

Public Document Pack

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Chief Officer (Governance)
Prif Swyddog (Llywodraethu)



To: ALL MEMBERS OF THE COUNCIL

CS/NG

11 February 2015

Tracy Waters on 01352 702331
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Dear Sir / Madam

A meeting of the **FLINTSHIRE COUNTY COUNCIL** will be held in the **COUNCIL CHAMBER, COUNTY HALL, MOLD CH7 6NA** on **TUESDAY, 17TH FEBRUARY, 2015** at **2.00 PM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES FOR ABSENCE**
- 2 **COUNCIL MINUTES** (Pages 3 - 8)
To confirm as a correct record the minutes of the meeting held on 27 January 2015.
- 3 **DECLARATIONS OF INTEREST**
To receive any declarations of interests from Members.
- 4 **COMMEMORATION AND TRIBUTES TO THE LATE COUNCILLOR STELLA JONES**
- 5 **CHAIR'S COMMUNICATIONS**
- 6 **PETITIONS**
- 7 **PUBLIC QUESTION TIME**

8 **QUESTIONS**

To note the answers to any questions submitted in accordance with County Council Standing Order No. 9.4(A).

9 **NOTICE OF MOTION**

10 **COUNCIL FUND REVENUE BUDGET 2015/16** (Pages 9 - 74)

Report of Chief Executive, Chief Officer (People and Resources), Corporate Finance Manager enclosed.

11 **COUNCIL FUND CAPITAL PROGRAMME 2015/16 AND INDICATIVE FUNDING TO 2018/19** (Pages 75 - 98)

Report of Chief Executive, Chief Officer (Organisational Change), Corporate Finance Manager enclosed.

12 **HOUSING REVENUE ACCOUNT 2015/16 & CAPITAL PROGRAMME 2015/16** (Pages 99 - 126)

Report of Chief Executive, Chief Officer (Community and Enterprise), Corporate Finance Manager enclosed.

13 **PRUDENTIAL INDICATORS 2015/16 - 2017/18 AND REVISION OF 2014/15 PRUDENTIAL INDICATORS** (Pages 127 - 138)

Report of Corporate Finance Manager enclosed.

14 **MINIMUM REVENUE PROVISION - 2015/16 POLICY** (Pages 139 - 148)

Report of Corporate Finance Manager enclosed.

15 **TREASURY MANAGEMENT STRATEGY 2015/16** (Pages 149 - 178)

Report of Corporate Finance Manager enclosed.

FLINTSHIRE COUNTY COUNCIL
27 JANUARY 2015

Minutes of the meeting of the Flintshire County Council held at County Hall, Mold on Tuesday, 27 January 2015

PRESENT: Councillor Glenys Diskin (Chair)

Councillors: Alex Aldridge, Bernie Attridge, Glyn Banks, Haydn Bateman, Marion Bateman, Chris Bithell, Amanda Bragg, Helen Brown, Derek Butler, Clive Carver, David Cox, Paul Cunningham, Peter Curtis, Ron Davies, Rosetta Dolphin, Ian Dunbar, Andy Dunbobbin, Carol Ellis, David Evans, Jim Falshaw, Veronica Gay, Robin Guest, Alison Halford, Ron Hampson, George Hardcastle, Ray Hughes, Dennis Hutchinson, Joe Johnson, Rita Johnson, Christine Jones, Kevin Jones, Colin Legg, Phil Lightfoot, Brian Lloyd, Richard Lloyd, Mike Lowe, Dave Mackie, Nancy Matthews, Hilary McGuill, Tim Newhouse, Mike Peers, Vicky Perfect, Neville Phillips, Mike Reece, Gareth Roberts, David Roney, Tony Sharps, Aaron Shotton, Paul Shotton, Nigel Steele-Mortimer, Carolyn Thomas, Owen Thomas, David Wisinger and Matt Wright

APOLOGIES:

Councillors: Alan Diskin, Chris Dolphin, Brian Dunn, Cindy Hinds, Ann Minshull, Billy Mullin, Ian Roberts, Ian Smith and Arnold Woolley

IN ATTENDANCE:

Chief Executive, Chief Officer (Community and Enterprise), Democracy and Governance Manager, Corporate Finance Manager, Finance Manager and Team Manager – Committee Services

76. COUNCIL MINUTES

The minutes of the meeting held on 25 November 2014 had been circulated with the agenda.

RESOLVED:

That the minutes be approved as a correct record.

77. DECLARATIONS OF INTEREST

None were received.

78. CHAIR'S COMMUNICATIONS

A copy of the Chair's communications had been circulated to all Members before the meeting. The Chair thanked all Members for their well wishes whilst she had been poorly.

The Chair welcomed the Flintshire County Council apprentices who were in attendance to observe meeting protocol and decision making processes as part of their studies at Coleg Cambria.

79. PETITIONS

Councillor Mike Reece submitted a petition from residents objecting to the installation of speed humps on the High Street in Bagillt.

80. PUBLIC QUESTION TIME

The Democracy and Governance Manager confirmed that none had been received.

81. QUESTIONS

The Democracy and Governance Manager confirmed that none had been received.

82. QUESTIONS FROM MEMBERS ON COMMITTEE MINUTES

The Democracy and Governance Manager confirmed that none had been received.

83. NOTICE OF MOTION

The following Notice of Motion had been submitted by Councillor David Roney:-

“This Council resolves to follow other Councils and other European Countries in rejecting the European Union (EU) Commission’s Transatlantic Trade and Investment Partnership (TTIP) scheme, and calls upon the Prime Minister to use his veto to reject the proposed Treaty in order to protect the residents and businesses of Flintshire from this threat to any future chance of ethical and fair trade.

This Council instructs its Chief Executive to write to Flintshire MPs and AMs to ask for their active support in opposing this scheme”.

The Notice of Motion was formally proposed by Councillor Roney and seconded by Councillor Peter Curtis.

Councillor Roney detailed the background to the Notice of Motion and explained that the TTIP was a Treaty being negotiated in secret between the EU and the United States (US), and it had been specifically engineered to give multinational companies what they wanted: the dismantling of all social, consumer and environmental protection and compensation for the companies for any infringement of their assumed rights.

In his view one of the greatest dangers of TTIP was that it would open up Europe's Public Health, Education and Water Services to US companies and it could mean the privatisation of the NHS. He also referred to how TTIP would open the door for widespread GM foods.

He believed the biggest threat that TTIP brought was Investor-State Dispute Settlements (ISDS) which allowed unelected companies to sue governments if those governments' policies caused the company to lose profit. Phillip Morris were suing the Australian government for making plain packaging mandatory – there were suing Uruguay for increasing the size of the graphic health warnings on cigarette packets.

The litigation was pursued in tribunals known as ISDS's. Such an ISDS agreement was also core to the EU's planned TTIP agreement and would see US multinationals sue European governments in such areas as regulating tobacco, health and safety and quality controls.

He concluded by asking that Members support the Notice of Motion to protect the people who they represented, and fight to keep TTIP out of the UK.

Councillor Carolyn Thomas thanked Councillor Roney for the Notice of Motion and also Councillor Arnold Woolley who had previously circulated information to all Members.

Councillor Curtis supported the Notice of Motion unconditionally, concurring that TTIP was a huge threat to the NHS.

The Leader of the Council, Councillor Aaron Shotton, also supported the Notice of Motion which was a national issue and one which would affect the residents of Flintshire. He added that he felt certain companies should be publically owned, such as the energy companies and said if the Prime Minister signed the proposed Treaty then public ownership of such bodies would become essentially impossible.

Councillor Derek Butler also spoke in support of the Notice of Motion citing that the Treaty would greatly affect the rights of workers and the potential damage to the NHS.

Councillor Bernie Attridge requested a recorded vote and was supported by the requisite nine other Members. On being put to the vote, the Notice of Motion was carried.

For the proposal:

Councillors: Alex Aldridge, Bernie Attridge, Glyn Banks, Haydn Bateman, Marion Bateman, Chris Bithell, Amanda Bragg, Helen Brown, Derek Butler, David Cox, Paul Cunningham, Peter Curtis, Ron Davies, Glenys Diskin, Rosetta Dolphin, Ian Dunbar, Andy Dunbobbin, Carol Ellis, David Evans, Veronica Gay, Robin Guest, Ron Hampson, George Hardcastle, Ray Hughes, Dennis Hutchinson, Joe Johnson, Rita Johnson, Christine Jones, Kevin

Jones, Colin Legg, Phil Lightfoot, Brian Lloyd, Richard Lloyd, Mike Lowe, Dave Mackie, Nancy Matthews, Hilary McGuill, Tim Newhouse, Mike Peers, Vicky Perfect, Neville Phillips, Mike Reece, Gareth Roberts, David Roney, Tony Sharps, Aaron Shotton, Paul Shotton, Carolyn Thomas, Owen Thomas and David Wisinger

Against the proposal:

Councillors: Nigel Steele-Mortimer and Matt Wright

Abstentions:

Councillors: Clive Carver, Jim Falshaw and Alison Halford

RESOLVED:

That the Notice of Motion be supported.

83. COUNCIL TAX REDUCTION SCHEME

The Chief Executive introduced the report which explained the requirement to adopt the Council Tax Reduction Scheme for 2015/16 by 31 January 2015.

Within the Regulations made under Schedule 1B of the Local Government Finance Act 1992, there was limited discretion given to the Council to apply additional elements that were more generous than the national scheme, details of which were outlined in the report. The Council's recommended approach to the available discretions were to continue to apply them as follows:

1. Not to increase the "extended payment period" to more than four weeks when an applicant started work. This rule acted as a good incentive measure under CTRS and it made sense to maintain it in line with the Housing Benefits (HB) Extended Payment Rules, which were also set at four weeks. The projected cost of this measure for 2014/15 was £20,098 and the approximate cost for 2015/16 would be £20,700.
2. To continue to disregard all War Disablement and War Widows Pensions as income. The projected cost of this measure for 2014/15 was £42,870 and the approximate cost for 2015/16 would be £44,156.
3. To maintain the standard three month backdating provisions for working age customers when a good reason for failing to claim earlier was shown. This reflected the current position with regard to CTRS and HB. The projected cost of this measure for 2014/15 was £62,502 and the approximate cost for 2015/16 would be £64,377.

Councillor Aaron Shotton moved approval of the recommendations, which was duly seconded, citing his support for the three discretions as outlined in the report.

RESOLVED:

- (a) That the laying of The Council Tax Reduction Scheme (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2015 be noted; and
- (b) That the Scheme as set out in 3.02 of the report be adopted and the recommendations to maintain the discretionary payments be approved.

84. TREASURY MANAGEMENT MID-YEAR REPORT 2014/15

The Corporate Finance Manager presented the Treasury Management Mid-Year Report for 2014/15 for approval and thanked all Members who had attended the recent Treasury Management training.

The report was considered at Cabinet on 20 January 2015 following the recommendation of the Audit Committee on 10 December 2014 which considered the report in detail.

Councillor Aaron Shotton moved approval of the recommendation which was duly seconded.

Councillor Mike Peers asked for clarification on the interest costs associated with debt which he said differed from those in previous reports. The Finance Manager said it was a profiled budget, with more costs being incurred in the second half of the year than in the first. She confirmed that the remainder of that budget would be paid in the coming six months bringing the total paid in line with budget and amounts reported previously. The Chief Executive added that in future reports, end of year projections and accruals would be included for ease of reference.

RESOLVED:

That the Treasury Management Mid-Year Report 2014/15 be approved.

85. INABILITY TO ATTEND MEETINGS DUE TO ILLNESS

The Democracy and Governance Manager introduced the report for the authorisation of temporary absence of Councillor Billy Mullin from attendance at formal meetings.

Councillor Ian Dunbar moved approval of the recommendation which was duly seconded.

The Chair, on behalf of all Members, sent best wishes to Councillor Mullin.

RESOLVED:

That Councillor Mullin's absence from meetings be approved.

86. MEMBERS OF THE PUBLIC AND PRESS IN ATTENDANCE

There was 1 member of the public and 2 members of the press in attendance.

(The meeting started at 2.00 pm and ended at 2.35pm)

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Chairman

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **FLINTSHIRE COUNTY COUNCIL**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, CHIEF OFFICER (PEOPLE AND RESOURCES, CORPORATE FINANCE MANAGER)**

SUBJECT: **COUNCIL FUND REVENUE BUDGET 2015/16**

1.00 PURPOSE OF REPORT

1.01 To provide Members with the recommendations of the Cabinet for the Council Fund Revenue Budget 2015/16.

2.00 BACKGROUND

2.01 A report was considered by Cabinet on 16 December 2014 which presented a first draft of the Council Fund Revenue Budget for 2015/16 for initial approval.

2.02 The Cabinet's initial budget proposals for 2015/16, which at that stage identified a budget gap of £1.760m were also referred to Overview and Scrutiny for consideration.

2.03 Further proposals were presented to Cabinet in January 2015 for additional efficiencies of £2.848m which were reported in full to the Corporate Resources Overview and Scrutiny Committee and shared with the four service portfolio Overview and Scrutiny Committees at their respective meetings which were held throughout January which left a remaining gap of £0.777m.

2.04 The final budget proposals for 2015/16, which show a balanced position, will be considered by Cabinet in the morning and verbal feedback will be provided at Council. A copy of this report is attached as Appendix A.

3.00 CONSIDERATIONS

3.01 The recommendations of the Cabinet to County Council are set out in Section 9 of the report.

3.02 Section 3 provides an update of the details of the proposals for closing the budget gap and details of the final proposed budget and its funding are set out in Section 5 of the report.

3.03 Section 6 of the report sets out details of reserves and balances.

3.04 Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer to report to the Authority when it is considering its Budget and Council Tax on the robustness of the estimates and the adequacy of reserves. Section 7 of the report provides this statement in detail.

3.05 Section 8 of the report provides an update on risk from the Chief Executive.

4.00 RECOMMENDATIONS

4.01 That the Council approves the recommendations of the Cabinet as set out in Section 9 of the attached report.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 As set out in the report.

7.00 ENVIRONMENTAL IMPACT

7.01 As set out in the report.

8.00 EQUALITIES IMPACT

8.01 As set out in the report.

9.00 PERSONNEL IMPLICATIONS

9.01 As set out in the report.

10.00 CONSULTATION REQUIRED

10.01 As set out in the report.

11.00 CONSULTATION UNDERTAKEN

11.01 As set out in the report.

12.00 APPENDICES

12.01 As set out in the report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, CHIEF OFFICER (PEOPLE AND RESOURCES), CORPORATE FINANCE MANAGER**

SUBJECT: **COUNCIL FUND REVENUE BUDGET 2015/16 EXECUTIVE SUMMARY**

1.00 PURPOSE OF THE REPORT

1.01 To present the final revenue budget proposals for the Council Fund for 2015/16 for recommendation to Council.

2.00 BACKGROUND

2.01 The final Local Government Settlement for 2015/16 was published by Welsh Government on 10 December 2014.

2.02 As a consequence of the combined impacts of:-

- a reduction in Revenue Support Grant from Welsh Government;
- reductions by Welsh Government in specific grants;
- no provision within the Settlement for pay and price inflation;
- no provision within the Settlement for nationally recognised demand led and policy led service pressures; and
- local service and financing pressures.

a total funding 'gap' of £16.4m to be 'bridged' for the 2015-16 financial year was reported to Cabinet on 16 December 2014. As reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee subsequently the gap has been increased by £1.865m to £18.265m

2.03 The draft budget reported to Cabinet in December presented corporate and service portfolio efficiencies totalling £12.640m. At that time the remaining gap to be found stood at £1.760m. This gap has since been increased to £3.625m

2.04 Budget Strategy

As reported to Cabinet on 16 December 2014 the budget strategy developed for 2015/16 onwards is based on an organisational strategy to reduce costs to shield and protect local public services.

