

**Flintshire County Council**

**Medium Term  
Financial Plan**

**(Council Fund)**

**2014/15 - 2018/19**

**Revision as at  
31st May 2013**

# 1. Context

## Re-setting the Medium Term Financial Plan

This is the first of two revisions of the published Medium Term Financial Plan within 2013-14.

The aims of this first revision are:-

- to present an updated forecast of the impacts of the changing and worsening national fiscal position, and inflationary trends, on the core resources available to the Council to meet its priorities and maintain its services
- to present a first forecast of the investment needed to support the priorities of the Council
- to present, by combining the above, the updated revenue 'gap' to be bridged by organisational change, efficiencies and choices between services

This revision of the MTFP reports the most accurate forecasts possible as at 31<sup>st</sup> May 2013.

The second revision of the Medium Term Financial Plan will be published by October 2013. The second revision will:-

- update the forecast with the most accurate information at that time.
- Set out the Council's developing programme of organisational change and re-design to further modernise the organisation and secure major efficiencies in costs and overheads to meet its targets. The second revision will be accompanied by a fuller updated Organisational Change and Re-Design Plan which builds on and extends current activity.
- enable the Council to make informed choices over base budget allocations to service functions according to need and choice
- provide a platform for the setting of a sustainable annual budget for 2014-15 as the third of the five years of this Council under this Plan

## The Council Fund Budget

The 2013/14 total budget for delivering council fund services is £293m. The money to finance this spending (as for all councils) comes from two main sources. The majority of funding (80%) comes from Welsh Government through the revenue support grant/non domestic rates pool and numerous specific grants (many of which fund core services), with the remainder (20%) being raised locally from Council Tax. This means that Council services are heavily reliant on external funding. In a period of national fiscal constraint where such funding is under extreme pressure, the national funding position sets the context for us.

Government has made past commitments to protect key spending areas, however, the worsening financial scenario will mean that this position cannot be maintained. Analysis of the reductions in funding experienced in England over the last comprehensive spending review period since 2010 show average reductions of 4% per annum year on year. Whilst the actual scale of probable reductions for 2014/15 is not yet known, a 1% reduction in the funding received in 2013/14 would, as an illustration, add £1m to the projected gap for 2014/15. Compared to the English scenario, at 4% it would be an additional £7m.

For Flintshire, as with all Councils, this will mean adopting a broader programme of organisational reform with more ambition and pace, making far more challenging efficiencies in operating costs and the costs of employment, ensuring value for money and reducing wastage to a minimum and, hardest of all, making choices between services and their needs for investment.

## Achieving Local Priorities

The newly published Improvement Plan 2013/14 sets out four shared priorities with our partners at a County level, and the eight priorities for the Council itself. All of our priorities remain important, but in any one year a number of them will stand out for special attention. Setting priorities helps us focus our attention and resources on the things that matter most. We call these our Improvement Priorities. Our eight Flintshire County Council priorities are:

- Housing
- Environment
- Living Well
- Poverty
- Economy and Enterprise
- Skills and Learning
- Safe Communities
- Modern and Efficient Council

Not all priorities necessarily need extra resources; some inevitably do. The priorities should guide investment choices as the Council balances the resources it has at its disposal with the 'competing' demands of its services and the communities they support.

Resources are in place to deliver the priorities for 2013/14. Some of these resources are met from within the base budget but there was specific and positive investment in the 2013/14 budget as detailed in the budget report in March.

Over the five year life of the Council, the full set of priorities will adapt and the annual set of priorities selected for special attention will change according to need and circumstances. The financial impacts of additional investment in specific new priorities from 2014/15 will be included in future revisions to the MTFP as policy decisions are taken over the coming months. For planning purposes, the forecast also includes an annual amount of £1.6m for

## 2. Medium Term Financial Strategy & Medium Term Financial Plan

### The role of the MTFS and MTFP

The Medium Term Financial Strategy (MTFS) and the Medium Term Financial Plan (MTFP) are critical aspects to the Council's overall governance arrangements.

**The Medium Term Financial Strategy** provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the Council's vision and strategic objectives.

**The Medium Term Financial Plan** forecasts funding levels and resource requirements over the medium term, identifies the gap between the two and enable specific actions to be identified to balance the budget and manage resources.

### Continuous Development

The MTFP will never be "complete" or finished." It is an ever evolving forecast of the Council's financial position, which is continually updated to take in and / or refine latest forecasts of funding, investment needs and the opportunities to be gained from efficiency or saving measures.

In the light of the national and local context described, it is essential that the Council has a robust Medium Term Financial Plan and a strategy to deliver the actions required to manage the budget gap over the short and medium term and which looks ahead to the longer term.

