

CABINET

Date of Meeting	Tuesday, 17 January 2017
Report Subject	Council Fund Budget 2017/18 – Part 3 Closing Strategy
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The annual Council Fund budget for 2017/18 has been developed in two stages:

- Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio business plans; and
- Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government.

The Stage One proposals were approved by Council on 15 November 2016 and are now closed and being implemented.

The Stage Two proposals on corporate financial stewardship were approved by Council on 6 December 2016 following consideration by Corporate Resources Overview and Scrutiny Committee on 30 November and are also closed and being implemented.

The Provisional Settlement was received on 19 October 2016. The Settlement provided a similar level of financial support to the Council as in 2016/17 and has been referred to as a ‘cash flat’ Settlement. Given that there was no reduction in Revenue Support Grant for Flintshire the Settlement had a positive impact on the forecast budget ‘gap’ of £2.8m. The Council’s response to the consultation on the provisional settlement is attached as Appendix 1.

The Final Local Government Settlement was received on 21 December 2016 and was largely unchanged in overall cash terms from the Provisional Settlement (an increase of £0.044m) other than the inclusion of important additional investment

for the rising costs of domiciliary care across Wales. Over and above this an amount of £0.201m was transferred into the settlement as a new responsibility for homelessness prevention. The funding previously received through the Housing Benefit Subsidy for temporary accommodation for the same purpose has been reduced so there is a net reduction in funding of £0.157m. Given demands for homelessness services this is a new pressure which cannot be avoided.

The amount remaining to be found to achieve a balanced budget stands at £2m.

There are limited options to close the remaining 'gap' as set out in the report.

RECOMMENDATIONS

1.	Note the details and the implications of the Welsh Local Government Final Settlement.
2.	Review the limited options for closing the remaining 'gap' of £2m for consultation with the Corporate Resources Overview and Scrutiny Committee (which meets on 20 January).

REPORT DETAILS

1.00	The Latest Budget Position
1.01	<p>The annual Council Fund budget for 2017/18 has been developed in two stages:</p> <ul style="list-style-type: none"> • Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio business plans; and • Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government.
1.02	The Stage One proposals were approved by Council on 15 November 2016 and are now closed and being implemented.
1.03	The Stage Two proposals on corporate financial stewardship were approved by Council on 6 December 2016 following consideration by Corporate Resources Overview and Scrutiny Committee on 30 November and are also closed and being implemented.
1.04	The Provisional Settlement was received on 19 October. The Settlement gave a similar level of financial support to the Council as in 2016/17 and has been referred to as a 'cash flat' Settlement. Given that there was no reduction in Revenue Support Grant for Flintshire the Settlement had a positive impact on the forecast budget 'gap' of £2.8m. The Council's response to the consultation on the provisional settlement is attached as Appendix 1.

1.05	<p>The Final Local Government Settlement was received on 21 December 2016 and was largely unchanged in overall cash terms from the Provisional Settlement (an increase of £0.044m) other than the inclusion of important additional investment for the rising costs of domiciliary care across Wales. Over and above this an amount of £0.201m was transferred into the settlement as a new responsibility for homelessness prevention. The funding previously received through the Housing Benefit Subsidy for temporary accommodation for the same purpose has been reduced so there is a net reduction in funding of £0.157m. Given demands for homelessness services this is a new pressure which cannot be avoided.</p> <p>A briefing note on the Final Settlement is attached as Appendix 2.</p>																														
1.06	<p>The amount remaining to be found to achieve a balanced budget stands at £2m. There are limited options for balancing the budget at this third and final stage as set out in the report.</p>																														
2.00	<p>Summary of Stage 1 Service Portfolio Business Plans</p>																														
2.01	<p>Stage One of the budget was concluded at the Council meeting on 15 November. A summary of the approved efficiency proposals is shown below.</p> <p>Table 1</p> <table border="1" data-bbox="284 1021 1289 1518"> <thead> <tr> <th data-bbox="284 1021 975 1081">Portfolio</th> <th data-bbox="975 1021 1129 1081"></th> <th data-bbox="1129 1021 1289 1081">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 1088 975 1149">Planning and Environment</td> <td data-bbox="975 1088 1129 1149"></td> <td data-bbox="1129 1088 1289 1149">0.205</td> </tr> <tr> <td data-bbox="284 1155 975 1216">Streetscene and Transportation</td> <td data-bbox="975 1155 1129 1216"></td> <td data-bbox="1129 1155 1289 1216">1.350</td> </tr> <tr> <td data-bbox="284 1223 975 1283">Social Care</td> <td data-bbox="975 1223 1129 1283"></td> <td data-bbox="1129 1223 1289 1283">0.690</td> </tr> <tr> <td data-bbox="284 1290 975 1350">Education and Youth</td> <td data-bbox="975 1290 1129 1350"></td> <td data-bbox="1129 1290 1289 1350">0.873</td> </tr> <tr> <td data-bbox="284 1357 975 1417">Organisational Change</td> <td data-bbox="975 1357 1129 1417"></td> <td data-bbox="1129 1357 1289 1417">0.943</td> </tr> <tr> <td data-bbox="284 1424 975 1485">Community and Enterprise</td> <td data-bbox="975 1424 1129 1485"></td> <td data-bbox="1129 1424 1289 1485">0.629</td> </tr> <tr> <td data-bbox="284 1491 975 1552">Corporate Services</td> <td data-bbox="975 1491 1129 1552"></td> <td data-bbox="1129 1491 1289 1552">0.903</td> </tr> <tr> <td data-bbox="284 1559 975 1619">Central and Corporate Finance</td> <td data-bbox="975 1559 1129 1619"></td> <td data-bbox="1129 1559 1289 1619">0.150</td> </tr> <tr> <td data-bbox="284 1626 975 1686">Total</td> <td data-bbox="975 1626 1129 1686"></td> <td data-bbox="1129 1626 1289 1686">5.743</td> </tr> </tbody> </table> <p>Footnotes:</p> <ol style="list-style-type: none"> 1. The figures above may be subject to change at implementation stage 2. The proposals originate from the third and final year of service planning. 	Portfolio		£m	Planning and Environment		0.205	Streetscene and Transportation		1.350	Social Care		0.690	Education and Youth		0.873	Organisational Change		0.943	Community and Enterprise		0.629	Corporate Services		0.903	Central and Corporate Finance		0.150	Total		5.743
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3.00	<p>Summary of Stage 2a Corporate Financial Stewardship</p>																														
3.01	<p>Stage Two of the budget was concluded at the Council meeting on 6 December. A summary of the approved efficiency proposals is shown below.</p>																														