The overall budget is a package of measures and proposals which combine:-

- corporate financing options e.g how to manage inflation;
- portfolio level business plan proposals;
- reviews pressures on portfolio budgets;
- maximising income generation;
- reviews of workforce numbers and costs;
- a review of council tax levels; and
- a full review of Reserves and Balances.

3.00 **CONSIDERATIONS**

FIRST STAGE OF CLOSING THE BUDGET 'GAP'

3.01 The ongoing work on developing further efficiencies had produced a set of further proposals, by the January meeting of Cabinet, to a value of £2.848m, leaving a remaining gap of £0.777m.

Table 1: Closing the Gap Stage 1

Proposal	£m
Procurement Supplier Charging	0.116
Non Standard Inflation Provision Review	0.348
Reduction in Fire and Rescue Authority Levy Provision	0.124
Council Tax Reduction Scheme projected provision	0.130
Central Loans and Investments Reviews	1.830
Workforce Efficiency Projects	0.300
Running Total	2.848
Remaining Gap	0.777

3.02 ***Table 1A: Proposal Explanations***

Procurement Supplier Charging

An income generating opportunity has been identified by applying a charge to suppliers of the Council for the use of electronic invoicing software. A charge of £50 p.a. will apply in relation to suppliers who undertake in excess of £1,000 of business per year.

Non Standard Inflation Review

The draft budget proposals provided for an inflationary increase for energy (8%), Fuel (6%) and Food (4%), products where inflation has been running above standard inflation. Due to reducing unit prices, and taking into account specialist advice, the provision for NSI allocation was first revised downwards by £0.348m, with a commitment to review further on the basis of latest advice, prior to the setting of the final budget.

Reduction in Fire and Rescue Authority Levy Provision

The draft proposals reported to Cabinet in December provided for an inflationary increase of 2% on the 2014/15 levy of £0.139m. The annual budget has been set by the Fire and Rescue Authority. The budget requires a minimal increase of £0.015m, thereby reducing the required provision by £0.124m.

Council Tax Reduction Scheme Projected Provision

The draft proposals included an additional amount of £0.308m to reflect the impact of the annual council tax rise (3% at draft stage) which is not provided for in the Revenue Support Grant received from Welsh Government. Current demand levels have been reviewed and the additional amount required to meet demand is £0.130m less than first predicted.

Central Loans and Investment Reviews

The additional efficiencies in this complex account are:-

Reprofiling of the Minimum Revenue Provision (MRP): accounting principles provide an opportunity to account for the cost of borrowing in the year after the related asset becomes operational. The draft proposals provided for this charge in the year that the expenditure was incurred. In view of the overall financial challenges it is deemed appropriate to take advantage of this 'borrowing holiday'.

Interest on borrowing: the required level of borrowing and the timing of that borrowing is reliant on the Capital Programme set by the Council and the internal resources available to meet that expenditure. The draft capital programme and the information arising from the detailed review of reserves and balances has allowed a review of the amount of borrowing required, the timing of that borrowing and the types of loans and associated interest rates.

Impact of the exit from the Housing Revenue Account Subsidy System (HRAS) exit: arrangements are continuing for the exit of the Housing Revenue Account Subsidy system by April 2015. The settlement transaction will be dealt with in line with corporate practice and the revised apportionment rates will result in a benefit to this account.

Workforce Efficiency Projects

The next phase of the strategy to make further reductions to workforce costs is under development in consultation with the Trade Unions. Projects including the "buy back" of annual leave are well advanced.

3.03 SECOND STAGE OF CLOSING THE BUDGET 'GAP'

Changes proposed by Cabinet to the following efficiencies as a consequence of the challenge and suggestions made by Overview and Scrutiny are listed below:-

Table 2: Responding to the Challenges from Overview and Scrutiny

<p>Housing: Portfolio: Response Service Out of Hours</p> <p>Amended proposal to withdraw the charging proposals (budget pressure of £20K)</p>
<p>Life Long Learning Portfolio: Let's Walk Cymru</p> <p>Amended proposal to include a transitional grant of £7.5k for Walkabout Flintshire pending agreement of a longer term plan (budget pressure of £7.5k)</p>
<p>Corporate Resources: Switchboard and Contact Centre Services</p> <p>Amended proposal to phase implementation of call handling systems changes (budget pressure of £40k)</p>
<p>Corporate Resources: Post Office Counter Payments Options</p> <p>Amended proposal to defer implementation of the payments option to assist vulnerable clients with an alternative personalised payment option and budgeting advice (budget pressure of £7.5k)</p>

3.04 Summary of Balancing Position

Table 3: Table 1: Closing the Gap Stage 2 to Balance the Budget

	£m
Remaining "Gap" (as per Table 2)	0.777
Revisions following Overview & Scrutiny Challenge (3.04)	0.075
Revised "Gap"	0.852
Reduction of NSI (3.05)	(0.197)
Council Tax at 3.75% (Net of CTRS Impact) (3.06)	(0.385)
Use of Reserves (3.07)	(0.270)
Balance	0

4.00 RECOMMENDATIONS

4.01 That the Cabinet makes the following recommendations to County Council on 17 February 2015:-

1. the 2015/16 Council Fund Revenue Budget Requirement to be set at £249.979m (which is £1.827m below its calculated Standard Spending Assessment) (5.02)
2. there be a 3.75% increase in Council Tax at Band D and an assumed 99% collection rate (5.02)
3. inclusion of the Outcome Agreement Grant of £1.479m in the budget (5.03)
4. acceptance of the levels of inflation assumed in the budget (5.04 – 5.06)
5. acceptance of the amounts for transfers in and out of the settlement (5.07)
6. inclusion of £2.853m of recurring pressures in the budget (5.08)
7. inclusion of £0.730m of one-off costs to be funded from Reserves (5.09)
8. inclusion of efficiencies of £12.874m in the budget (5.10)
9. The use of reserves to fund transitional funding of £0.270m pending the identification of additional efficiencies (5.11)
10. the contingency reserve be maintained and its use considered in the context of the overall medium term financial plan for 2015/16 and future years (6.03)

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, CHIEF OFFICER (PEOPLE AND RESOURCES), CORPORATE FINANCE MANAGER**

SUBJECT: **COUNCIL FUND REVENUE BUDGET 2015/16**

1.00 **PURPOSE OF REPORT**

1.01 To present the final revenue budget proposals for the Council Fund for 2015/16 for recommendation to Council.

2.00 **BACKGROUND**

2.01 The final Local Government Settlement for 2015/16 was published by Welsh Government on 10 December 2014 following a period of consultation during which Flintshire made representations over the risks to local services being caused by continued annual reductions in revenue and capital support for local government.

2.02 As a consequence of the combined impacts of:-

- a reduction in Revenue Support Grant from Welsh Government;
- reductions by Welsh Government in specific grants;
- no provision within the Settlement for pay and price inflation;
- no provision within the Settlement for nationally recognised demand led and policy led service pressures; and
- local service and financing pressures

a total funding 'gap' of £16.4m to be 'bridged' for the 2015-16 financial year was reported to Cabinet on 16 December 2014. As reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee subsequently the gap has been increased by £1.865m to £18.265m as a consequence of the adjustments made to the efficiency targets set for achieving reductions in workforce costs (based on targets for reductions in workforce numbers) as part of the 2014-15 budget and the minor impact of the final settlement.

2.03 The draft budget reported to Cabinet in December presented corporate and service portfolio efficiencies totalling £12.640m. At that time the remaining gap to be found stood at £1.760m. This gap, which has since been increased to £3.625m with the adjustments to efficiency targets through workforce reductions, was to be bridged through a combination of:-

- corporate financing options e.g central loans and investments and

- inflation provision;
- income levels including Council Tax;
- further specific workforce efficiencies; and
- further service efficiencies.

2.04 **Budget Strategy**

As reported to Cabinet on 16 December 2014 the budget strategy developed for 2015/16 onwards is based on an organisational strategy to reduce costs to shield and protect local public services. Whilst building and capitalising upon the efficiency programmes in being from earlier years, it was recognised that the renewed strategy had to be more ambitious due to the scale of the financial challenge. The strategy was built on the four pillars of 'corporate' or whole council efficiencies, 'functional' or within service efficiencies, organisational redesign on management structures based on a new 'operating model', and workforce efficiencies through phased reductions in the number of people we employ.

The principles which underpinned this strategy, as set out in the Council's Medium Term Financial Strategy for the period 2013-2017, have been followed through:-

- planning for the long-term as a whole organisation;
- making decisions for local public services which can be sustained;
- being ambitious and positive about change to better the organisation;
- having a clear philosophy underpinned by social values; and
- managing the transition from the current to the future with care.

The twin objectives of these programmes of change and cost reduction have been and remain as:-

- maximising the financial efficiency of the organisation and prioritising our resources; and
- modernising the organisation to be lean, productive, efficient, resilient and high performing.

Whilst the Medium Term Financial Plan (MTFP) is under review alongside the developing budget for 2015/16, with the purpose of re-forecasting the changing budget assumptions for future years and realigning our organisational strategy to suit, the principles and objectives within stand fast. This Cabinet led review will be reported upon, and shared with Corporate Resources Overview and Scrutiny Committee, in April/May.

The continued organisational change strategy from 2014-15 and a series of fundamental business plan reviews across each new Chief Officer portfolio form the basis of the renewed financial strategy for 2015-16 and future years. Chief Officers and their operational teams have been set the challenge of working to a collective budget savings target of up to 30% of total Council resources up to 2017/18. The business planning approach, which has

challenged priorities, models of service design and delivery, base budget allocations, value for money, income and cost recovery for services and management and workforce structures and cost, has generated the proposals listed in the appendices to this report.

The overall budget is a package of measures and proposals which combine:-

- corporate financing options e.g how to manage inflation;
- portfolio level business plan proposals;
- review of pressures on portfolio budgets;
- maximising income generation;
- reviews of workforce numbers and costs;
- a review of council tax levels; and
- a full review of Reserves and Balances.

The MTFP and the Improvement Plan of the Council set out ambition for alternative ways of working and alternative service delivery models, some of which will be new to Flintshire. A number of the budget proposals for this and later budgets are based on creative and ambitious ideas for community ownership of assets, community and social enterprise, commissioning and trading, and more extensive collaboration. Within the budget are the seeds of new ways of working described in the new Council operating model, the MTFP and the Improvement Plan.

3.00 **CONSIDERATIONS**

FIRST STAGE OF CLOSING THE BUDGET “GAP”

3.01 The ongoing work on developing further efficiencies within the four areas listed in 2.03 above had produced a set of further proposals, by the January meeting of Cabinet, to a value of £2.848m, leaving a remaining gap of £0.777m. These further efficiencies, which are shown in the table below, were reported in full to the special budget meeting of the Corporate Resources Overview and Scrutiny Committee on 22 January 2015 and have been explained to the four service portfolio Overview and Scrutiny Committees at their respective special budget review meetings held on 23 and 26 January 2015.

Table 1: Closing the Gap Stage 1

Proposal	£m
Procurement Supplier Charging	0.116
Non Standard Inflation Provision Review	0.348
Reduction in Fire and Rescue Authority Levy Provision	0.124
Council Tax Reduction Scheme projected provision	0.130
Central Loans and Investments Reviews	1.830
Workforce Efficiency Projects	0.300
Running Total	2.848
Remaining Gap	0.777

3.02 The six proposals set out in the table above are explained in more detail below :-

Table 1A: Proposal Explanations

<p>Procurement Supplier Charging</p> <p>An income generating opportunity has been identified by applying a charge to suppliers of the Council for the use of electronic invoicing software. A charge of £50 p.a. will apply to suppliers who undertake in excess of £1,000 of business per year.</p>
<p>Non Standard Inflation Review (NSI)</p> <p>The draft budget proposals provided for an inflationary increase for energy (8%), Fuel (6%) and Food (4%), products where inflation has been running above standard inflation. Due to reducing unit prices, and taking into account specialist advice, the provision for NSI allocation was first revised downwards by £0.348m, with a commitment to review further on the basis of latest advice, prior to the setting of the final budget.</p>
<p>Reduction in Fire and Rescue Authority Levy Provision</p> <p>The draft proposals reported to Cabinet in December provided for an inflationary increase of 2% on the 2014/15 levy of £0.139m. The annual budget has been set by the Fire and Rescue Authority. The budget requires a minimal increase of £0.015m, thereby reducing the required provision by £0.124m.</p>
<p>Council Tax Reduction Scheme Projected Provision</p> <p>The draft proposals included an additional amount of £0.308m to reflect the impact of the annual council tax rise (3% at draft stage) which is not provided for in the Revenue Support Grant received from Welsh Government. Current demand levels have been reviewed and the additional amount required to meet demand is £0.130m less than first predicted.</p>
<p>Central Loans and Investment Reviews</p> <p>The additional efficiencies in this complex account are:-</p> <p>Reprofiling of the Minimum Revenue Provision (MRP): accounting principles provide an opportunity to account for the cost of borrowing in the year after the asset for which the borrowing is incurred becomes operational. The original budget proposals provided for this charge in the year that the expenditure was incurred. A rescheduling of borrowing is proposed which defers making some significant capital payments for two financial years.</p>

Interest on borrowing: the required level of borrowing and the timing of that borrowing is reliant on the Capital Programme set by the Council and the internal resources available to meet that expenditure. The draft capital programme and the information arising from the detailed review of reserves and balances has allowed a review of the amount of borrowing required, the timing of that borrowing and the types of loans and associated interest rates.

Impact of the exit from the Housing Revenue Account Subsidy System (HRAS): arrangements are continuing for the exit of the Housing Revenue Account Subsidy system by April 2015. The settlement transaction will be dealt with in line with corporate practice and the revised apportionment rates will result in a net benefit to this account.

Workforce Efficiency Projects

The next phase of the strategy to make further reductions to workforce costs is under development in consultation with the Trade Unions. Projects, including the “buy back” of annual leave, are well advanced.

3.03 SECOND STAGE OF CLOSING THE BUDGET ‘GAP’

The Overview and Scrutiny Committees have been given an assurance that further service efficiencies, over and above those which have been presented and scrutinised through the budget preparation process, would only be considered as a last resort. This limits the options to bridge the remaining gap of £0.777m and achieve a balanced budget. The options which remain are a further review of Non Standard Inflation, the Council Tax precepting level, and drawing upon reserves and balances.

3.04 Responding to the Challenges from Overview and Scrutiny

At the closing budget review meeting of Corporate Resources Overview and Scrutiny Committee (to which all members were invited) the Chief Officers and Cabinet members summarised the main challenges from the Overview and Scrutiny Committees on itemised budget proposals, and gave an initial response.

