

FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 14 November 2017
Report Subject	Council Fund Budget 2018/19 Stage One
Report Author	Corporate Finance Manager and Chief Executive

EXECUTIVE SUMMARY

The annual 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 Committee throughout October;

Stage Two - Secondary Options are being developed for consideration through November and December; and

Stage Three - Final Balancing options will need to be considered through January and February for the Council to be able to approve a balanced budget to meet its statutory duty.

The previously forecast budget gap for 2018/19 was reported as £11.7m. This was prior to the announcement of the Provisional Welsh Local Government Settlement.

The Provisional Welsh Local Government Settlement was announced in October. There is an average 0.5% reduction in base funding or Aggregate External Finance (AEF) for local government. Flintshire faces a reduction of 0.9% in AEF – equal to £1.703m - once adjustments for transfers of funds into the Settlement have been taken into account. The total reduction has increased to £1.9m through the impact of a new responsibility for Homelessness Prevention, costed at £0.197m, for which there is no budget provision. Further negative changes to several specific grants which sit outside AEF are expected. The impacts of these expected grant changes are being examined, and clarified with Welsh Government, and will be confirmed at the meeting. The Provisional Settlement is open for consultation, and Council is invited to make a response on the risks of a Settlement which is inadequate to meet local need.

In 2017/18 there is a projected budget overspend of £1.1m which will impact, to some extent, on the forecast gap for 2018/19. The variances in expenditure, which are the cause of the position are under critical examination.

Council is invited to approve Stage One of the budget strategy for Cabinet to be able to use its executive powers to implement the proposals in good time for the budget year. The Stage One proposals which have a value of £3.1m are set out in Appendix A.

RECOMMENDATIONS

1	Note the details of the Provisional Local Government Settlement and the impact on the budget forecast for 2018/19, and make a formal response to the consultation.
2	Approve the Stage One Portfolio Budget proposals as set out in Appendix A.
3	Note the remaining stages of the budget process and the timescales.

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	The stages are:- Stage One - Portfolio Business Plan proposals endorsed by Cabinet were reviewed by the respective Overview and Scrutiny Committee throughout October; Stage Two - Secondary Options are being developed for consideration through November and December; and Stage Three - Final Balancing options will need to be considered through January and February for the Council to be able to approve a balanced budget to meet its statutory duty.
1.03	Updated Financial Forecast 2018/19 The previously forecast budget gap for 2018/19 was reported as £11.7m. This was prior to the announcement of the Provisional Welsh Local Government Settlement.
1.04	Provisional Welsh Local Government Settlement

	The Provisional Settlement was received on 10 th October 2017 and the headline figures are detailed below:
1.05	<p><u>Standard Spending Assessment (SSA)</u></p> <p>The provisional SSA for 2018/19 is £262.516m - an increase of 1.9% on the SSA for 2017/18 (£257.526m). However, this includes a number of specific grants transferring into the Settlement as listed in 1.07.</p>
1.06	<p><u>Aggregate External Finance (AEF)</u></p> <p>Aggregate External Finance is the core grant received from Welsh Government and comprises Revenue Support Grant and the Council's share of the National Rates Pool.</p> <p>The provisional AEF for 2018/19 is £187.816m which, when compared to the adjusted 2017/18 AEF figure of £189.519m, is a decrease in funding of £1.703m (0.9%). The average reduction across Wales is 0.5%.</p>
1.07	<p><u>Transfers into the Settlement</u></p> <p>The following specific grants will be transferring into the Settlement for 2018/19:-</p> <ul style="list-style-type: none"> • Single Environment Grant - Waste (£1.640m) • Welsh Independent Living Grant (£1.586m) • Social Care Workforce Grant (£0.827m) • Looked after Children (£0.302m) • Carer's Respite Care Grant (£0.131m)
1.08	<p><u>New Responsibility - Homelessness</u></p> <p>There is one new responsibility in the Settlement for Homelessness Prevention. The estimated cost of meeting the responsibility is £0.197m for which there is no additional base funding.</p>
1.09	<p><u>Funding Floor</u></p> <p>The Settlement includes an amount of £1.772m to shield any one council from a reduction in AEF of over 1% in one year.</p>
1.10	<p><u>Specific Grants</u></p> <p>More detailed information has since been provided on the position on specific grants as part of the second release of information on the Welsh Government budget (24 October).</p> <p>The local impacts of these changes are being examined. We are expecting significant reductions in several specific grants, principally the Education Improvement Grant and the Single Environment Grant.</p>
1.11	<p>Revision to the Budget Forecast 2018/19</p> <p>Within the Medium Term Financial Plan the Authority had been projecting a 'cash flat' position in AEF for 2018/19 for planning purposes. The decrease</p>