Table 2

Description		£m
Council Tax Base Increase		0.345
Independent Living Fund (ILF)		0.412
Transition to Adulthood		0.162
Flint Extra Care Scheme		0.170
Schools Investment		0.400
Apprentice Tax Levy		0.470
Central Loans and Investment Account (CLIA)		2.690
Total		4.649

Footnotes:

1. The figures above are precise estimates and will not be subject to any material change
2. The Council Tax base increase has been notified to Welsh Government
3. The figures assume the utilisation of reserves to meet the costs of the new Apprentice Levy.
4. The CLIA figure reflects the approved changes to the Minimum Revenue Provision (MRP) policy.

3.02 At the meeting on 6 December new and emerging pressures totalling £0.597m were also reported and added to the budget requirement for 2017/18.

4.00 **Summary of Stage 2b Working with Welsh Government**

4.01 As detailed in para. 1.05 The Final Local Government Settlement was received on 21 December 2016 and has resulted in a net reduction in funding of £0.157m. This takes into account the transfer into the settlement as a new responsibility for homelessness prevention of £0.201m for funding previously received through the Housing Benefit Subsidy for temporary accommodation.

A briefing note on the Final Settlement is attached as Appendix 2.

4.02 Following completion of Stages One and Two, and receipt of the Settlement, a gap of £2m remains to achieve a balanced budget.

Table 3

Description		£m
Projected Budget "gap"		14.4
Less:		
Portfolio Business Plans		(5.7)
Corporate Financial Stewardship		(4.6)
Provisional Settlement		(2.8)
Add:		
New and Emerging Pressures		0.6
Impact of Final Settlement		0.1
Remaining Budget "Gap"		2.0

5.00 **Closing Strategy to Reach a Balanced Budget**

5.01 There are only limited options available to close the remaining gap of £2m and these are set out below:

5.02 **Domiciliary Care - Charging Levels**

A Welsh Government announcement has recently been made on raising the charging cap from the current amount of £60 per week to £70 per week (from 1 April 2017). For Flintshire this will generate projected additional income of £0.238m in 2017/18. Welsh Government also announced, as part of the Settlement, an additional £10m to support the rising costs of domiciliary care across Wales. Based on an assumed formula distribution the Council should receive additional funds, in the form of a specific grant, in the region of £0.430m.

5.03 **Local Taxation**

The forecast assumes a Council Tax increase of 3% for 2017/18. The maximum permissible annual rise for councils is 5% per year. As a guideline every 0.1% of increase in Council Tax contributes approximately £0.057m to the budget position (net of the impact of increased benefit entitlements under the Council Tax Reduction Scheme budget).

5.04 The North Wales Fire and Rescue Authority approved an increase of 4% on its levy at its meeting on the 19 December 2016. When taking into account population changes Flintshire's annual increase come in at 4.52% - an increased cost of £0.317m which is not currently included in the budget estimate. This increase cannot be met by further reductions in Council services as Stage One of the budget strategy is now closed. An option is to add the levy increase to the planned Council Tax increase. If this option was adopted the planned Council Tax rise would increase from 3.00% to 3.55%. The only other options are to utilise further one-off reserves or to reduce the overall level of investment in schools.