The Overview and Scrutiny Committees have been provided with the summary feedback from the first phase of the public ‘Big Budget Conversation’ held in August and September 2014 and the full unedited feedback from the second phase of this information and consultation exercise held from December 2014 to January 2015. The first phase consultation was based on the general financial position and the actions the council could take to manage its reducing finances; the second on the specific draft budget proposals of the Cabinet published in December 2014. The Committees were encouraged to draw upon the feedback in examining the budget proposals.

The attention of the public was drawn to the specific proposals where there will be some public impact, as opposed to the proposals which are to be achieved from internal change without any impact. There has been a strong alignment between the proposals selected by the public for feedback and those which members have chosen to examine from the beginning of the internal consultation process in October 2014. Therefore, the questions and concerns of the public have been well tested by members as part of the democratic process.

Changes proposed by Cabinet to the following efficiencies as a consequence of the challenge and suggestions made by the Overview and Scrutiny Committee will be presented in full at the Cabinet meeting, and will have an impact on the budget 'gap' as summarised above:-

Table 2: Responding to the Challenges from Overview and Scrutiny

<p>Housing: Portfolio: Response Service Out of Hours</p> <p>Amended proposal to withdraw the charging proposals (budget pressure of £20K)</p>
<p>Life Long Learning Portfolio: Let's Walk Cymru</p> <p>Amended proposal to include a transitional grant of £7.5k for Walkabout Flintshire pending agreement of a longer term plan (budget pressure of £7.5k)</p>
<p>Corporate Resources: Switchboard and Contact Centre Services</p> <p>Amended proposal to phase implementation of call handling systems changes (budget pressure of £40k)</p>
<p>Corporate Resources: Post Office Counter Payments Options</p> <p>Amended proposal to defer implementation of the payments option to assist vulnerable clients with an alternative personalised payment option and budgeting advice (budget pressure of £7.5k)</p>

The combined effect of these amendments is a pressure of £75k which would increase the remaining budget 'gap', as it stands at 3.01, to £852k.

3.05 Review of Non Standard Inflation (NSI)

As also discussed at the budget review meeting of the Corporate Resources Overview and Scrutiny Committee the need to set aside any provision for Non Standard Inflation (NSI) has been re-reviewed. Specific market intelligence on energy (Crown Commercial Services, UES Energy) has identified that gas prices are currently predicted to stay at a similar level to 2014/15 with the

potential for a small reduction, whilst electricity is likely to increase slightly due to electricity market reforms which is likely to increase the standing charges within bills between 2% - 3% although the energy supply cost is forecast to remain similar to current levels.

Market intelligence within the food markets (Tuco Ltd, Procurement Partner) indicates that some food groups (fish, pasta, canned groceries) may be subject to an increase of between 0.5% and 3% though there is likely to be stability within other food groups. Inflation on food is considered to be the area of greatest risk in 2015/16; therefore an allocation of £0.064m will be maintained and held centrally within the budget.

NSI provision is set aside to support services which are exposed to higher than normal annual inflationary pressures in procuring fuel, energy and food supplies. Over and above the £0.348m proposed to be withdrawn as an efficiency in the table in 3.01, a provision of £0.261m still remains in the draft budget. On the basis of the review this amount is recommended to be reduced to £0.064m with the remaining £0.197m contributing to a further efficiency to reduce the remaining reported budget gap. The reduction of NSI is considered low risk although it will be closely monitored as an in-year risk with any financial pressure caused by a reverse in the deflationary market trends to be met corporately in-year should it arise.

3.06 Review of Council Tax Level

Following a review of Council Tax levels and taking account of the overall remaining budget gap the proposed Council Tax level for 2015/16 is an increase of 3.75% which equates to an increase of £37.06 on the Band D rate raising the annual amount to £1,025.27. The Council Tax rate at 0.75% above the working assumption within the original budget proposals has the effect of reducing the budget gap by a net £0.385m after taking account of the corresponding increase in the Council Tax Reduction Scheme.

3.07 Reserves and Balances

Councils can draw on reserves and balances to help balance their annual budget. This is an option which Flintshire has generally avoided in recent years. Whilst a lawful option, provided that there are sufficient uncommitted reserves available, this practice poses risks. Whereas reserves can only be used once, the annual efficiency to be funded by them recurs year on year and would have to be funded through a different solution in each and every financial year which follows. A modest use of reserves and balances could be a part of the solution to closing the remaining budget gap, noting that the Council has only limited uncommitted reserves and balances with other demands upon them. These demands include the ongoing need to meet the redundancy and other exit costs of employees leaving the organisation under our ongoing programme to reduce workforce numbers, and service pressures which emerge in-year once the budget has been set. Taking into account the adjustments proposed in 3.04 – 3.06 there is still a remaining gap of £0.270m and it is proposed that this is met from transitional funding by way of the

utilisation of reserves.

3.08 Summary of Balancing Position

Table 3: Closing the Gap Stage 2 to Balance the Budget

	£m
Remaining "Gap" (as per Table 1)	0.777
Revisions following Overview & Scrutiny Challenge (3.04)	0.075
Revised "Gap"	0.852
Reduction of NSI (3.05)	(0.197)
Council Tax at 3.75% (Net of CTRS Impact) (3.06)	(0.385)
Use of Reserves (3.07)	(0.270)
Balance	0

3.09 Implementation of the Budget Efficiencies

The Council has developed processes for the in-year tracking and reporting on the progress of implementing agreed efficiencies in recent years. Given the growing scale of the annual efficiency programme, and the reducing financial flexibility to accommodate any significant in-year under-achievement in efficiency targets, these processes need to be strengthened. Actions will include extended programme management arrangements, more consistent use of the corporate model for project management, internal escalation of risks for resolution, and higher profile reporting of the higher risk efficiency proposals to members. As proposed by the Corporate Resources Overview and Scrutiny Committee all higher risk efficiency proposals of a significant financial value will be featured in the monthly budget monitoring report (which is reported to both Cabinet and Corporate Resources Overview and Scrutiny Committee). The implementation of specific service change proposals of significance and/or risk can also be reviewed by the respective Overview and Scrutiny Committees, at their request, as part of the forward work programming.

- 3.10 As discussed at the second and closing budget meeting of the Corporate Resources Overview and Scrutiny Committee, the achievement of a number of itemised budget efficiencies will be dependent on the completion of service reviews and the adoption of their outcomes by Cabinet, with the input of Overview and Scrutiny. These reviews are Day Care Services, Car Parking Strategy, Transportation, Highway Winter Maintenance, Part Night Street Lighting, and Household Recycling Centres. In recommending these proposals Cabinet has a policy intent to implement change once these reviews are completed and reported. It is important that Council supports the policy intent and accept that the outcomes of the reviews will need to be 'sized' to meet the efficiency targets set for each.

3.11 Schools Budget

The budget report to Cabinet on 16 December 2014 provided details on the impact of the proposed budget on schools. There have been no further changes made to the schools budget and the budget has been set at an overall increase of 0.6% in line with national expectations of protecting investment in schools. Welsh Government has been notified of the schools budget for 2015/16 in line with the statutory deadline of 14 February 2015.

3.12 Medium Term Financial Planning

The Medium Term Financial Plan (MTFP) is being reviewed thoroughly to (1) forecast the financial resources to be available to the Council during the period 2015-16 to 2017-18, and the budget pressures, based on the best available intelligence and (2) project the collective efficiency targets to be set to enable the corporate and portfolio targets to be re-set. The MTFP will set the context for the next stage of developing, agreeing and implementing the organisational strategy for the next three years. For the second part of this critical work the starting point will be the review of the new three year business plans for each service, for which the 2015-16 financial year is the first year of implementation.

4.00 PUBLIC ENGAGEMENT

Following on from the Council's Big Budget Conversation held during August and September, the Council's budget proposals were published on 18 December 2014 and were open for public feedback for a four week period.

In meeting its duties to assess the potential equality impact of its budget proposals the Council facilitated an Equality Impact Assessment (EIA) workshop on the evening of Monday 5 January 2014. The purpose of the workshop was to look at Category 2 and 3 proposals (those with lower and higher direct public impact) and discuss what potential they had to specifically impact on any of the 9 protected characteristic groups and the Welsh Language.

Those proposals, where it was felt there was potential to impact on people to whom the Council owes an equality duty, have also been subject to specific EIAs and consultations have been undertaken, or are in progress, with those people most impacted.

A summary report of the public feedback and EIA workshop is attached at Appendix 9. As reported in 3.04 the public feedback has been shared with all members and the Overview and Scrutiny Committees have been invited to draw upon the feedback in scrutinising the budget proposals.

5.00 SUMMARY OF FINAL BUDGET PROPOSALS AND ASSUMPTIONS

5.01 As a result of the changes outlined above, total expenditure and funding now equates to £287.605m and the total budget build up is outlined below. Details of the figures making up the total budget are attached in appendices 1 – 7.

Summary Position

Proposed Budget 2015/16	
Funding	£m
Aggregate External Funding (AEF)/RSG NNDR	186.419
Council Tax	63.560
SSA/Budget Requirement	249.979
Specific Grants (Estimated)	35.147
Outcome Agreement Grant (Estimated)	1.479
Use of Reserves – Investment Strategy	0.730
Use of Reserves – Transitional Funding	0.270
Total Funding	287.605
Expenditure	
Base Budget Rolled Forward	296.945
Prior Year Budget Decisions (Appendix 1)	(1.657)
Inflation (Appendix 2)	1.573
Transfers in/out of the settlement (Appendix 3)	0.406
Pressures & Investments Recurring (Appendix 4)	2.853
Pressures & Investments One off (Appendix 5)	0.730
Efficiencies – Business Planning (Appendix 6)	(12.874)
Less Specific Grants 2014/15	(35.518)
Plus Specific Grants 2015/16 (Estimated Appendix 7)	35.147
Total Expenditure	287.605

5.02 **Income**

The budget proposals in this report set a budget requirement of £249.979m which is an amount of £1.827m below the calculated Standard Spending Assessment (SSA). At this level of spend, the increase on the Band D Council Tax Rate (excluding Police and Town/Community Councils' precepts) is 3.75%. This equates to an increase of £37.06 on 2014/15 and a Band D rate of £1,025.27. The Council Tax system in Wales contains nine property bands ranging from Band A to Band I. In order to ensure consistency between councils when reporting Council Tax information it is agreed practice that all related information is expressed in terms of Band D equivalents.

- 5.03 The amount of the Outcome Agreement Grant available for 2015/16 has been advised by Welsh Government. As always the achievement of this is subject to assessment against agreed performance. The Council has been successful in achieving 100% of its grant in previous years and full grant achievement has been assumed for 2015/16.

Expenditure

Inflation

- 5.04 Pay and Price Inflation of £1.573m is included in the budget proposals as detailed in Appendix 2. The proposals include pay inflation at 1% for increases on pay from April 2015 which is sufficient to meet the outcome of the nationally negotiated agreement. Price Inflation of £0.421m has only been included for some targeted service areas at levels where this has been judged as essential.
- 5.05 As shown in 3.05, for 2015/16 it is recommended that a risk based approach be taken to Non Standard Inflation for energy, food and fuel. As such there will remain a small provision for inflation on food supply procurement only of £0.064m to recognise the risks within the market and this will be monitored throughout the financial year as part of the Corporate risk process. A small amount of Non Standard Inflation (£0.038m) also remains to meet increases in Non domestic rates (NNDR).
- 5.06 Inflation of 3% amounting to £0.254m has been generally assumed on the yield from existing fees and charges.
- 5.07 The final settlement included various transfers in and out of the settlement and, following an assessment of the local impact for Flintshire, the relevant amount of funding has either been "passported" to (for transfers in) or taken from (for transfers out) the service concerned as detailed in appendix 3.
- 5.08 Appendix 4 sets out the recurring pressures and investment of £2.853m recommended for inclusion in the 2015/16 budget. These now include the unachieved workforce efficiencies remaining from the 2014/15 budget.

- 5.09 Appendix 5 details one-off costs of £0.730m associated with the achievement of efficiencies included in the budget which will be funded from the reserves identified as being available following the extensive review of historical reserves and balances.
- 5.10 Appendix 6 sets out the efficiencies, totalling £12.874m, recommended for inclusion in the budget. This now includes the additional efficiencies identified from Central and Corporate Budgets as part of the Strategy to close the budget “gap” as identified in 3.02

Transitional Funding

- 5.11 As part of the final balancing budget strategy, there is a requirement to contribute a temporary amount of £0.270m from reserves pending the identification of further efficiencies in-year. This is considered a reasonable strategy due to the relatively modest amount required and the fact that there are sufficient reserves available to meet it.

6.00 UNEARMARKED BALANCES AND EARMARKED RESERVES

Base Level of Unearmarked Reserves

- 6.01 The Council's Medium Term Financial Strategy confirms the Council's commitment of maintaining a base level of reserves of 2% of turnover. The current base level of reserves is £5.769m as reported in monthly budget monitoring reports. Despite the fact that funding has reduced in 2015/16 over 2014/15 it is proposed that unearmarked reserves are maintained at the same level for 2015/16 which will provide an additional safeguard in the current uncertain financial climate.

Contingency Reserve

- 6.02 When the 2014/15 budget was set the Contingency Reserve was estimated to be £3.709m at 31 March 2014. As a result of the net underspend reported in the final outturn for 2013/14 the actual amount in the Contingency Reserve at the year end was £5.328m.
- 6.03 The monthly budget monitoring report has provided updates on the movements on the reserve and the Month 8 monitoring report (also on this agenda) shows an estimated balance of £3.955m in the contingency reserve as at 31 March 2015. It is recommended that this reserve is retained and its use considered within the context of the overall medium term financial plan for 2015/16 and future years.
- 6.04 Whilst the base level of reserves is a known sum which is set aside, the level of contingency reserve is based on the current estimate and is subject to change at the end of the financial year.

Review of Reserves and Balances

- 6.05 As part of its budget strategy, a critical review and challenge of all reserves and balances held by the Council was undertaken to ensure that all balances were still required for the intended purpose and for the same amount. The aim of this review was to maximise the amount of one off funding available for use in relation to future investment costs. The outcome of this work has identified £1.138m of reserves and balances that have been released with no direct risk or impact on service levels.

Council Fund Earmarked Reserves

- 6.06 Council Fund Earmarked Reserves include service balances, corporate balances and schools balances.

Service balances are made up of those balances held by departments which Cabinet has agreed can be carried forward. Corporate Balances are held to meet commitments which fall in future years on specific items of expenditure.

The Council also holds Specific Reserves which are set aside for a specific future service.