Through the next planned stages of development, we are committed to:

- recognise the full extent of the cost of service demands and potential investment choices and growth
- more fully identify the extent of the potential budget gap
- quantify potential efficiency opportunities, and in particular, take account of when the financial benefits of longer term projects may be realised

### Integrating the MTFP into the Medium Term Financial Strategy

The October revision of the MTFP update will be one of the elements to be incorporated into a refresh of the Medium Term Financial Strategy for publication in March alongside the budget for 2014/15.

**School Funding Formula Review** - The Council has completed the first stage of a review of the school funding formula. The options emerging from the review work are planned for consideration over the summer / early autumn with a view to possible implementation from the 2014/15 academic year. The review has covered how the formula for the delegated budget is allocated to individual schools and whether the total funding is adequate to meet critical school needs and statutory responsibilities.

Whilst there are number of variables, using some broad assumptions, there is potential for the gap to increase to over £10m for 2014/15 and £40m over the 5 year period

### How does this compare to the last published MTFP?

The last publication of the MTFP was in March, alongside the 2013/14 budget. At that stage, the reported budget gap was £7.626m in 2014/15 and £29.453m over 5 years. The difference to the figures as at 31st May is mainly due to a reduction in the estimated level of funding from WG (£2.4m as per scenario 3), an increase in estimated council tax income of £0.553m (increased base and collection rate), the net effect of costs in relation to services due to demand and external influences (£1.228m) and a reduction in the broad assumption for investment and growth (£2.500m) now that much more detailed work has been undertaken on likely levels required (see below).

### Current Forecast – detailed information

A summary of the 'headline' figures with regard to the updated MTFP are attached as Appendix 1.

The table is presented in such a way as to detail the position at various stages, for example, an inflationary increase on the existing budget results in a projected budget gap of £2.885m, adding on the indicative amounts of previous year decisions increases to gap to £5.693m and so on.

## Funding

### National Funding

#### Aggregate External Finance (AEF)

Approximately 80% of the Council's revenue funding is derived from Revenue Support Grant (RSG) and the Council's distribution of the National Non Domestic Rates Pool (NNDR).

The Local Government Final Settlement 2013/14 provided indicative funding of £200.970m for 2014/15. Additional Funding of £0.869m was received to enable the Council Tax Reduction Scheme (CTRS) (introduced from April 2013 to replace Council tax benefit) to provide support at 100% for eligible

## Investment in Services, Priorities and Improvements

### Base Budget 2013/14

The approved total budget of £293.3m for 2013/14 is rolled forward and the starting point for the MTFP covering 2014/15 to 2018/19.

### Inflation

Each year an assessment needs to be made on the inflationary increase required for service areas. The amount included of £4m covers the effect of a 1% pay award for all workforce groups, standard price inflation at 2%, above standard inflation as detailed below and income at 3%.

The table below details the assumptions currently made and their basis:-

Inflation	Current %	Based on
Pay	1%	Latest public sector pay expectations
Price	2%	Initial high level assumption - consistent with economic forecasts
NSI Energy	8%	Energy Unit advice
NSI Fuel	11.2%	UK Fuel price tax escalator
NSI Food	5.8%	National reports
Fees and charges	3%	Based on historical increases

Inflation assumptions are under continual review. More detailed calculations by service area will be included in the next reported revision.

***The Projected Shortfall in 2014/15 taking into account inflation is £2.885m***

### Previous Year Decisions

Each year as the budget is set; some decisions (which are clearly set out) have implications for future year's budgets. The full year effect of previous year budget decisions is required to be adjusted to the base budget in order to 'follow through' the decisions made in budgetary terms. For 2014/15 the impact for all Service Areas is an increase in the budget requirement of £2.808m rising by a further £2.743m in 2015/16.

Included in the 2013/14 budget report was an indicative additional amount of £1.6m p.a. to support investment in organisational change programmes and

- **Council Tax Reduction Scheme (CTRS)**  
An initial assessment of £0.300m has been included to take account of caseload and the increased cost of support linked to the assumed council tax rise. This will need full assessment in the light of the CTRS scheme for 2014/15, the level of Welsh Government funding and the assumed council tax collection rate.
- **Prudential Borrowing**  
The revenue impacts of the approved capital programme to be met from prudential borrowing has been updated to reflect the future years impact which requires additional funding of £0.252m from 2016/17 and an additional £0.029m from 2017/18.

### **Efficiencies**

- **Social Care Transition**  
The reported underspend position in 2012/13 has been followed through into a revised assessment of client costs for future years. An initial view has been taken that there will be an efficiency of £0.300m from 2014/15. The detailed work being undertaken to review this area will provide an updated estimate for inclusion in the next revision.