5.05 The Police Precept is still yet to be formally notified to the Council although an increase of between 3.5% and 5% is expected. This is equal to an annual increase of between £8.40 and £12.01 on the 2016/17 Band D equivalent

	charge of £240.12.
5.06	<p>School Investment</p> <p>An uplift of £1.2m (1.34%) is currently included for the overall schools budget. The budget is distributed to schools through the local schools funding formula. Any reduction in this provision would cause risks for schools budget planning.</p>
6.00	<p>Use of Reserves and Balances</p>
6.01	<p>There is the option to utilise reserves to assist in the budget for 2017/18 - noting that this only provides a one year solution. As part of the approved Corporate Financial Stewardship options an amount of £0.699m has already been earmarked to meet the first year costs of the new UK Government introduced Apprentice Tax Levy.</p>
6.02	<p>A decision on what is considered to be a prudent use of reserves needs to take into account both the future sustainability of the budget and the impact on the reserve levels which remain for future years.</p>
6.03	<p>Any use of reserves in the budget would need to be made good in the base budget the following year.</p>
6.04	<p>Earmarked reserves are projected to stand at £2.885m at the financial year end.</p>
6.05	<p>The Contingency Reserve is projected to stand at £4.268m at the financial year end (calculated as at month 8) although this will be subject to the final outturn. It is recommended that a significant portion of this reserve is maintained as a safeguard against in-year risks and unforeseen events. Any use of reserves to balance the budget greater than £2m is considered to be high risk (bearing in mind it has already been agreed that £0.699m of reserves will be utilised for the costs of the apprentice levy for 2017/18).</p>
7.00	<p>Outstanding Risks and Issues</p>
7.01	<p>Single Environment Grant</p> <p>Welsh Government is considering making a reduction in this grant of 6.7% in 2017/18. This would cause an immediate operational budget pressure of £0.200m.</p>
7.02	<p>Transportation Costs</p> <p>Following on from one of the Council's main transport providers going into liquidation there is a risk that the cost of maintaining the local public and school bus services could require an additional £0.675m in a full year. Negotiations with Welsh Government over future funding, and reviews of routes and service frequency, continue.</p>
7.03	<p>Household Recycling Centres</p> <p>The new configuration of the local Household Recycling sites will not become</p>

	operational until quarter two of 2017/18. A shortfall in the planned operational efficiencies target of £0.240m is forecast as a result of the newly adopted strategy of the Council. However, this cost pressure can be mitigated by the ending of a previous prudential borrowing loan arrangement within the service where capital was borrowed to purchase household recycling receptacles.
7.04	Car Park Income – County Hall A planned change in the policy for workforce essential car user allowances and mileage cost levels aimed to achieve an upper target of savings in the region of £0.750m. It was anticipated that this upper target could offset a projected shortfall of £0.080m of car parking income caused by the decision to change the planned County Hall car parking scheme for the workforce and to only charge employees an administrative fee for the issue of car parking permits. The cost savings made to the change in policy for workforce essential car user allowances and mileage cost levels should generate an estimated saving of £0.650m in a full year having taking into account appeals made by employees against the planned withdrawal of their allowance. Therefore, there is a potential overall cost pressure of £0.080m.
7.05	Impact of the Outturn 2016/17 Any emerging issues from the outturn for the current financial year will also need to be considered where they will have an impact on 2017/18 or beyond. Any new pressures identified over time will need to be considered as part of the final balancing proposals.
8.00	Next Steps and Timescales
8.01	This report will be considered by Corporate Resources Overview and Scrutiny Committee on 20 January. This meeting is open to all members.
8.02	Final budget proposals will be considered by Cabinet on the morning of 14 February for recommendation to Council for approval in the afternoon.
8.03	The formal Council Tax setting meeting of Council will be held on 1 March.

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultation with Group Leaders, Overview and Scrutiny Committees, senior officers and service teams, and external partners have been held in the development of the business plans, budget proposals and resilience assessments.

4.00	RISK MANAGEMENT
	All parts of the financial forecast, and all budget solutions, are risk assessed stage by stage. Services have already been assessed against efficiency, value for money and resilience with the assessment being reported to the Overview and Scrutiny Committees throughout July 2016.

5.00	APPENDICES
5.01	Appendix 1 – Council response to the Welsh Local Government Provisional Settlement.
5.02	Appendix 2 – Briefing note on the Welsh Local Government Final Settlement

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Council Report 15 November 2016 Stage One http://committeemeetings.flintshire.gov.uk/mglIssueHistoryHome.aspx?lId=20333&LLL=0</p> <p>Council Report 6 December 2016 – Stage Two http://committeemeetings.flintshire.gov.uk/mglIssueHistoryHome.aspx?lId=20481&LLL=0</p> <p>Colin Everett, Chief Executive and Gary Ferguson, Corporate Finance Manager</p> <p>Contact Officer: Gary Ferguson Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>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.</p> <p>Local Government Funding Formula: the system through which the annual funding needs of each council is assessed at a national level, and</p>

from which each council's annual AEF (see above) is derived. The formula is very complex. In summary, using information such as statistics on local population change and deprivation, the formula sets a guide for each council's funding needs called the Standard Spending Assessment (SSA).

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.

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

Central Loan and Investment Account (CLIA): brings together the revenue costs of all Council's borrowing and investment activity. Contains; interest on debt, MRP (see below), Treasury Management costs (staff, advisors, software etc.), charges for debt rescheduling undertaken in earlier years and income generated from investments. Also referred to as Capital Financing Charges.

Minimum Revenue Provision (MRP): method for charging (debt-funded) capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.