Appendix 8 details the estimated closing balances for 2014/15 and 2015/16 in respect of all reserves and balances. The Section 151 Officer is satisfied that the level of these reserves is appropriate (see also Section 6 below)

7.00 CHIEF FINANCE OFFICER REPORT ON ESTIMATES AND RESERVES

- 7.01 Section 25 of the Local Government Act 2003 includes a specific duty on the Chief Finance Officer (for Flintshire this is the Corporate Finance Manager) to report to the Council when it is considering its budget and Council Tax setting on the robustness of the estimates and the adequacy of reserves. The Act requires the Council to have regard to this report in making its decisions in relation to the budget.
- 7.02 The 2015/16 budget has been set within the context of the Medium Term Financial Plan and continues to recognise a significant reduction in the funding available to the Council from Welsh Government (3.4% for 2015/16). The Council's budget strategy for dealing with this significant financial challenge, which is based on its organisational strategy, has been set out in detail for members in previous budget reports and at the member drop in sessions and various overview and scrutiny meetings.
- 7.03 The Council's overall level of reserves and balances is reviewed annually as part of the budget process. However, to ensure that the Council was best positioned to respond to the scale of the financial challenges it faces for 2015/16, it was important for me to ensure that this review was undertaken in greater detail and with more challenge than in previous years. This was done with a view to maximising the level of resources available to contribute to current and future funding requirements and the outcome of this review

resulted in an amount of £1.138m being made available as previously reported.

- 7.04 Details of all the Council's earmarked reserves were also sent in a letter to the Minister for Public Services following a request made to all Welsh councils. The letter also included details of the Council's strategy for dealing with and utilising its reserves and a copy of this letter was sent to members attending the budget review overview and scrutiny session on 30th January 2015.
- 7.05 Supported by the above, I can confirm the reasonableness of the estimates contained in the proposed budget, having regard to the Council's spending needs in 2015/16 and the financial context within which the budget is being set. Inevitably in managing a budget of this scale across a large and diverse organisation variances will occur, but I believe that the budget assumptions represent a measured and acceptable level of risk. A robust programme for the delivery of the £12.874m of efficiencies within the budget and to the timescales anticipated is essential together with effective and disciplined in-year financial management that will assist with ensuring that budgets are managed effectively and prompt action taken to mitigate any impacts should variances occur.
- 7.06 Within the context described above, I recommend that the Council should maintain the level of general balances of £5.769m which will safeguard its position and also enable it to plan ahead to meet future financial challenges as set out in the Medium Term Financial Plan. The level of earmarked reserves and balances is set out in Appendix 8.

8.00 **CHIEF EXECUTIVE'S REPORT ON RISK**

- 8.01 The budget strategy for 2015/16 has been a major challenge for the organisation with diminishing options being available year on year to secure organisational efficiencies, following successive years of significant reductions to Council budgets. The budget for 2015/16 relies on a combination of the continued implementation of the organisational change programme and the service-level efficiencies derived from the new Chief Office portfolio service business plans.
- 8.02 The Council needs to be satisfied that these levels of financial efficiency are achievable (1) based on the risk-assessed plans shared with members and (2) in proportion to the overall budget.
- 8.03 There is a sufficient level of confidence that the efficiency targets are achievable provided that the organisation improves its systems for programme to co-ordinate, track and review the implementation of budget plans in each portfolio. A number of specific budget proposals are subject to the completion of reviews and the adoption of their outcomes as set out in 3.10.

9.00 RECOMMENDATIONS

9.01 That the Cabinet makes the following recommendations to County Council on 17 February 2015:-

1. the 2015/16 Council Fund Revenue Budget Requirement to be set at £249.979m (which is £1.827m below its calculated Standard Spending Assessment) (5.02)
2. there be a 3.75% increase in Council Tax at Band D and an assumed 99% collection rate (5.02)
3. inclusion of the Outcome Agreement Grant of £1.479m in the budget (5.03)
4. acceptance of the levels of inflation assumed in the budget (5.04 – 5.06)
5. acceptance of the amounts for transfers in and out of the settlement (5.07)
6. inclusion of £2.853m of recurring pressures in the budget (5.08)
7. inclusion of £0.730m of one-off costs to be funded from Reserves (5.09)
8. inclusion of efficiencies of £12.874m in the budget (5.10)
9. the use of reserves to fund transitional funding of £0.270m pending the identification of additional efficiencies (5.11)
10. the contingency reserve be maintained and its use considered in the context of the overall medium term financial plan for 2015/16 and future years (6.03)

10.00 FINANCIAL IMPLICATIONS

10.01 As set out in detail in the report.

11.00 ANTI POVERTY IMPACT

11.01 As part of the EIAs impacts on poverty have been raised and will be considered by services at the point of developing the detail around the proposals for implementation.

12.00 ENVIRONMENTAL IMPACT

12.01 None directly.

13.00 EQUALITIES IMPACT

13.01 The impact of the proposals on the 9 protected characteristics and the Welsh language have been assessed by means of an EIA workshop. Further

specific EIA's have also been undertaken, or are in progress, on those proposals where it was felt there was potential for impact. See section 4 above and Appendix 9. These will be considered by services at the point of developing the detail around the proposals for implementation.

14.00 PERSONNEL IMPLICATIONS

14.01 Continued workforce reductions are proposed within the portfolio business plans which generate the proposed budget efficiencies. Specific workforce efficiency projects with a value of £0.300m are in negotiation with the Trade Unions.

15.00 CONSULTATION REQUIRED

15.01 Consultation Required

Formal consultation on workforce proposals will be set out in the detailed plans and timescales of the workforce programme and in accordance with statutory requirements and Council policy. The requirement for further consultation on those proposals where there is a direct public impact will be subject to ongoing review.

16.00 CONSULTATION UNDERTAKEN

16.01 The budget proposals have been published and were open to public feedback from 18 December 2014 to 11 January 2015.

An Equalities Impact Assessment (EIA) workshop, attended by representatives from older age groups; disability groups; the Welsh language; people from a black and minority background; Lesbian, Gay, Bisexual and Transgender (LGBT) groups; Trade Unions and other groups representing all protected characteristics such as North Wales Regional Equality Network was held on the evening of Monday 5 January 2015.

Consultations and EIA's have been undertaken, or are in progress, on a number of specific proposals to ensure there is no discrimination or disadvantage.

The Council's Overview and Scrutiny Committees met on the dates below to debate the budget proposals and consider the public feedback and EIA findings:-

Corporate Resources - 22 January

Housing - 23 January

Environment - 23 January

Social & Health Care - 26 January

Lifelong Learning - 26 January

Corporate Resources (open invitation for all members) - 30 January

The School Budget Forum has received updates on an ongoing basis throughout this process and formal consultation has now been completed.

Consultation with Business Ratepayers has been undertaken with Flintshire's largest businesses and representative trade and business organisations.

Dialogue and information sharing has been a regular feature of the ongoing process and formal consultation has now been completed with the FJTUC.

17.00 APPENDICES

- 17.01 Appendix 1 – Prior Year Budget Decisions
- Appendix 2 – Inflation
- Appendix 3 – Transfers in/out of the Settlement
- Appendix 4 – Pressures and Investments – Recurring
- Appendix 5 – Pressures and Investments – One-Off
- Appendix 6 – Efficiencies
- Appendix 7 – Specific Grants
- Appendix 8 – Reserves
- Appendix 9 - Summary Report of Public Feedback and EIA Workshop

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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Budget 2015/16**Council Fund - Revenue****Previous Years' Growth / Items Dropping Out**

	2015/16 £m	2016/17 £m
<u>APPROVED 2013/14 BUDGET</u>		
<u>Social Services</u>		
Transition to Adulthood	1.239	
	<u>1.239</u>	
<u>Streetscene & Transportation</u>		
Loss of Car Park Income	(0.002)	
Highways Asset Management Plan (HAMP) -rephasing of full implementati	0.225	
	<u>0.223</u>	
<u>Education & Youth</u>		
Free School Meals - increased demand	0.003	
Review of Denominational transport provision	(0.030)	
	<u>(0.027)</u>	
<u>Council Wide</u>		
Revised Effect of Prudential Borrowing costs for agreed Capital Projects (change due to revised interest rates and receipt of grant funding)	0.916	
	<u>0.916</u>	
<u>Corporate Services</u>		
Income reduction - Vacation of former Council Offices , Ewloe	0.000	0.399
	<u>0.000</u>	<u>0.399</u>
TOTAL 2013/2014	<u>2.351</u>	<u>0.399</u>

APPROVED 2014/15 BUDGET**Social Services**

Independent Living Fund (ILF) estimate of RSG transfer	0.338	0.112
Transition to Adulthood	0.000	0.700

Functional VFM's

Learning Disabilities – Short Term Care	(0.012)	(0.013)
Learning Disabilities – Enhanced Community Residential Services	(0.006)	0.000
Childrens Services - Accommodation Efficiencies	(0.018)	0.000
Social Services for Adults – Direct Payments	(0.024)	(0.024)
Social Services for Adults – structural realignment	(0.032)	0.000
Development and Resources - income	(0.030)	0.000
Social Services for Adults – Assets	(0.023)	0.000
Housing – Community Support Services	(0.018)	0.000
	<u>0.175</u>	<u>0.775</u>

Planning & Environment**Functional VFM's**

Public Protection and Planning	(0.042)	0.000
	<u>(0.042)</u>	<u>0.000</u>

Budget 2015/16
Council Fund - Revenue

Previous Years' Growth / Items Dropping Out

	2015/16 £m	2016/17 £m
<u>Streetscene & Transportation</u>		
Landfill Tax - increase cost per tonnage	0.292	0.053
<u>Funtional VFM's</u>		
Streetscene & Assets Transportation – Highways Related Services	(0.075)	0.000
	0.217	0.053
<u>Education & Youth</u>		
Remission Payments for School meals, trips & uniforms	0.025	0.025
Corporate VFM Procurement	0.002	0.000
<u>Funtional VFM's</u>		
Youth and Community services	(0.046)	0.000
Inclusion Services	(0.218)	0.000
Library Service	0.001	0.000
	(0.236)	0.025
<u>Governance</u>		
Chief Executive and Democratic Services - Review of support	(0.110)	0.000
	(0.110)	0.000
<u>Central & Corporate</u>		
Impact of Actuarial Valuation	1.747	1.504
Single Status Agreement	0.000	5.801
Workforce Organisational Redesign	(0.550)	0.000
	1.197	7.305
<u>Review of 2012/13 - Social Care Variance</u>		
	(0.409)	0.000
	(0.409)	0.000
TOTAL 2014/2015	0.792	8.158
ONE OFF AND TIME-LIMITED PRESSURES		
Investment Costs Dropping Out	(4.800)	
	(4.800)	
TOTAL ONE OFF AND TIME-LIMITED PRESSURES	(4.800)	
TOTAL PREVIOUS YEARS ITEMS	(1.657)	8.557

Budget 2015/16
Council Fund - Revenue

Inflation

	£m	£m
<u>Pay</u>		
Pay Inflation from April 2015 (1%)	<u>1.304</u>	1.304
<u>Price</u>		
Targeted General Price Inflation	<u>0.421</u>	0.421
<u>Non Standard</u>		
Food - (2%)	0.064	
NNDR - (2%)	<u>0.038</u>	0.102
<u>Income</u>		
Income - (3%)	<u>0.254</u>	0.254
Total Inflation		<u><u>1.573</u></u>

Provisional Settlement 2015/16

Transfers in:	£m	£m
21st Century Schools (LGBI)	0.376	
Integrated Family Support Services	0.144	
Autistic Spectrum Disorder	0.040	
Total Transfers in		0.560
Transfers out:		
Student Finance Wales	(0.120)	
Food Safety Controls	(0.022)	
National Adoption Service	(0.012)	
Total Transfers out		(0.154)
Net effect		<u>0.406</u>

Budget 2015/16
Council Fund - Revenue

Pressures & Investments

	2015/16 £m	2016/17 £m	2017/18 £m
<u>Social Services</u>			
Transition	0.000	0.223	0.863
Deprivation of Liberty Safeguards	0.290	0.216	0.216
Total Social Services	0.290	0.439	1.079
<u>Streetscene & Transportation</u>			
Foodwaste rate increase	0.110	0.110	0.110
Tipping Fee increase	0.018	0.018	0.018
Total Streetscene & Transportation	0.128	0.128	0.128
<u>Planning & Environment</u>			
Landfill aftercare provision	0.100	0.100	0.100
Gas Engine Income	0.100	0.100	0.100
Total Planning & Environment	0.200	0.200	0.200
<u>Education & Youth</u>			
Teachers Pension Increase	0.000	1.364	1.364
School Modernisation	0.000	0.236	0.112
Greenfield Valley trust contribution to Lottery Funding	0.021	0.000	0.000
Total Education & Youth	0.021	1.600	1.476
<u>Community & Enterprise</u>			
Impact of CT increase on CTRS	0.254	0.625	0.952
Total Community & Enterprise	0.254	0.625	0.952
<u>Governance</u>			
IT System Maintenance (P2P)	0.062	0.062	0.062
Total Governance	0.062	0.062	0.062
<u>Central & Corporate</u>			
Feasability Study Provision	0.050	0.050	0.050
Workforce unachieved efficiencies	1.798	1.798	1.798
Review of State Pension - estimate	0.000	2.738	2.738
Next Actuarial review - Estimate	0.000	0.000	1.300
Insurance Provision	0.050	0.328	0.328
Prudential Borrowing	0.000	0.252	0.281
Loss of income from Ewloe rent	0.000	0.000	0.532
Total Central & Corporate	1.898	5.166	7.027
TOTAL NEW PRESSURES	2.853	8.220	10.924

Budget 2015/16**Business Plan Investment Requirements**

Portfolio	£m
People & Resources	0.050
Social Services	0.200
Community & Enterprise	0.050
Governance	0.430
Total	<u>0.730</u>

Business Plan Efficiencies 2015/16**Summary**

Portfolio	£m
Planning & Environment (Appendix 6a)	0.941
Streetscene & Transportation (Appendix 6b)	2.570
Social Care (Appendix 6c)	2.068
Education & Youth (Appendix 6d)	1.459
Organisational Change (Appendix 6e)	1.306
People & Resources (Appendix 6f)	0.385
Governance (Appendix 6g)	0.248
Community & Enterprise (Appendix 6h)	1.565
Corporate & Central (Appendix 6j)	2.333
Total	<u>12.874</u>

Budget 15-16 for Planning and Environment Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
1	Staffing - management restructuring	0.295	G	1	Structural Review	Reduction of 5.5 posts at Head of Service, Service Manager and Team Leader level to ensure that spans of control within the new portfolio are at appropriate levels. Early voluntary retirement and non-recruitment to vacant posts will assist in achieving savings proposals.	No	No
2	Staffing - service review	0.253	G	1	Structural Review	Loss of nine posts below the level of Team Leader across the portfolio. Review of the manner in which services are provided will allow seven posts not to be recruited. Fulfilling early voluntary retirement requests and bringing forward Alternative Delivery Model work within the drainage area will assist in achieving the savings proposal.	No	No
3	Staffing - collaboration with Wrexham County Borough Council	0.024	R	1	Collaboration	Recruit to the vacant Contaminated Land Officer post on a shared basis with Wrexham County Borough Council to improve the resilience of the service.	No	No
4	Make Animal and Pest Control self financing	0.030	A	2	Income Generation	Incremental fee increases over the three year period will ensure that the animal and pest control function can at least operate on a self-financing basis. Proposed fees reflect favourably against neighbouring authorities and the private sector. Specific consultation will be undertaken on the proposed fee increases.	Yes	General Public / Existing Users
5	Make Licensing self financing	0.020	A	2	Income Generation	Incremental fee increases over the three year period will ensure that the licensing function can at least operate on a self-financing basis. Proposed fees reflect favourably against neighbouring authorities. Specific consultation will be undertaken on the proposed fee increases.	Yes	Existing Users
6	Remove Out of Hours Dog Service	0.012	A	2	Structural Review	Officers are currently paid a stand-by and callout fee to collect stray dogs between 6.30pm and 10pm Monday to Friday and weekends. This service is non-statutory and evidence has shown that most customers requiring the service are content to drop the dog off themselves at our kennelling contractor or retain the dog overnight before staff pick it up between normal working hours.	Yes	No
7	Closure of Greenfield Office (no rent or utilities)	0.012	G	1	Service Efficiency	Move the neighbourhood warden team from Greenfield Business Park to County Hall; increased mobile and agile working resulting in a saving of office accommodation.	No	No
8	Increase in planning fees (15% WG increase)	0.135	G	2	Income Generation	Planning (Wales) Bill seeks to introduce a 15% increase in all planning application fees. The proposal is a conservative estimate based on recent annual levels of fee income.	Yes	No
9	Increase in number of planning applications	0.060	A	1	Income Generation	Estimated increase in the volume of planning applications as the economy continues to recover. The 15% planning fee increase referred to in 8 above is factored in.	No	No
10	Additional elements of charging for planning work inc. discharge of conditions etc. subsequent to new fee schedule	0.050	A	2	Income Generation	Planning (Wales) Bill proposes to increase the types of activities for which a planning fee can be charged as described within the proposal. Estimate of saving is based on an analysis of volume of work currently undertaken in these areas.	Yes	No