**The effect of including all of the above is an additional budget requirement of £1.288m for 2014/15 (additional £3.333m over 5 years)**

***The Projected Shortfall in 2014/15 taking into account the above adjustments is £6.981m***

This revision as at 31<sup>st</sup> May has been produced prior to the final outturn for 2012/13 being concluded. The latest projection as at Month 12 estimates a net under spend of £4.313m, after taking account of under and over spends across services. Initial work to estimate the impact of this on the current MTFP assumptions indicates that there could be £2m of recurring under spend, but this would be offset by pressures of £1.4m if they should continue at the same level as in 2012/13. These initial estimates are not included in the MTFP at this point. They are subject of ongoing review and refinement and will need to be considered in detail for possible re-alignment of budgets in 2013/14 and future years. The final outturn will be reported in July,

### **Further Investment/Growth**

Each year as part of the budget process a number of areas have historically been identified as requiring further investment and/or growth. The early identification of the areas detailed above should reduce the amount required for 2014/15 compared to previous years. However, in the interest of prudence an amount of £1.5m pa is currently included based on the £3m identified in 2013/14 less the amount attributable to those items.

***The Projected Shortfall in 2014/15 taking into account the above is £8.481m***

- continued and new cross organisational reviews under the Flintshire Futures Programme

In recent years the Council has been modernised and changed significantly. It has been necessary to identify total efficiencies of £28.9m over the last five years to balance the annual budget through planned corporate and service level change. Some fundamental service reviews such as Streetscene, Housing and Adult Social Care have demonstrated how value for money can be obtained through aligning resources effectively to priorities and service standards, how major efficiencies can be achieved to be 'recycled' into service improvements, and how continuous improvement can carry on year on year with new energy and ideas for new ways of working.

The developing plans for a more expansive and challenging programme of change and reform will be set out before the next revision of the MTFP building on the above.



## Financial Projection 2014/15 - 2018/19

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Funding</b>					
Aggregate External funding (AEF) RSG/NNDR	199,421	199,421	199,421	199,421	199,421
Council Tax	60,304	62,269	64,297	66,391	68,555
<b>Budget Requirement</b>	<b>259,724</b>	<b>261,689</b>	<b>263,718</b>	<b>265,812</b>	<b>267,975</b>
<b>Other Grant Funding (Specific and Outcome Agreement Grant)</b>	<b>34,764</b>	<b>34,764</b>	<b>34,764</b>	<b>34,764</b>	<b>34,764</b>
<b>Total Funding</b>	<b>294,488</b>	<b>296,453</b>	<b>298,482</b>	<b>300,576</b>	<b>302,739</b>
<b>Expenditure</b>					
<b>Base Budget Rolled Forward</b>	<b>293,346</b>	<b>302,969</b>	<b>311,125</b>	<b>318,446</b>	<b>325,002</b>
Inflation (Pay/Price/NSI/Income)	4,027	4,128	4,237	4,352	4,473
<b>Shortfall after roll forward budget plus inflation</b>	<b>(2,885)</b>	<b>(10,644)</b>	<b>(16,880)</b>	<b>(22,221)</b>	<b>(26,736)</b>
Previous Years Decisions	2,808	2,743	252	29	-
<b>Revised Shortfall</b>	<b>(5,693)</b>	<b>(13,387)</b>	<b>(17,132)</b>	<b>(22,250)</b>	<b>(26,736)</b>
Demand/Externally influenced costs/efficiencies	1,288	(216)	1,332	676	253
<b>Revised Shortfall</b>	<b>(6,981)</b>	<b>(13,171)</b>	<b>(18,464)</b>	<b>(22,926)</b>	<b>(26,989)</b>
Future Investment/Growth	1,500	1,500	1,500	1,500	1,500
<b>Funding Shortfall / (Available)</b>	<b>(8,481)</b>	<b>(14,671)</b>	<b>(19,964)</b>	<b>(24,426)</b>	<b>(28,489)</b>
<b>Total Expenditure</b>	<b>302,969</b>	<b>311,125</b>	<b>318,446</b>	<b>325,002</b>	<b>331,229</b>
<b>Funding Shortfall / (Available)</b>	<b>(8,481)</b>	<b>(14,671)</b>	<b>(19,964)</b>	<b>(24,426)</b>	<b>(28,489)</b>

Impact of Potential WG reduction on RSG

Revised shortfall if Scenario 1

Revised shortfall if Scenario 2

(6,525) (12,715) (18,008) (22,470) (26,533)

(7,706) (13,896) (19,189) (23,651) (27,714)