inform that debate.

The headline figures for Flintshire are:-

Standard Spending Assessment (SSA)

The provisional SSA for 2019/20 is £267.547m - an increase of 1.2% on the SSA for 2018/19 (£264.333m) unadjusted for baseline changes.

Aggregate External Finance (AEF)

The provisional AEF for 2019/20 is £187.817m which, when compared to the adjusted 2018/19 AEF figure of £189.714m, is a decrease of 1.0% (all Wales average is -0.3%). This is a reduction of £1.897m for Flintshire.

Flintshire is at the foot of the annualised formula based funding table of 22 councils. Councils are protected by a funding ‘floor’, or limit, to prevent any council from receiving a reduction greater than 1%.

In cash terms the reduction in AEF is £1.339m before accounting for the cost pressures for both the national teacher’s pay award and the increased eligibility for free schools meals.

These transfers-in have been included in the updated forecast shown in Table 1. It is important to note that the provision for the national teacher’s pay award only accounts for a 1% uplift whereas the actual pay award is set at 2% on average across the teaching grades. The Council and the local schools will need to share the cost pressure.

The Settlement has the effect of increasing the budget gap to £15.264m as set out in Table 1.

Table 2 – Revised Forecast following the Provisional Settlement

	£m
Revised Forecast Gap (Table 1)	13.925
Provisional Settlement reduction in funding	1.339
Revised Working Gap	15.264

1.05 As in recent years the budget for 2019/20 will be considered in stages. This report sets out solutions for the first and second stages. Stage 1 covers budget solutions for corporate finance. Stage 2 covers budget solutions for the service portfolios. The Corporate and Resources Overview and Scrutiny Committee will have considered the proposals for both Stages 1 and 2 on 15 November having taken into account the recommendations and

	feedback from the five portfolio Overview and Scrutiny Committees which met during October and November.
1.06	<p>Stage 1 - Corporate Finance Solutions</p> <p>The Stage 1 budget proposals were shared at Member workshops in July and September when in development. Proposals totalling £7.937m were considered by the Corporate Resources Overview and Scrutiny at its meeting on 15 November and feedback will be provided at this meeting. This report is attached as Appendix 1.</p>
1.07	<p>Stage 2 – Service Portfolio Proposals</p> <p>Throughout October and November the respective Overview and Scrutiny Committees considered the Stage 2 proposals in formal meetings. Proposals totalling £0.963m were considered by the Corporate Resources Overview and Scrutiny Committee, alongside the feedback and recommendations from the respective Overview and Scrutiny Committees, on 15 November. The proposals will contribute £0.630m to the budget once income targets and workforce reductions, which have been transferred across for inclusion in stage 1 targets, have been deducted. This report is attached as Appendix 2.</p>
1.08	<p>Remaining Budget Gap</p> <p>Subject to the success of campaigning for an improved Local Government Settlement and having taken into full account the proposals made for Stages 1 and 2 above, the remaining gap for the Council Fund Budget for 2019/20 is in the region of £6.7m.</p>
1.09	<p>The National Position and our Campaigning Stance</p> <p>The UK Chancellor presented his budget statement on 29 October. This included an additional £554m for Wales made up of £486m revenue and £68m capital. The First Minister has stated that local government would be ‘first in the queue’ for any ‘consequential’ funding coming from the Chancellor’s statement.</p> <p>The Welsh Local Government Association, with the full support of its membership, is resolute that the Provisional Settlement is grossly inadequate to meet the evidenced funding needs of local government in Wales. As a low funded council per capita, and a low funded council in the annualised formula-based settlement for 2019/20, Flintshire is particularly exposed to the risks of inadequate funding for local government.</p> <p>To offset the need for a far higher than normal annual rise in Council Tax the Council is invited to renew its campaign for fairer funding for local government by pressing for the following from Welsh Government:-</p> <ul style="list-style-type: none"> - The extra £30m being held for social care in Wales is paid out to councils (worth an estimated £1.3m for Flintshire); - The extra £15m being held for schools in Wales is paid out to councils

	<p>(worth an estimated £0.800m for Flintshire and our schools);</p> <ul style="list-style-type: none"> - An extra £13m is found so that no council faces an annual reduction in their government grant (worth an estimated £1.9m for Flintshire); and - The extra £33m 'consequential' funds coming to Wales as a result of the recent Chancellor's budget is paid out to councils as committed by Welsh Government (worth an estimated £1.6m for Flintshire).
1.10	<p>Budget Process and Timeline</p> <p>This report deals with Stages 1 and 2 of the annual budget setting. Stage 3 of the process will involve setting a balanced budget with knowledge of the Final Local Government Settlement. The final and balanced budget is due to be set by Council on 19 February 2019. In the meantime, attention should be concentrated on the campaigning activity. A presentation will be made to both Cabinet and Council on the renewed campaign.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	As set out in the report.

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	<p>Appendix 1 – the report on the Stage 1 budget proposals to Corporate Resources Overview and Scrutiny 15 November</p> <p>Appendix 2 – the report on the Stage 2 budget proposals to Corporate Resources Overview and Scrutiny 15 November.</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS AND CONTACT DETAILS
6.01	<p>Member Workshop Materials for July and 18 September 2018 Method Statements for all Cost Pressures and Efficiencies Risk and Resilience Statements for all Services</p> <p>Contact Officer: Gary Ferguson, Corporate Finance Manager</p>

	<p>Telephone: (01352) 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>
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7.00	GLOSSARY OF TERMS
7.01	<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> <p>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 each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p>Financial Year: the period of 12 months commencing on 1 April each year.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. It includes both the revenue budget and capital programme budget and any authorised amendments to them.</p>