11	Pre planning advice	0.020	A	2	Structural Review / Service Efficiency	Planning (Wales) Bill will introduce the provision of mandatory pre-application services, clarify what the Local Planning Authority has to provide and set standard service charges across Wales.	Yes	No
12	Reduce cost of newspaper advertising	0.010	A	1	Structural Review / Service Efficiency	Undertake a review of the requirement to place public notices within local newspapers for all of the Planning and Environment portfolio. Secondary legislation related to Planning (Wales) Bill suggests that this may become less onerous.	No	No
13	Savings from Development Management process improvements	0.020	A	1	Service Efficiency	Undertake a full LEAN review of the Development Management process drawing on best practice and increased use of electronic delivery of the service.	No	No
TOTAL		0.941						

Planning & Environment	£m
Total value of Business Plan proposals	0.941
Other investment costs/efficiencies	-
Budget Efficiency totals	0.941
Portfolio budget total	5.561
Total efficiencies % budget	16.9%

CATEGORISATION KEY
1 = No direct public impact
2= Low public impact
3= Higher public impact

Budget 15-16 for Streetscene and Transportation Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
1	Outsource specialist technical services – smart client	0.050	A	1	Structural Review	Historically, the Council has directly employed specialist teams to advise and provide professional input into schemes. As the amount of work available through grant and capital funding is reducing, with little or no certainty on the level of funding available in future, technical officers will only be employed by the Council where there is a permanent requirement and where a budget exists to support them. All other specialist requirements will be procured through the private sector at best value rates. Number of staff affected to be confirmed during consultation period but expected level - 10 -15 reduction in full time equivalent posts.	No	No
2	Staffing Structure following Organisation Design review	0.125	A	1	Structural Review	A full review of the staffing structure has been undertaken and a new integrated structure developed which includes all staff from the previous Streetscene and the Transport portfolio's. The new structure reduces the level of Service Managers and Team Leaders and follows organisational design principles for spans of control. All other levels within the structure have been reduced to represent the benefit from combined working and bringing staff together into a single operating base at Alltani. Number of staff affected to be confirmed during consultation period but the overall expected level is a 20 - 25 reduction in full time equivalent posts.	No	No
3	Introduce non-generic streetscene roles (3 year plan)	0.080	G	1	Structural Review	The Council introduced a generic Streetscene operative role in 2012. The new role requires the staff to work across the sections of Streetscene services in return for an increased salary. Whilst there are clear benefits in this arrangement, having operated this for a period of two years, it has become clear that a generic workforce across the entire service is unnecessary. The intention therefore is to replace any service leavers or new starters with non-generic (service specific) roles on lower salaries.	No	No
4	Introduce 5 day working week during winter for non waste staff	0.030	A	1	Structural Review	Introduce 5 day working week during winter for non waste staff with all other staff staying on current rotas	No	No
	Totals	0.285						
1	Rationalise Household Recycling Centres provision and provide the service through a performance based contract which would include bulky collections.	0.400	A	3	Service Reduction	The Council currently operates 8 Household Recycling Centre sites which is more than any other Local Authorities in Wales. The sites are operated utilising in-house labour. The proposal is: (1) to reduce the number of sites in the County to four, suggested locations to be decided based on optimising resident access to the sites (2) contract the management of the sites based on an incentivised contract which will improve the recycling levels at the sites. The opportunity to tender the work to a Social Enterprise will be considered.	Yes	Town & Community Councils
2	Removing the waste containers delivery service	0.150	G	2	Service Reduction	Residents requiring new waste containers such as recycling boxes, bags, food caddies etc. currently call the Contact Centre and bags are delivered to their address. The proposal will be for residents to collect any new containers they require from: 1. Household Recycling Centre sites 2. Flintshire Connect Centres 3. Housing Offices Deliveries to assisted collection properties would continue and delivery of wheellie bins will also remain unchanged.	Yes	No

3	Introduce a charge for second garden waste bin	0.050	G	2	Income Generation	Each resident will be provided with a collection of the garden waste bin on a fortnightly basis March - October. There will be a charge for those residents requiring a second garden waste bin to be emptied. The charge will be annually applied and will apply for every additional bin	Yes	No
4	Introduce 7 day working and no Christmas collection catch up	0.050	A	2	Service Efficiency	Saturday waste collections will be extended and Sunday collections introduced in some areas. Collections on Christmas and Easter Bank Holidays will not be provided and the additional waste will be collected at the next collection (food waste excepted).	Yes	No
5	Diagnostic proposals waste	0.050	A	1	Structural Review	Following the template of the Fleet Review the proposal is to engage a diagnostic partner to carry out a review of all operations within the waste service and make recommendation to improve efficiencies. Implementation of these changes will be on a no win / no fee basis	No	No
6	Suspend garden waste collections November to February	0.025	G	3	Service Reduction	The proposal is to cease all garden waste material collections whilst maintaining the black bin collections during this period November to February when there is a limited amount of garden waste material presented for collection.	Yes	No
7	Remove the trade waste collection service	0.050	A	1	Service Reduction	The Council has a statutory obligation to signpost a trade waste service, but the service does not necessarily need to be run in-house. Managing the service creates on-going issues and requires a large staff resource to ensure the income is received from customers. The proposal is to sign post any requirement for service to local commercial suppliers.	Yes	Service Users
9	Remove the existing policy of returning for missed bin waste collections	0.075	R	3	Service Reduction	Stop return visits to pick up bins not left out for collection. Crews to check and sign off street by street that all bins presented have been emptied. Residents able to dispose of waste not left for collection at Household Recycling Centre sites.	Yes	No
10	Review of bulky waste collection charging arrangements	0.025	A	2	Service Reduction	A review of the rates charged for the service and consider some charge for all users of the service.	Yes	No
11	Develop energy production at landfill	0.050	A	1	Income Generation	The landfill sites at Brookhill and Standard currently produce energy through gas turbines. The gas supply is reducing resulting in capacity in the connection to the mains grid. With investment, it is intended to increase the level of energy produced by introducing photovoltaic panels to both landfill sites. The potential to extend the energy source to Alltarni depot opens the opportunity for utilising the energy to power the Councils vehicle fleet.	No	No
	Totals	0.925						
1	Fleet Review Phase 3	0.175	A	1	Service Efficiency	The final phase of the Fleet Review was approved by Cabinet in September. This will externalise the provision of the service and reduce the overall number of vehicles required.	No	No
2	Replace Demand Responsive Transport with non-subsidised service	0.050	R	2	Service Reduction	Deeside Shuttle - Demand for the service has grown to the extent that a regular and potentially non-subsidised defined route can replace the existing arrangements. The savings would be generated by a reduction in back office staff costs	Yes	Existing Users
3	Cease real time information system at bus stops	0.020	G	2	Service Reduction	Remove the current unreliable bus shelter real time information system	Yes	No
4	Closure of information service in Mold Bus Station	0.030	G	2	Service Reduction	Closure of information service currently provided in Mold Bus terminal	Yes	No
5	Charge maintenance of Bus Shelters to Community & Town Councils	0.005	G	1	Income Generation	Discussions will commence with Town & Community Councils in respect of taking maintenance responsibility for shelters.	No	Town & Community Councils
6	Remove Demand Responsive Transport and review all other subsidised routes	0.075	R	2	Service Reduction	Remove current subsidised bus services and work with Town & Community Councils and the local community to deliver local community based travel arrangements	Yes	Town & Community Councils Existing Users Voluntary Sector
	Totals	0.355						
1	Externalise grass cutting service	0.075	A	1	Service Efficiency	The majority of area grass cutting is carried out by the in-house service with agency assistance to support existing staff. The operation requires a large amount of specialised plant and equipment which is not owned by the Council and hired at great expense. The intention is to incrementally tender the full function over a three year period - market testing against internal provision at each stage.	No	No

2	7 day operations across all service areas	0.025	A	1	Structural Review	Following the Streetscene Review in 2012, Streetscene now operates a six day working week. The intention is to extend operations to Sunday which will require all staff to work some weekends during the year. The savings would be driven by reduction of vehicle fleet and plant.	No	No
3	Extend night working	0.025	A	1	Structural Review	Streetscene introduced an evening shift in 2012. A small number of people work through the night (365 days a year) dealing with emergencies and small amounts of planned works. The proposal will see this level of work increase with operations such as gully emptying, town centre sweeping etc. carried out during the evening and overnight period. The saving will be generated by reduction of plant and equipment.	No	No
4	Reduced street lighting resource	0.050	A	2	Service Reduction	The current standard of three days for the repair of every light, demands that a fixed level of resources is required by the service. By significantly reducing the standard for the majority of lights in the County whilst retaining it for those lights adjacent to vulnerable residents, e.g. sheltered homes - the number of staff required to operate the service and the number of vehicles can be reduced.	Yes	No
5	Remove second grass cut for highway verges	0.030	A	2	Service Reduction	The current standard is to cut all highway verges twice a year. The proposal will be to reduce the standard to just once, retaining all cuts on visibility splays at the current frequency.	Yes	No
6	Final phase of public convenience review	0.030	A	2	Service Reduction	Implement final phase of the service review as previously approved by Cabinet.	Yes	Town & Community Councils
7	Reduce or remove entirely the enforcement teams	0.150	A	1	Service Reduction	The Council currently has both Civil Parking Enforcement and Environmental Enforcement teams and provide a high quality cleansing service in every town. The proposal will introduce a zero tolerance approach to littering (and reduce the cleansing level) or remove the enforcement teams and keep the reactive cleansing teams.	Yes	No
8	Diagnostic proposals Streetscene	0.050	A	1	Structural Review	Following the Fleet Review the proposal is to engage a diagnostic partner to carry out a review of the operations within the highway service and make recommendation to improve efficiencies. Implementation of these changes will be on a no win / no fee basis.	No	No
9	Parking Charges	0.400	R	2	Income Generation	Revise the Councils Car Parking Strategy introducing parking charges to all town centre car parks in Flintshire	Yes	Town & Community Councils
10	Part night lighting in all residential areas	0.020	R	2	Service Reduction	Introduce part night lighting in all residential areas. Subject to risk assessment lights will be turned off between 12pm and 5am	Yes	No
11	Review the winter maintenance provision within council car parks	0.050	A	2	Service Reduction	Review the winter maintenance provision within council car parks - salting in periods of snow or prolonged icy periods, following risk assessment	Yes	No
12	Review the winter maintenance standard to match that of neighbouring Local Authorities	0.100	A	2	Service Reduction	Review winter maintenance standard whilst protecting statutory requirements.	Yes	No
Totals		1.005						
TOTAL		2.570						

CATEGORISATION KEY	
1	No direct public impact
2	Low public impact
3	Higher public impact

Streetscene & Transportation	Em
Total value of Business Plan proposals	2.570
Other investment costs/efficiencies	0.000
Budget Efficiency totals	2.570
Portfolio budget total	28.373
Total efficiencies % budget	9.06%

Budget 15-16 for Social Care Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
1	Refocus eligibility criteria for day care	0.020	G	2	Service Reduction	Review the criteria for day care provision with a view to narrowing the day care offer. Criteria will target more specialist provision e.g. younger adults with dementia and to support carers.	Yes	Existing Users
2	Review the number of sites where In-House day care is provided	0.130	R	2	Service Efficiency	Day care provision to be offered on a smaller number of sites: • review of the Melrose centre • development of day activity/support at existing and new Extra Care developments • develop links and short term support for people to access universal and community day activity • Increase use of Direct Payments	Yes	Existing Users
3	Review and revise eligibility criteria for respite	0.150	A	2	Service Reduction	Introduce a personalised approach to respite provision by revising eligibility criteria and applying new criteria based on individual need. The guiding principal will be ensuring that 'just enough' support is provided to support carers in their critical role. It is envisaged that, overall, this approach will reduce respite provision. Proposal is for all client groups/ages.	Yes	Existing Users
4	Review the number of sites where In-House short term care is provided	0.075	A	2	Service Reduction	Short term care to be offered on a smaller number of sites with the review of Orchard Way short term care. Provision will be from the remaining 2 sites with the level of short term care provision based on individual need. The guiding principal will be ensuring that 'just enough' support is provided to support carers in their critical role. It is envisaged that, overall, this approach will reduce short term care provision.	Yes	Existing Users
5	Consider the potential to commission provision currently provided by In House Supported Living houses	0.025	R	1	Service Efficiency	Develop criteria to identify Supported Living projects that may have the potential to be effectively delivered by the independent sector. There are 22 projects that have the potential to be considered. The number of projects that can be appropriately recommissioned from the independent sector, precise savings and timings will be clear once consultation has taken place alongside market capacity analysis. Indicative savings are subject to consultation.	Yes	Existing Users
6	Develop a 'progression' model for Supported Living	0.250	G	1	Service Efficiency	Adopt the progression model which supports people to live as independent lives as possible. This includes: • maximising technology as part of the support plan (telecare) • providing 'just enough support' in ways that build autonomy and personal resilience • maximise the use of Direct Payments • ensure progression is a key feature of 'transitional' arrangements for young people who have eligible needs This approach should improve peoples' quality of life as well as appropriately reducing support packages and the cost of support	Yes	Existing Users
7	Develop means testing approach for minor adaptations	0.100	G	2	Income Generation	Remodel minor adaptations in partnership with Care and Repair. Care and Repair will deliver minor adaptations and, based on ability to pay, charge for the cost of the adaptation	Yes	No
8	Implement thresholds for supplying minor equipment (Occupational Therapy)	0.029	G	2	Service Reduction	Apply fair access to care for Occupational Therapy services and signpost everyone for minor equipment (i.e. under £30)	Yes	No
9	Renegotiate joint funding with Health	0.394	R	1	Income Generation	Ensure that Continuing Health Care money currently 'in dispute', and assessed as being the responsibility of Betsi Cadwaladr University Health Board, is honoured by Health	No	No
10	Review approach to mental health services and disability services	0.060	G	1	Structural Review	• Reduce 1 Manager post. • Merge office premises to save rent.	Yes	No
11	Reduce management posts: Disability Services	0.050	G	1	Structural Review	Delete a Team Manager post and merge Team Manager arrangements for learning disability and physical disability services	No	No
12	Savings in Family Support	0.064	G	1	Structural Review	Delete vacant Senior Practitioner post and reduce budget for non critical statutory provision	No	No

