

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 11 July 2019
Report Subject	Centrally Held Budgets and Corporate Finance
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

As requested at the meeting of this Committee on 11th April 2019 the report provides details and explanation of the specific budget headings included within Central and Corporate. The Central and Corporate Budget for 2019/20 at £23.498m is 9% of the overall Council Fund budget of £264m.

In general terms the Central and Corporate Finance Budget contains the central organisational costs for the Council that are not directly attributable to individual Portfolios and services.

This report provides a detailed breakdown on this budget area based on the 2019/20 budget of £23.498m as requested by Members of this Committee. The report provides further background to all Members prior to the commencement of revenue budget monitoring for the 2019/20 financial year and as part of the Medium Term Financial Strategy.

RECOMMENDATIONS

1	The Committee notes the explanations and provides any advice where (1) more information is needed for assurance or (2) it believes that any of the budget headings could be reviewed further as part of the Medium Term Financial Strategy.
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REPORT DETAILS

1.00	EXPLAINING THE CENTRAL AND CORPORATE BUDGET																
1.01	As requested at the meeting of this Committee on 11 th April 2019 the report provides details and explanation of the specific budget headings within Central and Corporate. The Central and Corporate Budget 2019/20 at £23.498m is 9% of the overall Council Fund budget of £264m.																
1.02	<p>In general terms the Central and Corporate Finance Budget contains the central organisational costs for the Council that are not directly attributable to individual Portfolios and services and a summary is included in Table 1 below:</p> <p>Table 1: Budget Heads</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Amount (£m)</th> </tr> </thead> <tbody> <tr> <td>Corporate Loans & Investment Account (CLIA)</td> <td>12.388</td> </tr> <tr> <td>Levies & Contributions</td> <td>8.940</td> </tr> <tr> <td>Pension Fund</td> <td>2.296</td> </tr> <tr> <td>Centrally Held Provisions</td> <td>1.612</td> </tr> <tr> <td>Corporate Overheads</td> <td>2.596</td> </tr> <tr> <td>Income</td> <td>(4.334)</td> </tr> <tr> <td>Total</td> <td>23.498</td> </tr> </tbody> </table>	Description	Amount (£m)	Corporate Loans & Investment Account (CLIA)	12.388	Levies & Contributions	8.940	Pension Fund	2.296	Centrally Held Provisions	1.612	Corporate Overheads	2.596	Income	(4.334)	Total	23.498
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	Corporate Loans and Investment Account (CLIA) - £12.388m																
1.03	The CLIA brings together the income and expenditure associated with the borrowing and investment activities that the Council undertakes. The account shows the net position relating to the Council Fund only. Costs are apportioned between the Housing Revenue Account (HRA) and the Council Fund at the end of the financial year.																
1.04	The CLIA is made up of a number of elements including Interest receivable (income) and payable (expenditure), debt management charges and the Minimum Revenue Provision (MRP). Details of each of these are shown in 1.05 -1.09 below.																
1.05	<p>External Interest Payable</p> <p>At the end of 2018/19 long term borrowing (Council Fund and HRA) totalled £272.8m. This borrowing is financing the Council's capital expenditure where the Council has decided to invest long term in assets needed to deliver its statutory duties such as schools, roads, social and affordable homes, and care homes etc. The costs associated with these long term investment decisions are spread over the lives of the assets built or</p>																

	<p>purchased. Once the decision has been made to invest in assets, the Council is committed to the associated long term revenue costs which cannot be easily reversed.</p> <p>Interest costs associated with this debt is paid from the CLIA. In 2019/20 the total external interest budget is estimated at £14.2m, of which £5.4m is estimated to be recharged to the HRA with £8.8m remaining for the Council Fund.</p>
1.06	<p>Minimum Revenue Provision (MRP)</p> <p>Local Authorities are required each year, under Regulations to set aside some of their revenue resources as provision for the repayment of debt. The Regulations require authorities to each year make an amount of Minimum Revenue Provision (MRP) which it considers to be 'prudent', though the regulation itself does not define 'prudent provision' and Welsh Government (WG) provides guidance which makes recommendations to authorities on the interpretation of the term. Authorities are required to prepare an annual statement of their policy on making MRP. The provision is an accounting charge based on the level of past capital expenditure financed by debt.</p> <p>During 2016/17 and 2017/18 the Council has amended its policy for MRP. In amending the policy the 'prudence' of all options were fully debated by the Council before deciding to amend the policy to an annuity calculation over the life of the asset. As a consequence the change in MRP has resulted in significant savings to the Council Fund revenue budget in 2017/18 – from £3.786m to £2.320m. However, the MRP charge will now increase year on year, over the assets life, to reflect the time value of money.</p> <p>In 2019/20 the estimated charge to the CLIA for the MRP is £2.9m, and represents the Council Fund charge only. MRP on HRA capital expenditure is charged directly to the HRA.</p> <p>The CLIA includes payments totalling £0.9m in respect of finance leases entered into to fund improvements in leisure facilities some time ago at Deeside Leisure Centre and Jade Jones Pavilion Flint. This consists of repaying the capital value of the plant and equipment (which is equated to MRP in the Council's MRP policy) and the associated interest costs.</p>
1.07	<p>Debt Restructuring Charges</p> <p>Historically, the Council has restructured its debt portfolio, which would have been subject to a value for money analysis at the time. Under accounting regulations it is possible to spread the cost of any redemption charges over a number of years. In 2019/20 the charge is £0.4m.</p>
1.08	<p>Debt Management Charges</p> <p>This is the cost of managing the Council's Treasury Management Function, and is in the main the salary and other costs associated with the Treasury Management Team. In 2019/20, the total estimated cost is £0.1m, of which £0.04m is the HRA's proportion.</p>

