
Budget Strategy 2018/19 and the Medium Term

Reason for this Report

1. To brief the Committee on the Council's Budget Strategy for 2018/19 and for the medium term, to provide context for the Committee's scrutiny focus throughout its 2017/18 work programme.

Background

2. The Cabinet approved the Budget Strategy report, attached at **Appendix 1**, on 27 July 2017. The report sets out the Council's financial strategy and timetable for developing capital and revenue budget proposals. It also updates the Council's financial resilience, the Medium Term Financial Plan, and aims to put in place savings targets over the lifetime of the Medium Term Financial Plan.
3. The report sets out the National and Welsh Government financial planning context within which the Council is operating; the Council's priorities, key risks faced and financial resilience. It clarifies the Budget Reduction Requirements and the Budget Strategy to achieve them; consultation and engagement plans for budget proposals, and the Capital Programme with a view to developing the Council's Investment Plan for 2018/19 to 2022/23.

Context

4. In terms of the financial planning context, the following are highlighted as key factors.

- a. The UK's exit from the European Union by 29 March 2019, the terms secured and the economic impact on Medium Term Financial Planning (MTFP) and budget strategy;
 - b. The Government's position on the 1% pay cap on public sector pay, currently in place to 2020 and the impact of fluctuating pay awards on the MTFP;
 - c. The timing of the UK budget, which this year has been moved to the Autumn, therefore the Provisional Financial Settlement for Welsh Government will be delayed and the Council's Final Settlement from Welsh Government may be later than usual;
 - d. The devolution of tax powers to the Welsh Government over the next two years; and
 - e. The continuing progression of Local Government Reform that requires regional working where appropriate.
5. Members are referred to the table at point 17, on page 4 of the report for a summary of key risks the Council faces from a financial planning perspective.
6. The Council has approved a budget reduction requirement of £25million for 2017/18. Key challenges in respect of financial resilience are listed as:-
- The need to deliver significant levels of savings during a period of prolonged financial austerity;
 - The impact that delays to the delivery of savings proposals has on the budget monitoring position;
 - The cumulative impact of achieving 2017/18 savings in addition to the unachieved 2016/17 savings which remain to be realised;
 - The complexity associated with delivering the change required to continually reshape the organisation;
 - The increasing ratio of capital financing charges to controllable revenue budgets as controllable budgets reduce, which impacts on the relative affordability of the capital programme;
 - Increasing level of demand for services.

7. The budget outturn for 2016/17 was balanced however, £6.5million of savings were unachieved. The delivery of these delayed savings in addition to those included in the 2017/18 Budget is a key area of risk that will be monitored closely as the current financial year progresses.
8. The budget gap is estimated to be £24 million in 2018/19 and £74 million over the next three years.
9. Members can find detail on the financial pressures in a table at point 29 of the report. Pressures include Schools Growth; Pay and Price Inflation; Capital Financing; Commitments and Realignments; Non-Schools Demographic Growth; Emergency Financial Pressures; Fall Out of 2017/18 Reserve Funding; and an Estimated 1% funding reduction.

The Budget Strategy

10. The updated Budget Strategy to address the Medium Term Reduction Requirement can be found at **paragraph 29 of Appendix 1**. It is framed around four assumptions; Council Tax Increases; Use of Reserves; Cap on Schools Growth; and Savings Requirements. The Strategy increases the annual draw down from earmarked reserves to support the budget from £1.5 million to £2.35million. These assumptions and draw down contribute £21.5million and require a £15million savings requirement in 2018/19.
11. The Council's General Reserve is currently £14.3 million, 2.4% of its net revenue expenditure. Whilst this is a decrease of £1 million since last year's position, this was a planned reduction approved as part of the 2016/17 Budget.
12. Over the summer all Directorates have been working on 2018/19 savings proposals in readiness for detailed public consultation in late autumn.
13. For quick reference, appended to this report at **Appendix 2** is an outline budget timetable, and at **Appendix 3** a useful question and answer summary.

Scope of the Scrutiny

14. This item will give Members the opportunity to consider the Council's strategy for developing the 2018/19 budget proposals and medium term planning. It will also give Members a chance to consider the timetable for developing the proposals and how the Committee wishes to be involved.

15. The Cabinet Member for Finance, Modernisation & Performance, Councillor Chris Weaver, Corporate Director Resources, Christine Salter, and Head of Financial Services, Ian Allwood will attend Committee to outline the Strategy and answer Members questions.

Legal Implications

16. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

17. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

18. The Committee is recommended to:

- i. note the Budget Strategy for 2018/19;
- ii. consider whether the Strategy will deliver a successful Budget for approval by Full Council in February 2018;
- iii. consider how it wishes to scrutinise the budget process in the coming year;
- iv. consider whether it wishes to relay any comments or observations for consideration by the Cabinet Member for Finance, Modernisation & Performance.

DAVINA FIORE

Director, Governance & Legal Services

14 September 2017