	of 0.9% in AEF is equal to £1.703m in cash terms (having adjusted for transfers into the Settlement).
1.12	When taking the new responsibility for Homelessness Prevention into account, at an additional cost of £0.197m, there is an overall negative impact of £1.9m on the budget forecast for 2018/19. This has the result of increasing the budget gap from £11.7m to £13.6m.
1.13	In 2017/18 there is a projected budget Council Fund overspend of £1.1m which will impact, to some extent, on the forecast gap for 2018/19. The variances in expenditure which are the cause are under critical examination. Any carry-forward of any recurring overspend in the base budget will increase the budget gap for 2018/19. The revised budget gap could stand as high as £14.5m.
	Stage One – Portfolio Budget Options
1.14	In a series of internal workshops over the summer details of the forecast were given with some initial options for balancing the annual budget.
1.15	All Overview and Scrutiny Committees were consulted on the stage one options for their respective portfolios throughout October. All the options presented were endorsed by the Committees with one exception. In the case of the County Music Service it was accepted by the Education and Youth Overview and Scrutiny Committee that it was premature to plan for a fixed cost efficiency at this early stage of consideration of an alternative delivery model for the service. All of the Stage One budget options have been risked assessed for impacts; a full report will be presented to Cabinet on the impact assessments in the course of final agreement to and implementation of the proposals. The assessments will be shared with Overview and Scrutiny Committees during the implementation and post-implementation evaluation stages as part of decision-tracking. The reports to the Overview and Scrutiny Committees were accompanied by statements of risk and resilience for each portfolio. These statements are attached as Appendix B and show that most services are already at an amber status of risk before the Council enter into the second and third stages of reviewing budget options for 2018/19.
1.16	Council is invited to approve Stage One of the budget strategy for Cabinet to be able to use its executive powers to implement the proposals in good time for the budget year. The Stage One proposals which have a combined value of £3.1m are set out in Appendix A.
	Next Steps and Timescales
1.17	Stage Two budget options are under development and will first be shared with members in an internal session later in November.
1.18	Stage Three of the budget – the closing stage in January and February – will be the most challenging.

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	All Member Workshops in July and September. Overview and Scrutiny Meetings in October. School Budget Forum in October. Public Engagement Sessions throughout October and November.

4.00	RISK MANAGEMENT
4.01	The Settlement is provisional only at this stage. The Final Settlement is due to be announced on 20 December 2017.
4.02	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 and Single Environment Grant are of particular concern.

5.00	APPENDICES
5.01	Appendix A – Stage One Budget Proposals Appendix B – Portfolio Resilience Statements

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Gary Ferguson Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to the Council for a given period, and sets out plans for how best to deploy those resources to meet our priorities, duties and obligations. 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.

Aggregate External Finance (AEF): the total amount of support the Welsh Government provides to councils each year. The total is made up of Revenue Support Grant, a share of the national “pool” of National Non-Domestic Rates and a number specific grant where funds are provided for councils to spend on specified services to achieve pre-set outcomes, for example education and waste collection.

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.

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 and any authorised amendments to them.

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.

Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

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.