13	Service redesign in children's services	0.018	G	1	Structural Review	Realign structure and reduce 1 Team Manager post.	No	No
14	Rationalise financial assessment team	0.040	G	1	Structural Review	Bring together Financial assessment and Receivables and make workforce efficiencies	No	No
15	Remodel delivery of Family Information Service	0.015	G	1	Collaboration	Identify alternative approaches/partnerships to deliver the service	Yes	No
16	More targeted approach family group meetings and alternative delivery modal	0.005	G	1	Service Efficiency	Achieve £5k savings through clearer targeting and then explore how further savings can be achieved through establishing an alternative service model e.g. outsourcing to private/third sector or the creation of a social enterprise	Yes	Existing Users
17	Commissioning budgets in Children's Services	0.017	G	1	Service Efficiency	Reduce commissioning budget for external development support for the service	No	No
18	Reduce expenditure at Ysgol Plas Bron Dyffryn (YPBD)	0.012	A	2	Service Efficiency	Provide alternative support to families to minimise the need for overnight stays at YPBD. Renegotiate the cost of service provision with Denbighshire	No	Existing Users
19	Review commissioning with Action for Children	0.075	G	1	Voluntary Sector	Bring together contracts with Action for Children with a view to negotiating a reduction of 10% for the Awaia and Family Project contracts and ending the funding for the summer playscheme and the therapeutic service	Yes	Existing Users
20	Regional approach to advocacy	0.053	R	2	Voluntary Sector	Recommission existing National Youth Advocacy Service (advocacy for children and young people) through an alternative provider in consultation with regional partners. Explore potential for bringing together advocacy arrangements for adults	Yes	No
21	Review and realign funding to voluntary sector	0.203	R	2	Voluntary Sector	Review all existing funding arrangements with the 3rd sector to achieve a year on year 10% reduction of funding. Funding will be closely aligned to direct service priorities and service delivery seeking new models of service that reach a broader range of the population going forward. This approach will also include current core funding agreements. In children's services we will seek to develop a strategic partnership with Action for Children. It will be necessary to serve notice on some existing contracts in Mental Health services which are only in the first year of their implementation and review Flintshire's Carers Strategy.	Yes	Flintshire Local Voluntary Council
22	Managing the Childcare market	0.018	A	1	Voluntary Sector	Renegotiate the level of service commissioned from early years child care providers/organisations (3rd sector) with support provided to those parents with greatest/critical need	Yes	Existing Users
23	Align expenditure to critical statutory provision in Children's Services	0.066	G	1	Service Reduction	Reduce budgets that are not aligned to critical statutory provision	Yes	Existing Users
24	Commissioning Hub savings	0.003	G	1	Service Efficiency	Deliver efficiencies in the funding arrangements for, and outcomes delivered by, the Regional Commissioning Hub	No	No
25	Optimise grants for change management	0.040	G	1	Service Efficiency	Make better use of regional money and the potential of European grants to support the strategic change agenda	No	No
26	Remove recharge for Library Headquarters		G	1	Service Efficiency	Relocate Workforce Development from the library headquarters site with a view to co-location with Corporate Training	No	No
27	Review model/contracts for catering	0.050	A	1	Service Efficiency	Ensure that arrangements for Flintshire County Council cleaning services at our In House provision is in line with market rates	No	No
28	Review contracts for Grounds Maintenance	0.006	A	1	Service Efficiency	Ensure that arrangements for Flintshire County Council grounds maintenance at our In House provision is in line with market rates	No	No
29	Increased income from rise to £60 max charge for domiciliary care	0.100	G	2	Income Generation	In line with Welsh Government's charging policy increase the maximum weekly charge for domiciliary services to £60 based on individual financial assessment	Yes	Existing Users

Totals	2,068
Social Care	£m
Total value of Business Plan proposals	2,068
Other investment costs/efficiencies	(0.200)
Budget Efficiency totals	1,868
Portfolio budget total	58,956
Total efficiencies % budget	3.2%

CATEGORISATION KEY
1 = No direct public impact
2 = Low public impact
3 = Higher public impact

Budget 15-16 for Education and Youth Portfolio

No	Specific Proposals	15-16 Proposals Em	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
1	School Management and Information Team - Cease Cognitive Ability Test testing	0.030	G	1	Service Reduction	Cease Cognitive Ability Test testing for learners (rely on national testing data and Fischer Family Trust Predictors)	No	No
2	Commissioning & Performance - Clerking to Governors & Legal fees	0.012	G	1	Service Efficiency	Reduction in ongoing costs and budget requirement.	No	No
3	Reduce Subscriptions	0.005	G	1	Service Efficiency	Reduction in ongoing costs and budget requirement.	No	No
4	Reduce Project Support Staffing (0.4)	0.012	G	1	Structural Review	Reduction in staffing requirement.	No	No
5	Governor Training Efficiency	0.003	G	1	Collaboration	Efficiency through delivering training with neighbouring authorities	No	No
6	Primary & Early Years Education - Maximising Deployment of Early Entitlement Foundation Phase Grant (including new model for provision of 10% teacher time in funded early years settings).	0.317	G	1	Service Efficiency	Maximising Deployment of Early Entitlement Foundation Phase Grant (including new model for provision of 10% teacher time in funded early years settings).	No	No
7	Secondary 14-19 & Continuing Education - Cease funding Cwylwyd Theatr Cymru Service Level Agreement, with provision made through main Council Service Level Agreement with Cwylwyd Theatr Cymru	0.020	G	1	Service Efficiency	Current service provision to be provided through the main Council Service Level Agreement with Cwylwyd Theatr Cymru	No	No
8	Further remodelling of Music Service to move to "full cost recovery"	0.061	A	2	Service Efficiency	Further remodelling of Music Service to move to "full cost recovery" through cost reduction and increased income generation.	Yes	Existing Users / Head Teachers Federation
9	Autism Services - Autism support - current vacancy - removal of dedicated Autism Spectrum Disorder advisor role	0.060	A	1	Structural Review	Current vacancy - removal of dedicated Autism Spectrum Disorder advisor role and review of service delivery.	Yes	Existing Users / Head Teachers Federation
10	Disability Support - Additional Language (Gypsy Traveller Support - current vacancy - removal of post)	0.045	A	1	Structural Review	Current vacancy - removal of post. Review the delivery and operation of service.	Yes	Existing Users / Head Teachers Federation
11	Young Peoples' Counselling Service - current vacancy - reduction in full time equivalent counsellors to 3.5	0.040	G	1	Service Efficiency	Current vacancy - reduction in full time equivalent counsellors.	Yes	Existing Users / Head Teachers Federation
12	Inclusion Welfare Service - current vacancy - reduction in full time equivalent posts to 8.5	0.040	G	1	Service Efficiency	Current vacancy - reduction in full time equivalent.	Yes	Existing Users / Head Teachers Federation
13	Pupil Referral Service / Behaviour Support Service - reduction of Pupil Referral Unit provision and income generation through traded service for children & young people with Behaviour, social, emotional difficulties	0.050	R	2	Service Efficiency	Reduction of Pupil Referral Unit provision and income generation through traded service for children & young people with behaviour, social, emotional difficulties	Yes	Existing Users / Head Teachers Federation
14	Youth Justice Service - education link role to be offered via different model	0.050	G	1	Service Efficiency	Education link role to be offered via different model	Yes	No
15	Learning Inclusion - reduction in Statutory Assessment service	0.060	A	1	Service Efficiency	Review and rationalisation of business processes	Yes	Existing Users
16	Nant Mawr Satellite - premises, caretaking & cleaning costs	0.017	G	1	Service Efficiency	Relocate staff to County Hall releasing premises, caretaking & cleaning costs	No	No
17	Access (School Planning & Provision) - transfer remissions responsibilities to schools	0.157	G	1	Service Efficiency	Responsibility for making remission decisions and funding the cost will rest with schools. Schools will have increased Pupil Deprivation Grant which can legitimately be used for meeting remissions.	No	Existing Users / Head Teachers Federation
18	School uniforms policy change to statutory level	0.019	G	1	Service Efficiency	Reduce school uniform allowance in line with statutory requirements.	Yes	No
19	Reduce provision for mobile classrooms	0.044	G	1	Service Efficiency	Costs of providing mobile classrooms has reduced releasing budget.	No	No
20	Transfer responsibility for physical education equipment inspection service to schools	0.015	G	1	Service Efficiency	Physical education inspection contract will continue to be provided by the Authority but the cost will be recharged to schools.	No	Head Teachers Federation
21	21st Century Schools - Reduction in School Organisation Review Budget (£35k)	0.004	G	1	Service Review	Cost reduction	No	No
22	Youth Services - Youth Justice Service Staffing Reduction	0.028	G	1	Structural Review	Reduced staffing levels.	No	No
23	Youth Service Planned Management Reductions & Vacancy Management	0.091	G	1	Structural Review	Reduced staffing levels in line with Youth Service Strategy and with increased involvement of voluntary sector.	No	No

24	Schools School Library Service - Dedlegation & Cessation	0.189	G	1	Service Reduction	Neighbouring authorities have signalled their intention to withdraw from the service making the service unviable so service will cease.	No	Head Teachers Federation
25	Rationalisation of Resource Provision	0.090	G	1	Service Efficiency	Closure/amalgamation of resource units in schools where the requirement for the service has reduced or no longer exists due to reduction in pupil numbers.	No	No
TOTAL		1.459						

CATEGORISATION KEY
1 = No direct public impact
2= Low public impact
3= Higher public impact

Education & Youth	£m
Total value of Business Plan proposals	1.459
Other investment costs/efficiencies	-
Budget Efficiency totals	1.459
Schools Budget	82.346
Youth & Other Education	14.187
Portfolio budget total	96.533
% Efficiency on Schools Budget	0.3%
% Efficiency on Other Education & Youth Services	8.7%
Total efficiencies % budget	1.5%

Budget 15-16 for Organisational Change Portfolio

ORGANISATIONAL CHANGE 1												
No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned				
1	Libraries - Static Libraries	0.049	A	2	Service Reduction	Reduce overall opening hours of libraries from 414.5 per week to 347.5 to enable more efficient use of staff to cover the library network and replace caretaking provision with a cleaning service	Yes	Existing users				
2	Mobile Services	0.026	A	2	Service Reduction	Combine housebound service with library delivery service thereby retaining housebound deliveries to all clients	Yes	Existing users				
3	Library Headquarters	0.030	G	1	Service Efficiency	Re-location of library headquarters from County Hall campus to Deeside Leisure centre	No	No				
4	Staffing	0.068	G	1	Structural Review	Reduce the staffing levels by one library manager and one library assistant	No	No				
	Totals	0.173										
5	Leisure Sports Development - PE in School Sport	0.017	G	1	Service Reduction	Cease grant to schools that enables schools to cover supply costs for teachers to attend County events, the purchase of medals and payment for referees.	Yes	No				
6	Sports Development - Lets Walk Cymru	0.008	A	2	Voluntary Sector	Cease support to Walkabout Flintshire groups by not providing promotion and administration for walking routes	Yes	Existing users				
7	Nofio Cwylod - Removal of Evening Sessions	0.110	A	2	Service Reduction	End support for the Flintshire swimming performance scheme and replace these evening sessions with additional swimming lessons	Yes	Existing users				
8	Leisure Centre - Above inflation increase in tariff	0.045	A	1	Income Generation	The average price increase for 2015 across all Leisure Services activities is 3.5%, some charges to clubs and organisations have been increased by a higher percentage to be more in line with neighbouring areas, while some health related activities have been increased less than 3.5%	Yes	Existing users				
9	Deeside Leisure Centre - No ad hoc climbing or high ropes	0.029	G	1	Service Reduction	Remove all climbing and high ropes ad hoc sessions from the programme leaving bookings available by groups of 10 or more	Yes	No				
10	Deeside Leisure Centre - Security	0.032	G	1	Service Efficiency	Install access control and reduce the reliance on week day and day time security	No	No				
11	Deeside Leisure Centre - Skate regrind	0.006	G	1	Service Efficiency	Let the empty shop space to a trader that is willing to take on the task of regrinding skates for both public and hire skates thereby reducing staff time required	No	No				

12	Salliney Sports Centre - Close Saturday	0.004	A	2	Service Reduction	Close Salliney Sports Centre on a Saturday as Salliney FC now has its own changing facility and demand for the centre at the weekends has reduced.	Yes	Existing users
13	Leisure Centre - Facility Manager	0.049	G	1	Structural Review	Reduce the number of Facility Managers from four to three	No	No
	Totals	0.300						
14	Clwyd Theatr Cymru Proposal to reduce shows and increase productivity	0.200	A	1	Service Reduction/ Service Efficiency/ Income Generation	Reduction in shows from 8 to 6, combined with a reduction in staffing costs, and increases in income from productions and related activities	No	No
	Total Organisational Change 1	0.673						
	ORGANISATIONAL CHANGE 2							
1	Catering Work process changes and office efficiency	0.005	G	1	Service Efficiency	Undertake a LEAN review of the office processes and paperwork flows drawing on best practice and increased use of electronic delivery of the service.	No	No
2	Staff structural change	0.042	G	1	Structural Review	Review of the catering service resources delivered to High Schools, Primary Schools, Residential Homes and Day Care Centres and the way the current service is delivered.	No	No
3	Stock management and control	0.140	G	1	Service Efficiency	Undertake a review of the way stock is managed and move to electronic data management thereby reducing waste, and moving to an electronic platform of stock control and delivery.	No	No
4	Increase meal numbers (income)	0.080	G	1	Service Efficiency	Current performance and take up in schools is currently 34% with a recent study indicating that 42% should be a target that is achievable. This requires improved marketing and promotion of the school meals to increase take up.	No	No
5	Debt recover (income)	0.025	G	1	Service Efficiency	Manage more effectively the levels of debt relating to school meals and take appropriate action to tackle debt levels.	Yes	No
	Totals	0.292						
6	Cleaning Staff structural change (cost reduction)	0.019	G	1	Structural Review	Review of the catering service resources delivered to High Schools, Primary Schools, Residential Homes and Day Care Centres and the way the current service is delivered. Maybe something along the lines of 'Review of the cleaning service, in particular levels of specification delivered to all sites. Roll out the reduced specification adopted at County Hall to all other sites'	No	No
7	Different model of delivery (mobile)	0.002	A	1	Income Generation	Deliver a peripatetic cleaning service to areas of the County and in addition increase external market contracts.	No	No
	Totals	0.021						
8	Security Staff reductions	0.116	A	1	Service Reduction	Review current level of resource and reduce accordingly to reflect the need to move to building close down at County Hall, together with improved CCTV surveillance around the campus.	No	No