1.09	<p>Income</p> <p>Interest from Temporary Investments</p> <p>Interest is received from short term investments placed when the Council has surplus funds due to timing differences in receiving and spending funding. In recent years this has been reducing as the Council (Council Fund and HRA) has increased its capital programme funded by borrowing and reserves have declined.</p> <p>Other Income</p> <p>The Council receives other forms of income. Examples include interest on the loan made to New Homes for building affordable homes, and internal recharges from services.</p>												
1.10	<p>Levies and Contributions</p> <p>The Council pays levies and contributions to other organisations. These include the following for 2019/20:</p> <p>Table 2: Levies and Contributions</p> <table border="1" data-bbox="320 965 1385 1272"> <thead> <tr> <th></th> <th style="text-align: right;">Amount (m)</th> </tr> </thead> <tbody> <tr> <td>North Wales Fire & Rescue ⁽¹⁾</td> <td style="text-align: right;">7.791</td> </tr> <tr> <td>Coroners ⁽²⁾</td> <td style="text-align: right;">0.245</td> </tr> <tr> <td>Cemetery Precepts ⁽³⁾</td> <td style="text-align: right;">0.009</td> </tr> <tr> <td>Theatre Clwyd ⁽⁴⁾</td> <td style="text-align: right;">0.895</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">8.940</td> </tr> </tbody> </table> <p>1) The Council is required to pay the levy set by the North Wales Fire and Rescue Authority which is subject to annual review. In the last financial year this resulted in an increase of £0.381m.</p> <p>2) The Council contributes to the cost of the North Wales Coroner which is hosted by Denbighshire County Council. Charges are based on the number of cases and charged based on population. These costs have increased in recent years and a budget pressure of £0.042m was included as part of the 2019/20 budget.</p> <p>3) Cemetery Precepts of £0.009m are payed to Town and Community Councils on behalf of Flintshire County Council.</p> <p>4) The Council pays an annual contribution to the Theatre which is in proportion to the national funding provided by the Arts Council of Wales. This includes budgets recently transferred to the Theatre for Arts and Culture (£0.159m) and the Music Service (£0.022m).</p>		Amount (m)	North Wales Fire & Rescue ⁽¹⁾	7.791	Coroners ⁽²⁾	0.245	Cemetery Precepts ⁽³⁾	0.009	Theatre Clwyd ⁽⁴⁾	0.895	Total	8.940
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1.11	<p>Pension Fund Contributions - £2.296m</p> <p>Payments that the Council has committed to make associated with the Pension Fund include contributions to liabilities agreed to and resulting from Local Government Reorganisation, and costs of the pension fund actuarial</p>												

	review. This includes Aura and Newydd as part of agreements on pension fund deficits.
1.12	<p>Centrally Held Provisions - £1.612m</p> <p>Provisions for inflation (£0.886m) that are held centrally prior to being distributed according to need to service portfolios as well as the budgets for pensions auto-enrolment (£0.027m) and the Apprentice Tax Levy (£0.699m).</p>
1.13	<p>Corporate Overheads - £2.596m</p> <p>Budgets for External Audit Fees (£0.361m) and Bank Charges (£0.099m) as well as the budget for the Carbon Reduction scheme (£0.380m).</p> <p>Insurance (£1.756m) is also included within this budget heading. The Council's insurance cover has been arranged to be cost effective. External insurance is in place for risks that are difficult to predict and of low volume that would have significant impact. The Council self-insures for risks that are more predictable, higher in volume but have a lower impact. The budget includes the external premiums payable and amounts set aside to ensure the self-insurance reserve is maintained at an adequate level to meet costs of claims as they fall due. The level of the reserve is independently assessed using actuarial techniques.</p>
1.14	<p>Use of Reserves, Recharges and Income – (£4.334m)</p> <p>Use of Reserves - where there has been a one off contribution drawn from reserves to balance the budget. This is £2.221m in 2019/20.</p> <p>Support Service Recharges – Recharge of the costs of support services being provided to the Clwyd Pension Fund and the HRA which is £1.4m in 2019/20.</p> <p>Other Income – Mainly includes efficiency targets for corporate income on workforce costs including Essential Car user allowances and travel (£0.297m), the remaining budget for income generation (£0.164m), a budget for windfall income (£0.102m) and a budget for the rebate income from the Matrix Agency contract (£0.150m).</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	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: (01352) 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

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</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. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p>