

WREXHAM COUNTY BOROUGH COUNCIL**2018/19 BUDGET****Report of
Head of Finance****BACKGROUND**

1. The local authority budget planning process in Wrexham, as elsewhere, requires an early view to be taken about the Council's budget prospects based on national economic indicators and government planning totals for local authority spending.
2. The budget planning process and timetable for 2018-19 was outlined to members in an information report in April 2017. At an all member budget workshop on 27 June 2017 members were informed of an estimated budget shortfall of around £13m over the next two years of which £6.2m related to the 2018/19 financial year.
3. Savings proposals for the period 2018-20 were formulated during the summer and a thorough public consultation was undertaken in the autumn. Various processes were used in the consultation including an online survey, using social media and a face to face presence at a market stall event. The results of 3,797 people's views that were gathered as part of this Difficult Decisions discussion were considered by Members before Christmas.
4. The Council's medium term financial plans have been developed using the following parameters:
 - An assumed increase in grant funding of 0.34% in 2018-19 followed by a decrease of 1% for 2019-20 and 2020-21.
 - Estimated inflation assumptions:
 - average pay awards of 2.53% for 2018-19, 2.88% for 2019-20 and 2.5% for 2020-21.
 - general price increases of 2% for 2018-19, 2019-20 and 2020-21.
 - Known unavoidable commitments
 - preliminary estimates of council tax increases of 3% 2018-19 and 2019-20
5. The medium term financial plan will be reviewed on a periodic basis.

Review of the Current Year 2017-18

6. The budget for the year is cash limited at £225,323,754.
7. The budget has been closely monitored and controlled during the year in accordance with the procedures approved by Council. A number of service pressures and increased costs were identified in the financial year and it was agreed that action

should be taken by officers to control spending and to keep service spending within the approved cash limited budget totals.

8. All budgets will continue to be carefully scrutinised in accordance with the agreed procedures and the actual outturn will be reported in the summer. In accordance with the rules of cash limited budgeting, any over or underspending may be carried forward to 2018-19.

Welsh Government (WG) Revenue Settlement

9. The grant allocation for individual authorities is dependant on the standard spending assessment (SSA) formula. For 2018-19 there were no significant changes to the formula.
10. The WG announced its final revenue settlement details for local authorities on 20 December 2017. The settlement gave local authorities in Wales on average a 0.2% grant increase (after taking into account of transfers of grants) and Wrexham's share was an increase of 0.34%.
11. The Local Government Finance Act 1992 gives the Cabinet Secretary for Finance and Local Government, power to limit or cap the budget requirement of any local authority, which he considers to be excessive. No announcement has been made relating to assumptions about the Council's spending level for 2018-19. The Council's standard spending assessment, the notional assessment for grant distribution purposes of the Council's need to spend on its services, totalled £238,041,833.

2018-19 Budget

12. The budget for next year as outlined in Appendix 1 has been built up in accordance with the framework agreed by Council. The budget in the current year (i.e. the cash limited budget amended for the transfers of grants into the Revenue Support grant) has been adjusted for the cost of inflation, unavoidable commitments and savings.
13. The total net revenue expenditure is estimated at £232,871,963.
14. It is a requirement of the Local Government Act 2003 that I should report to members on the robustness of the estimates made for the purpose of calculating the net budget requirement. I should therefore draw your attention to a number of key risk areas that I have identified in the budget and how these may be managed. These are outlined in Appendix 2. Issues relating to these key risks will be reported to members during the forthcoming year as necessary as part of the budget monitoring and control procedures.

Reserves and Balances

15. A local authority requires a prudent level of working balances to maintain adequate cash flow, especially during the first part of the financial year prior to the receipt of council tax income, and to meet unforeseen expenditure.
16. There are no planned contributions to balances for 2018-19. However, I am satisfied that the level of balances and reserves is adequate for the forthcoming financial year and the authority's medium term financial strategy.

17. There is still uncertainty on the impact of pay and other inflation costs and the reduction in specific grants on the Council's budget.
18. An analysis of the Council's key estimated earmarked reserves and balances for the year ahead is as follows:

	Actual Balance at 1 April 2017 £k	Estimated Balance at 1 April 2018 £k	Movement in year £k	Estimated Balance at 31 March 2019 £k
Council Fund balance	7,018	7,018	0	7,018
School Balances	1,642	654	0	654
Service Reserves	1,135	488	(248)	240
Other Earmarked Reserves (excluding grant reserves)	10,576	9,537	(3,333)	6,204
Total Balances and Reserves	20,371	17,697	(3,581)	14,116

19. The estimated balances at 1 April 2018 in the table above are based on the best estimates available at the time of writing the report. The movement in the Council Fund balance includes the reported position in the current year. The reported position will change following the closure of the 2017-18 accounts and will be reported to members after the end of the financial year. Of the 2018-19 in year planned movement on service reserves of £248k none will be used to fund recurrent expenditure.
20. In accordance with the Council's Reserve Strategy, Other Earmarked reserves will be reviewed to ensure they continue to be held according to an agreed plan or returned to the Council Fund balance for more appropriate allocation.

Income

WG Grant Funding

21. **Revenue Support Grant** – The County Borough's share of the final Revenue Support Grant has been set at £131,545,811.
22. **Business Rates** – the business rate poundage for 2018-19 has been set at 51.4p in the £. The County Borough's share of national non-domestic rate income in 2018-19 is £43,090,579.
23. In total the Council will receive general grants from WG of £174,636,390.

Council Tax

24. After taking account of the general grants and contribution from balances, the balance of net expenditure totalling £58,235,573 remains to be funded by council taxpayers.
25. It is proposed to charge as a special expense part of the cost of footway lighting to the four community areas within the town (£4.93 at band D), the community of Llangollen Rural (£16.44 at band D), Chirk (£10.60 at band D) and Glyntraian (£12.46 at band D).

26. After adjusting for special expenses of £117,629 the balance to be found as general expenses from council taxpayers is £58,117,944.

27. The council tax base calculation for 2018-19, is 53,280 band D equivalent properties after allowing for:

- band reductions for the disabled
- exempt properties
- single occupier discounts
- double discounts on unoccupied properties
- premium for properties classified as either long term empty or a second home
- factors to reflect the relative charge at different bands
- the estimated collection rate
- contributions in lieu from Ministry of Defence

The overall tax base is built up from the same calculations for each of the 34 community areas and the “band D equivalents” are shown in Appendix 3.

28. Dividing the balance of net expenditure (£58,117,944) by the tax base of 53,280 will give a £1,090.80 charge to be borne by a full-paying household whose home is valued at band D. For band A property the charge is six ninths of this figure through to band I properties where the charge is twenty one ninths of the band D figure. In many cases these figures will be adjusted for disabled and other discounts and, of course, for council tax benefit.

29. Appendix 3 sets out the council tax rate for the band D taxpayer for each community council area and shows that when the police authority’s precept is included, the total average council tax at band D for 2018-19 is £1,398.37.

CONCLUSION

30. Although there has been a slight increase of 0.34% in the financial settlement for 2018-19 every effort has been made to prioritise schools and the most vulnerable.

31. The Local Government Act 2003 requires the Council to monitor its budget and to take appropriate action. The budget will therefore require close monitoring and control during the year and the financial position will need to be kept continuously under review.

32. Finally, I remain very grateful to all Members and Officers for their assistance, cooperation and hard work in helping to prepare this budget.

**M S OWEN
HEAD OF FINANCE**