9	CCTV Income increases	Totals	0.116	A	1	Income Generation	Recovery of fee income from system users based upon a more responsive and peripatetic provision.	No	Existing Users
10	Other Maintenance	Totals	0.010 0.005 0.005	G	1	Service Efficiency	Reduction in specific maintenance budget for County Hall campus.	No	No
11	Valuations & Estates Lease renewals	Totals	0.023	A	1	Income Generation	Increases in rental income on new leases , renewal of leases, agricultural rents and grazing licences...	Yes	Existing users
12	Office management		0.002	G	1	Service Efficiency	Undertake a LEAN review of the office processes and paperwork flows drawing on best practice and increased use of electronic delivery of the service.	No	No
13	Estate management cost recovery (diliapidations etc)	Totals	0.005 0.030	A	1	Income Generation	Increased and more effective recovery from tenants of dilapidation costs on tenant vacation of our property assets.	Yes	Existing users
14	Property Maintenance & Design Reduce maintenance budget		0.150	A	1	Structural Review	Review of the councils existing maintenance budgets in conjunction with a reducing property estate, through rationalisation and a more efficient and leaner way of delivering a property design and maintenance service in the future, based on a commissioning model that will lead to a natural reduction in maintenance requirements. The Councils performance in relation to its maintenance delivery is already upper quartile.	No	No
15	Office running costs		0.004	A	1	Service Efficiency	Undertake a LEAN review of the office running costs, reducing accommodation space and service cost.	No	No
16	Office management		0.005	A	1	Service Efficiency	Undertake a LEAN review of the office processes and paperwork flows drawing on best practice and increased use of electronic delivery of the service.	No	No
		Totals	0.159						
		Total Organisational Change 2	0.633						

TOTAL ORGANISATIONAL CHANGE 1.306

Organisational Change	£m
Total value of Business Plan proposals	1.306
Other investments costs/efficiencies	-
Budget Efficiency totals	1.306
Portfolio budget total	9.498
Total efficiencies % budget	13.7%

CATEGORISATION KEY	
1	No direct public impact
2	Low public impact
3	Higher public impact

Budget 15-16 for People and Resources Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
FINANCE								
1	Implementation of Collaborative Planning Software to finance to improve and automate our processes thus enabling workforce efficiencies		G	1	Service Efficiency	The introduction of this new software will enable budget monitoring to be undertaken more efficiently, with the minimum of manual intervention which will lead to workforce efficiencies and reductions.	No	No
2	Phased roll out of new finance model.		G	1	Structural Review	The implementation of a new Finance Model and a review of structure and business processes to achieve efficiencies and to operate as a modern Finance function.	No	No
3	Review of specialist finance functions to identify efficiencies in process.	0.170	G	1	Service Efficiency	Review of key specialist finance functions to identify more efficient ways of providing those services.	No	No
4	Ensure continuation of grant maximisation opportunities identified in 2014/15	0.100	G	1	Service Efficiency	Exercise to ensure that grant funding opportunities are maximised at every available opportunity.	No	No
Totals		0.270						
Human Resources & Organisational Design								
5	Effective people management skills to increase levels of Managers self sufficiency		G	1	Service Efficiency	Demand management exercise to upskill managers to become increasingly self sufficient in managing their people/teams.	No	No
6	Redefine clear roles and responsibilities for Human Resources (HR) / managers		G	1	Service Efficiency	Complements the exercise above in that the roles and responsibilities of HR and managers need to be redefined for the future and will reduce reliance on HR resources.	No	No
7	Review of Human Resources & Organisational Design operating model and job roles		G	1	Structural review	To review the operating model and structure for Human Resources & Organisational Design to better meet the organisation's future requirements.	No	No
8	Further roll-out (50%) of Flexible & Agile Working arrangements (phase 1)		G	1	Service Efficiency	Promotion and implementation of flexible and agile to reduce accommodation space.	No	No
9	Implementation of iTrent Self Service to Schools	0.105	G	1	Service Efficiency	Reduction of reliance on corporate and Schools administrative processes thereby creating efficiencies in workforce.	No	No
10	Outsourcing of First-Aid training	0.010	G	1	Service Efficiency	Provision of First Aid training via an alternative provider as a more cost effective solution.	No	No
Totals		0.115						
People & Resources		0.385						

CATEGORISATION KEY	
1	No direct public impact
2	Low public impact
3	Higher public impact

PEOPLE AND RESOURCES		£m
Total value of Business Plan proposals		0.385
Other investments costs/efficiencies		(0.050)
Budget Efficiency totals		0.335
Portfolio budget total		5.010
Total efficiencies % budget		6.7%

Budget 15-16 for Governance Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
	LEGAL							
	Increase income	0.025	G	1	Income Generation	To increase the fees recharged to developers etc entering legal agreements with the council in line with other councils in Wales (the income earned as a % of the service budget is approximately half that of other councils).	No	No
1	Staffing - service review	0.071	G	1	Structural Review	Legal Services consists of 2 teams which will be combined under a single manager. Work will be collaboratively shared with Wrexham to increase skills mix and spread peaks/troughs in demand.	No	No
2	Totals	0.096						
	DEMOCRATIC							
	Reduce budgets in line with historic spend	0.053	G	1	Service Efficiency	The budget for members allowances is larger than required in part due to Cabinet having fewer than the maximum number of members.	No	No
1	Staffing - consolidate multi teams into a single team	0.024	G	1	Structural Review	Democratic Services consists of 4 small teams. These will be combined so that the team leader's span of control meets organisational standards. The overall number of posts below team leader will be reduced to reflect the resilience of the larger team.	No	No
2	Totals	0.077						
	ICT							
	Reduction in management and staff costs through delivery of shared IT Service with Wrexham	0.075	R	1	Collaboration	Work will be collaboratively shared with Wrexham to increase skills mix and spread peaks/troughs in demand.	No	No
	Totals	0.075						

Total Governance	0.248
Governance	£m
Total value of Business Plan proposals	0.248
Other investment costs/efficiencies	(0.430)
Budget Efficiency totals	(0.182)
Portfolio budget total	8.448
Total efficiencies % budget	-2.2%

CATEGORISATION KEY
1 = No direct public impact
2= Low public impact
3= Higher public impact

Budget 15-16 for Community and Enterprise Portfolio

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
CUSTOMER SERVICES								
1	Close the personal answering service for main switchboard telephone calls	0.099	A	2	Structural Review	Replaced by call menu options for efficient call handling	Yes	No
2	Cancellation of Council full page advert in BT phonebooks	0.008	G	2	Service Efficiency	Flintshire County Council website information has replaced this requirement	Yes	No
3	Withdraw registration service from outstations and potential transfer of birth declarations to Flintshire Connects	0.030	A	2	Service Efficiency	Central registration service to be delivered from Llywntegryn Hall, Mold	Yes	No
Total Customer Services		0.137						
COMMUNITY SUPPORT SERVICES								
1	Welfare Rights Team Review	0.020	A	1	Structural Review	Consider model of service delivery to safeguard provision of welfare rights service and deliver savings	Yes	No
2	Housing Register and Allocations Project	0.030	G	1	Income Generation	Charge Registered Social Landlords for single allocation policy	No	Registered Social Landlords
3	Community Support Services - Management Restructure	0.040	A	1	Structural Review	Reduction of 1 Manager post	No	No
4	Community Centres	0.048	G	1	Income Generation	Charge Housing Revenue Account for usage	Yes	Existing users
5	Community Based Accommodation Support Service	0.030	A	2	Structural Review	Reduction of 3 posts over 3 years through voluntary redundancy and vacancy management. Service supplemented by volunteers providing good neighbour service	Yes	Existing users
6	Housing Benefit from leasing	0.040	G	1	Income Generation	Maximising Housing Benefit, income through property leasing	No	No
7	Response Service for Older People	-	A	2	Income Generation	Charging for the out of hours personal response service	Yes	Existing users
8	Telecare Charging	0.200	A	2	Income Generation	Charging council tenants for the community alarm service. (All other tenures currently charged)	Yes	Existing users
9	Training	0.005	G	1	Income Generation	Charging for providing training to external organisations	Yes	No
10	Bed & Breakfast Charging	0.010	G	2	Income Generation	Charging £15 per week to partially offset service deficit	Yes	No
Total Community Support Services		0.423						
REVENUES AND BENEFITS								
1	Budget saving e billing / notifications	0.003	G	2	Service Efficiency	Saving in postage as more people receive e bills	Yes	No
2	Stopping sending remittance advices to Landlords	0.054	G	2	Service Efficiency	Saving in admin costs	No	No
3	Staff restructure to match staff costs to Department of Works and Pensions grant for benefits	0.100	A	1	Structural Review	Reduction in posts to match staff costs to Department of Works and Pensions grant over 3 years. Delivered through voluntary redundancy and vacancy management	No	No
4	In-house bailiff service	0.100	G	1	Income Generation	Income target already agreed by Cabinet - summer '14	No	No
5	Removal of Post Office as payment option	0.028	G	2	Service Efficiency	Post Office charges the council to receive payments - service will be provided at Flintshire Connects centres	Yes	No
6	2% surcharge on credit card payments	0.025	G	2	Income Generation	2% surcharge on credit card payments as standard practice	Yes	No
7	Introduce £1 flat charge for paper Council Tax bills	0.060	G	2	Income Generation	£1 charge for all paper bills	Yes	No
8	Review Single Person Discount	0.150	G	1	Income Generation	One off gain - continuation of existing 3 year project	Yes	No

	Non payment of pensioner grant	0.200	A	2	Service Efficiency	Removal of top up for pensioners in receipt of partial council tax benefit Use Department of Works and Pensions allocation only	Yes	Existing users
9	Decision not to top up Discretionary Housing Payment	0.068	A	2	Service Efficiency		No	No
10		0.788						
BUSINESS DEVELOPMENT								
	Staffing Restructure to accommodate service continuity.	0.025	G	1	Structural Review	Deletion of fixed term post (partially funded by council), plus restructure team losing one post through voluntary redundancy, replace with lower graded post	No	No
1		0.025						
REGENERATION (PLACES)								
	Reduction in scale of service	0.045	A	1	Structural Review	Reduction in officer posts - hope to achieve through voluntary redundancy	No	No
1		0.022	A	1	Structural Review		No	No
2	Restructure the senior managers				Structural Review	Deletion of 1 Senior Manager post	Yes	No
	Remodel tourist information opportunities	0.016	G	1	Structural Review	Closure of tourist information centre and replace with Connects service and improved web based information	Yes	No
3		0.009	G	1	Voluntary Sector	Reduced budget for third sector commissioning of environmental projects	Yes	Flintshire Local Voluntary Council
4	Reduce community environmental projects	0.092						
SENIOR MANAGEMENT RESTRUCTURE								
		0.100	A	1	Structural Review	Deletion of 2 Senior Manager posts	No	No
		0.100						
		1.565						

CATEGORISATION KEY
 1 = No direct public impact
 2= Low public impact
 3= Higher public impact

	£m
Community & Enterprise	
Total value of Business Plan proposals	1.565
Other investment costs/efficiencies	(0.050)
Budget Efficiency totals	1.515
Portfolio budget total	14.117
Total efficiencies % budget	10.7%

Budget 15-16 Central & Corporate

No	Specific Proposals	15-16 Proposals £m	RISK status for the acceptability and deliverability of the proposal	Categorisation of whether there is a public impact	Proposal Type	Explanation	Open to public feedback	Specific public consultation planned
1	Procurement Supplier Charging	0.116	A	2	Income Generation	Income generating opportunity in relation to applying a charge to suppliers of the Council for the use of electronic invoicing software.	No	No
2	Non Standard Inflation Base Budget Efficiency	0.087	G	1	Service Efficiency	Efficiency relating to budget set aside for non standard inflation in previous years no longer required.	No	No
3	Central Loans & Investment Review	1.830	A	1	Service Efficiency	Efficiency due to three main areas: Reprofiling of Minimum Revenue Provision (MRP) to defer the charge. Reduction of interest on borrowing following review of reserves & Balances and Capital programme, Impact of Housing Revenue Account (HRAS) exit from subsidy system.	No	No
4	Workforce Efficiency Proposal	0.300	A	2	Service Efficiency	Efficiency relating to use of pool cars, buyback of annual leave and charging for car parking at civic buildings.	No	No

Total 2.333

CATEGORISATION KEY
1 = No direct public impact
2= Low public impact
3= Higher public impact

Budget 2015/16
Council Fund - Revenue

Specific Grants

		<i>Budget 2014-15 £</i>	<i>Budget 2015-16 £</i>	<i>Variance to 2014-15 £</i>	Confirmed (C) or Estimated (E)
Education & Youth	Basic Skills	137,526	0	(137,526)	E
	Language and Play	0	58,376	58,376	E
Non Delegated	Community Learning	3,311	2,034	(1,277)	E
	Community Focussed Schools	97,877	97,877	0	E
	Welsh Baccalureate	61,740	61,740	0	E
	Families First	1,735,285	1,735,285	0	E
	Education of Travellers	70,673	0	(70,673)	C
	Foundation Phase	4,949,746	0	(4,949,746)	C
	Free School Milk	179,773	179,773	0	E
	Funding for Youth Work Training in Wales	22,000	22,000	0	E
	Learning Pathways 14-19	360,000	0	(360,000)	C
	Minority Ethnic Achievement	128,032	0	(128,032)	C
	School Effectiveness Grant	1,403,508	0	(1,403,508)	C
	Pupil Deprivation Grant	2,295,918	2,525,510	229,592	E
	School Uniform Financial Assistance Scheme	30,487	30,487	0	E
	Youth Service Revenue Grant	126,756	126,756	0	E
	Welsh in Education	215,374	0	(215,374)	C
	Welsh Network of Healthy School Schemes	87,320	87,320	0	E
	Education Improvement Grant for Schools	0	6,446,505	6,446,505	E
	Youth Crime Prevention Fund	0	221,882	221,882	E
	YOT / Youth Justice Board	327,280	241,006	(86,274)	C
	Teaching Induction Training	0	30,000	30,000	E
	Youth Engagement Programme	0	50,000	50,000	E
	National Literacy Tests	35,450	0	(35,450)	C
		12,268,056	11,916,551	(351,505)	
Delegated	DCELLS (Post 16 provision in schools)	5,935,481	5,787,094	(148,387)	E
		5,935,481	5,787,094	(148,387)	
Social Services	Social Care Workforce Development Programme	356,833	367,000	10,167	E
	Well Being Activity	10,000	10,000	0	E
	Flying Start	2,722,790	2,954,700	231,910	E
	Implementation of Mental Health Act 2007	0	0	0	C
	Youth Service Community Service Grants	0	0	0	C
		3,089,623	3,331,700	242,077	
Streetscene & Transportation	Concessionary Travel	1,991,843	2,058,000	66,157	E
	Local Transport Services	399,062	399,062	0	E
	Sustainable Waste Management	2,976,172	3,006,226	30,054	E
		5,367,077	5,463,288	96,211	
Planning & Environment	Safer Communities Fund	76,868	221,881	145,013	E
	Food Hygiene Rating	5,969	0	(5,969)	E
	Animal Health & Welfare Enforcement	15,646	0	(15,646)	E
	Substance Misuse	293,353	638,139	344,786	E
	Crime Reduction and Anti Social Behaviour	121,203	31,566	(89,637)	E
	Planning - Delivering for Wales	20,000	0	(20,000)	E
	Domestic Abuse Co-ordinator Funding	27,500	37,500	10,000	E
		560,539	929,086	368,547	
Community & Enterprise	Supporting People	6,483,688	5,809,818	(673,870)	E
	Communities First	708,911	708,911	0	E
	Tidy Towns	0	0	0	E
		7,192,599	6,518,729	(673,870)	
Organisational Change	Free Swimming	156,567	164,807	8,240	E
	National Exercise Referral	118,750	125,000	6,250	C
	NE Wales Play Forum	340,086	319,010	(21,076)	E
	Active Young People	439,867	541,638	101,771	E
		1,055,270	1,150,455	95,185	
Chief Executive's	LSB Development Support Grant	50,000	50,000	0	E
		50,000	50,000	0	
Total		35,518,645	35,146,903	(371,742)	

