



Council Fund Budget 2017/18

**Corporate Resource Overview and
Scrutiny Committee**

30 November 2016



Purpose of the Presentation

- » To present, in detail the Corporate Financial Stewardship Proposals (Part 2 of the Strategy) to the Committee.
- » To provide the Committee with the opportunity to review, scrutinise and comment on the proposals to be reported back to Cabinet on 6 December 2016.
- » To set out the further work to be done to conclude the budget proposals for 2017/18.

The Forecast 'Budget Gap' 2017/18

| | 2017/18 |
|------------------------------------|---------|
| <u>Expenditure</u> | £m |
| National Pressures | 0.7 |
| Local Pressures | 6.2 |
| Inflation | 3.1 |
| Workforce Pressures | 4.1 |
| | |
| <u>Income</u> | |
| Reduction in Revenue Support Grant | 2.8 |
| Council Tax increase | (2.5) |
| | |
| Projected Gap | 14.40 |

Where we left off in November

- » Service Portfolio Business Planning proposals of £5.743m approved by Council 15/11/16
- » Provisional Settlement received at “cash-flat” - £2.8m benefit to MTFS
- » Corporate Financial Stewardship review itemised list shared – to be discussed in detail with Corporate Resource and Scrutiny Committee 30/11/16 (with work ongoing)



Corporate Financial Stewardship Proposals

| 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 |

Apprentice Tax Levy

- » A new UK employer tax based on workforce size
- » Designed to increase apprenticeships
- » Employer access to funds to pay for training
- » Devolved to Wales; no Welsh scheme yet
- » Tax levy £700,000; Our current apprenticeship and trainee scheme £700-750,000
- » Fund for 1 year from reserves (2017/18)
- » Campaign for three solutions: some funds for Welsh national programmes; some funds for targeted regional skills programmes; some funds for reclaim to protect and grow current public sector schemes

Central Loans and Investment Account

- » CLIA – central budget for all costs and income associated with borrowing and investing activity
- » Includes Minimum Revenue Provision (MRP) – annual accounting charge to the revenue account for debt repayment required by Regulations
- » Debt repayment based on balance of outstanding capital expenditure – different to external borrowing – due to levels of ‘internal borrowing’
- » Regulations require ‘prudent’ provision – no definition of ‘prudent’ - Welsh government issue guidance
- » Reviewed our MRP Policy considering prudence, affordability and sustainability over the LT of options

Central Loans and Investment Account

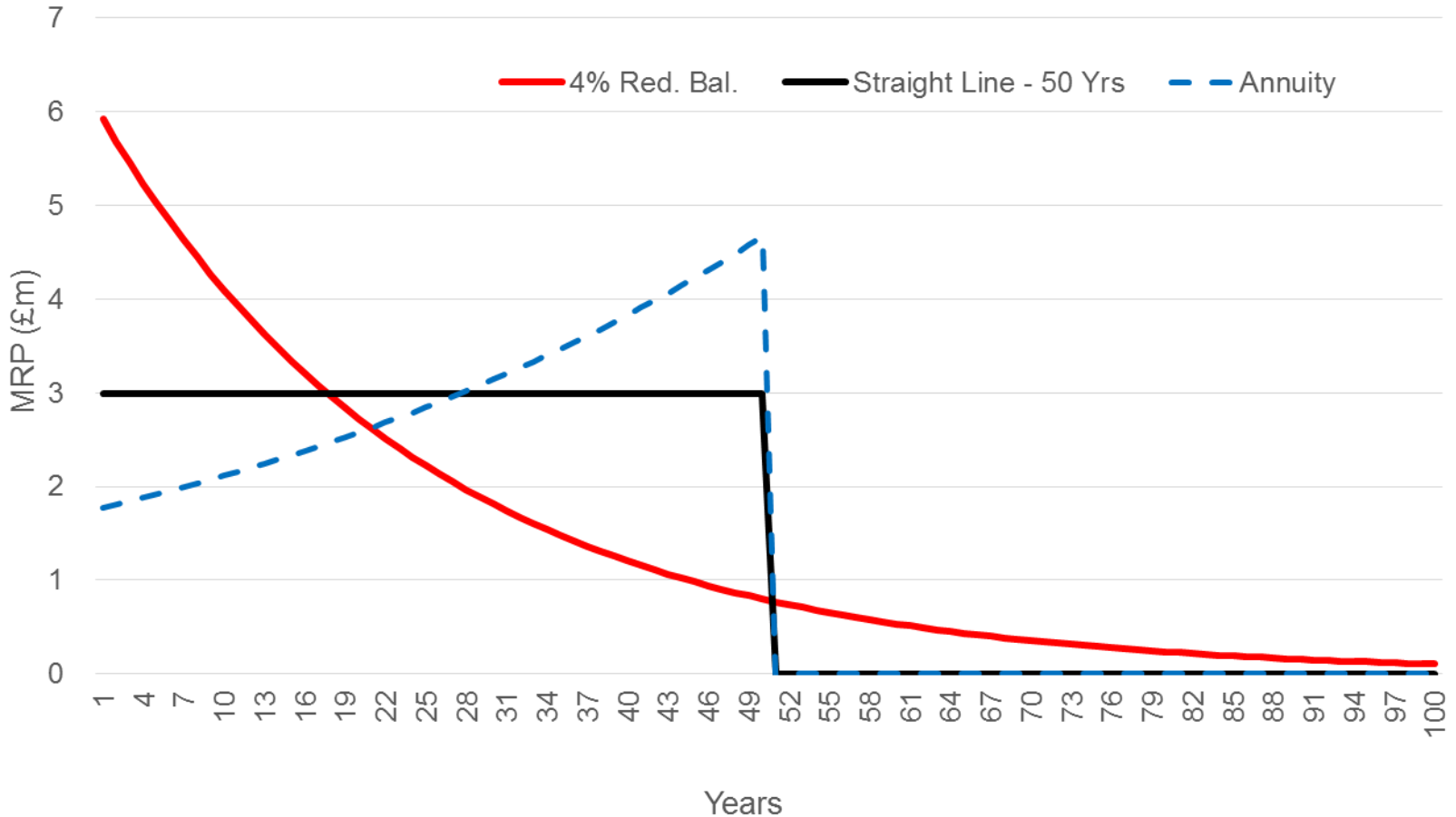
» Review considered 3 options:

1. **4% Reducing Balance Method** – Annual provision is 4% of the outstanding balance which reduces each year - $£149m \times 4\% = £5.9m$ (2016/17).
2. **Straight Line Method** – Equal annual provision spread over assets useful life - $£149m / 50 \text{ years} = £3.0m$ (2016/17)
3. **Annuity (Inflation) Method** – Spreads the annual provision over assets useful life factoring in inflation. Each year the annual provision is the same in real terms. $£1.8m$ (2016/17)

Central Loans and Investment Account



Annual MRP charge £m – Comparing methods



Central Loans and Investment Account

Conclusions of the review;

- » No change for majority of elements within policy
- » Recommending a change to a 'straight line' calculation for outstanding capital expenditure funded from supported borrowing
- » 'Straight line' considered to be 'most prudent' and sustainable option as;
 - » historic debt is settled in full sooner than current 'reducing balance' method
 - » future expenditure charged to revenue over the time period it provides benefit to tax payer
- » Affordability - over 100 year period change results in a positive NPV = overall savings. Periods of additional provision are reasonable in scale

Central Loans and Investment Account

- » Changes recommended to MRP Policy;
 - » Fix balance as at 31st March 2016 and transfer to a straight line calculation over 50 years (asset register used to broadly calculate useful life of assets as at 31st March 2016)
 - » Expenditure after 1st April 2016 change to straight line method of calculation over appropriate period of time in line with benefits generated
- » Financial impacts;
 - » 2016/17 in year reduction in charge £2.924m, and net reduction of £2.520m for 2017/18
 - » Reviewed projected interest costs – considered changes in interest rates and timing of borrowing – net reduction of £0.170m



Summary of Overall Budget Position

| 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 |
| Remaining Budget "Gap" | | 1.9 |

Corporate Financial Stewardship – Ongoing Work

- » Triennial actuarial review of Clwyd Pension Fund
- » Impacts of introducing auto enrolment to the pension fund
- » Development of corporate income policy for fees and charges
- » Council Tax level for 2017/18
- » Prudent use of reserves

Final Stages of 2017/18 Budget Setting

- » 30th November – Corporate financial stewardship proposals considered by Corporate Resource Overview and Scrutiny Committee
- » 6th December – Cabinet considers response
- » 6th December – Council requested to approve Corporate financial stewardship proposals
- » February 2017 – final approval of budget by Council
- » March 2017 – formal Council meeting to set Council Tax levels