Budget 2015/16
Council Fund - Revenue

Summary of Council Fund Earmarked Reserves

	Estimated Balance 01/04/15 £m	Estimated Balance 31/03/16 £m
<u>Service Reserves</u>		
Social Care	0.032	0.000
Total	0.032	0.000
<u>Corporate Reserves</u>		
Equal Pay / Single Status	15.132	7.247
Business Transformation / Workforce Planning	6.148	0.313
Total	21.280	7.560
<u>Specific Reserves</u>		
Insurance Reserves	0.558	0.803
Housing Benefits	0.319	0.300
Supporting People	1.493	1.014
Building Control	0.109	0.000
Winter Maintenance	0.250	0.250
Waste	0.327	0.227
Unitary Development Plan / Local Development Plan	0.427	0.427
Post 16 Education	0.164	0.314
Community Equipment Store	0.120	0.120
Various (Value of each less than £0.1m)	0.453	0.132
Total	4.220	3.587
Total Council Fund Earmarked Reserves	25.532	11.147



APPENDIX 9

Flintshire County Council

Feedback on the 2015/16 Budget Proposals

Summary Report

January 2015

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The purpose of inviting feedback:

- To raise awareness of the 2015/16 budget proposals

The period open for feedback:

- Thursday 18 December 2014 – Sunday 11 January 2015

How people could feedback:

A bi-lingual, on-line, self-selection feedback form using Survey Monkey software accessible via the Council's:

- new e-magazine 'Your Council' / 'Eich Cyngor'
- website flintshire.gov.uk/FCCBudget / siryfflint/CyllidebCSyFf
- corporate Twitter account @FlintshireCC / @CSyFflint

93 people provided feedback by a range of methods

- on-line
- emails to service managers
- telephone responses

What people told us:

The proposals were grouped to match the Council's five Scrutiny Committee themes with open feedback invited against each grouped set of proposals.

Feedback was collected via a Survey Monkey feedback form and other comments were also received through the emagazine 'Your Council' feedback option, by direct email and via telephone. All feedback has been collected into one comprehensive public feedback document.

In their feedback people generally were keen to ensure that the impacts of the proposals would not adversely affect other services delivered by the Council or other organisations. The continued protection of the young and the vulnerable was also raised particularly in relation to equality of opportunity, the retention and accessibility of localised services and community protection.

Each themed area also received feedback in relation to workforce and resources where ideas and suggestions were put forward for improvements and efficiencies and also a range of general issues and topics not specifically related to a particular proposal.

Below is a summary of the areas covered in the feedback received:

Corporate Resources

Withdrawal of registration service from outstations

Alternative payment methods

Withdrawal or reduction of benefits

Main switchboard personal answering service

Reduction in performances at Clwyd Theatr Cymru

Property maintenance/assets

Environment

Car parking charges

Street lighting

Highway and winter maintenance

Waste and recycling

Public transport

Tourist information

Public protection

Income generation

Transfer of assets to Town & Community Councils

Housing

Benefits

Lifelong Learning

Education and youth services

Sports and leisure

Libraries

Clwyd Theatr Cymru

Social and Health Care

Social Services for Adults

Social Services for Children

Equality Impact Assessment

In addition to collecting the public feedback highlighted above, an Equality Impact Assessment workshop was held on the evening of Monday 5 January 2014. The purpose of the workshop was to look at the Category 2 and 3 proposals (those with lower and higher direct public impact) and discuss what potential they had to specifically impact on any of the 9 protected characteristic groups and the Welsh Language.

17 people attended the session, representing older age groups; disability groups; the Welsh language; people from a black and minority background; Lesbian, Gay, Bisexual and Transgender (LGBT) groups. Also in attendance were the Trade Unions and other groups representing all protected characteristics such as North Wales Regional Equality Network.

The main outcome of the session was the identification of those proposals which would require a full Equality Impact Assessment and highlighting the potential negative impact of

proposals which could be reduced if other actions were taken such as providing financial capability sessions to reduce the impact of bed and breakfast charging.

Concern was also expressed generally about the cumulative impact of the proposals i.e. where an efficiency on its own may not have a significant impact but considered along with a group of others could have a significant impact.

It was also felt that consideration needed to be given to ensure that making savings in one area didn't increase the demand and cost for services elsewhere i.e. those who are reluctant or unable to pay Telecare costs become less independent and rely heavily on social services.

Background Papers

Public feedback document

Equality Impact Assessment workshop recorded feedback

Statistics

Hits and views

During the open period for feedback following statistics were recorded:

	English	Welsh
Views on page 1 of 'Your Council'	4797	228
Views on the Budget proposals introduction page of Your Council	3097	59
Following through to specific grouped proposals:		
Corporate Resources	1803	40
Environment	1628	32
Housing	1256	35
Lifelong Learning	1369	35
Social and Health Care	1400	32
Views on the budget proposals 'Your Feedback' page of Your Council	1325	34
Unique users - 'Big Budget Conversation' web page	297	7

Demographic Information

How people best described themselves

Answer Choices	Responses
I live in Flintshire / Rwy'n byw yn Sir y Fflint	51.09% 47
I work in Flintshire / Rwy'n gweithio yn Sir y Fflint	6.52% 6
I live and work in Flintshire / Rwy'n byw ac yn gweithio yn Sir y Fflint	23.91% 22
I represent a Flintshire business / Rwy'n cynrychioli busnes yn Sir y Fflint	1.09% 1
I represent a Flintshire business / Rwy'n cynrychioli busnes yn Sir y Fflint	0.00% 0
I represent a business outside of Flintshire / Rwy'n cynrychioli busnes y tu allan i Sir y Fflint	0.00% 0
I represent a Flintshire organisation / Rwy'n cynrychioli sefydliad yn Sir y Fflint	2.17% 2
I represent an organisation outside of Flintshire / Rwy'n cynrychioli sefydliad y tu allan i Sir y Fflint	1.09% 1
I am a visitor to Flintshire / Rwy'n ymweld â Sir y Fflint	0.00% 0
Other / Arall	14.13% 13
Total	92

Those people who ticked either option 2 or 3 above were asked a supplementary question 'Are you an employee of Flintshire County Council?' Overall 26% of those people who responded work for the Council.

Answer Choices	Responses
English / Saesneg	100.00% 61
Welsh / Cymraeg	0.00% 0
Other / Arall	0.00% 0
Total	61

Preferred Language

Age

Answer Choices	Responses
under / dan 16	0.00% 0
17-24	1.61% 1
25-44	22.58% 14
45-64	48.39% 30
65-74	22.58% 14
75 +	4.84% 3
Total	62

Answer Choices	Responses
Male / Gwryw	35.59% 21
Female / Benyw	55.93% 33
Prefer not to say / Well gen i beidio â dweud	8.47% 5
Total	59

Gender

Answer Choices	Responses
Yes / Ydw	1.67% 1
No / Nac Ydw	80.00% 48
Prefer not to say / Well gen i beidio â dweud	18.33% 11
Total	60

Transgender

Answer Choices	Responses
▼ Bisexual / Deurywiol	1.89% 1
▼ Gay man / Dyn Hoyw	1.89% 1
▼ Other / Arall	0.00% 0
▼ Gay woman / lesbian / Merch Hoyw / Lesbiad	0.00% 0
▼ Heterosexual / straight / Heterorywiol / Strêt	69.81% 37
▼ Prefer not to say / Well gen i beidio â dweud	26.42% 14
Total	53

Sexuality

Answer Choices	Responses
▼ Yes / Ydw	8.47% 5
▼ No / Nac Ydw	74.58% 44
▼ Prefer not to say / Well gen i beidio â dweud	16.95% 10
Total	59

Disability

Ethnicity

Answer Choices	Responses
▼ White / Gwyn	74.70% 62
▼ Mixed / Cymysg	0.00% 0
▼ Other / Arall	14.46% 12
▼ Asian, Asian British / Asiaidd, Asiaidd Prydeinig	0.00% 0
▼ Black, Black British / Du, Du Prydeinig	0.00% 0
▼ Prefer not to say / Well gen i beidio â dweud	10.84% 9
Total	83

Cultural background – White

Answer Choices	Responses
British / Prydeinig	56.60% 30
English / Seisnig	11.32% 6
Other / Arall	1.89% 1
Scottish / Albanaidd	0.00% 0
Welsh / Cymreig	24.53% 13
Prefer not to say / Well gen i beidio â dweud	5.66% 3
Irish / Gwyddelig	0.00% 0
Gypsy or Irish Traveller / Sipsi neu Deithiwr Gwyddelig	0.00% 0
Total	53

Where 'Other' was selected 'Mixed English and Welsh' was specified.

Answer Choices	Responses
White / Black Caribbean - Gwyn / Du Caribbiaidd	0.00% 0
White / Black African - Gwyn / Du Affricanaidd	0.00% 0
Other / Arall	0.00% 0
White / Asian - Gwyn / Asiaidd	0.00% 0
Prefer not to say / Well gen i beidio â dweud	100.00% 2
Total	2

Cultural background – Mixed

Religion and belief

Answer Choices	Responses
Buddhist / Bwdhydd	0.00%
Christian / Cristion	52.24%
Other / Arall	16.42%
Hindu / Hindŵ	0.00%
Jewish / Iddew	0.00%
Muslim / Mwslim	0.00%
Sikh / Sikh	0.00%
Atheism / Anffyddiaeth	13.43%
Prefer not to say / Well gen i beidio â dweud	17.91%

Where 'Other' was selected 'Christo-Pagan' and '... I have no religion' was specified.

Equality Impact Assessment Statistics

Protected Characteristic (PC)	Number of proposals impacting on people with PC's
Age	Older people 16 / younger people 9
Disability	18
GR	6
Race	10
Religion and Belief	2
Marriage and Civil Partnership	0
Pregnancy and maternity	1
Sex	3
Sexual orientation	3
Welsh language	3
Poverty	4 (need to clarify which groups most likely to experience poverty)

Next steps

The feedback received will be considered by the Council's Scrutiny Committees in January.

Open to the public the meetings will be held on:

Corporate Resources Overview & Scrutiny Committee Thursday 22 January 2015 at 10am

Housing Overview & Scrutiny Committee Friday 23 January 2015 at 10am

Environment Overview & Scrutiny Committee Friday 23 January 2015 at 2pm

Social & Healthcare Overview & Scrutiny Committee Monday 26 January 2015 at 10am

Lifelong Learning Overview & Scrutiny Committee Monday 26 January 2015 at 2pm

The proposals will be considered for final approval at a meeting of Flintshire County Council on Tuesday 17 February 2015.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: FLINTSHIRE COUNTY COUNCIL

DATE: TUESDAY 17 FEBRUARY 2015

REPORT BY: CHIEF EXECUTIVE, CHIEF OFFICER
(ORGANISATIONAL CHANGE), CORPORATE
FINANCE MANAGER

SUBJECT: COUNCIL FUND CAPITAL PROGRAMME 2015/16
AND INDICATIVE FUNDING TO 2018/19

1.00 PURPOSE OF REPORT

1.01 To present the annual Council Fund Capital Programme for 2015/16 and indicative funding levels to 2018/19.

2.00 BACKGROUND

2.01 The draft annual Council Fund Capital Programme for 2015/16 and the indicative funding levels to 2018/19 was considered by Cabinet on Tuesday 16th December 2014 for initial approval and was also referred to Overview and Scrutiny for consideration.

2.02 The draft proposals were considered by the Corporate Resources Overview and Scrutiny Committee on 30th January 2015 (a meeting which was open to all Members), where Members offered comments and asked questions to clarify issues. A summary of these, together with Officers responses, is included in Appendix 3 of the attached Cabinet report.

2.03 The final budget proposals for 2015/16 and the indicative funding to 2018/19, which were unchanged from the draft stage, were considered by Cabinet earlier today. A copy of the report is attached as Appendix A.

2.04 Cabinet were recommended to approve the recommendations as set out in 9.01 of the attached report in full for recommendation to Council. A verbal update from Cabinet will be provided at the meeting. It is normal Council practice to approve the annual Capital Programme at the annual budget setting meeting alongside the annual Council Fund Revenue Budget.

3.00 CONSIDERATIONS

- 3.01 Flintshire has to achieve revenue efficiencies of circa £50m over the next three years and pressure on capital resources comes at the same time as these revenue pressures and is set to continue until at least the end of the decade. The combination of the two means that it is more important than ever that the Council's revenue and capital service delivery and financial planning are fully integrated.
- 3.02 In approving the 2014/15 Capital Programme Members endorsed a more prudent approach to setting the capital budget, particularly in relation to the recognition of capital receipts. This led to a reduced core programme in 2014/15 and in proposing the budget for 2015/16 this approach has been replicated again.
- 3.03 The Council is currently developing its Capital Strategy and integrated Asset Management Plan. The document will set out clearly the overall approach to capital management, alternative sources of funding and the effective delivery of its capital programmes of work in the future which are likely to move from the current core programme approach to one which is business case derived. This approach to future capital programme delivery will form one of the strands of an overall approach which will be set out within the Medium Term Financial Plan and will also assist and support a more structured and focussed delivery of the capital budget.

4.00 RECOMMENDATIONS

- 4.01 That Council approve the recommendations listed within the attached report from Cabinet at Section 9.01.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 Individual capital programme schemes may have specific anti poverty impacts.

7.00 ENVIRONMENTAL IMPACT

- 7.01 Individual capital programme schemes may have specific environmental impacts.

8.00 EQUALITIES IMPACT

- 8.01 Individual capital programme schemes may have specific equalities impacts.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 All Members and Overview and Scrutiny.

11.00 CONSULTATION UNDERTAKEN

11.01 All Members and Overview and Scrutiny on 30th January 2015.

12.00 APPENDICES

Appendix A - Report to Cabinet 17th February 2015: Council Fund Capital Programme 2015/16 and Indicative Funding to 2018/19.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

2015/16 budget papers, including Welsh government papers

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CHIEF EXECUTIVE, CHIEF OFFICER (ORGANISATIONAL CHANGE), CORPORATE FINANCE MANAGER**

SUBJECT: **COUNCIL FUND CAPITAL PROGRAMME 2015/16 AND INDICATIVE FUNDING TO 2018/19**

1.00 **PURPOSE OF REPORT**

1.01 The purpose of the report is to set out proposals for the Council Fund Capital Programme for 2015/16 (with indicative funding estimates for future years).

2.00 **BACKGROUND**

2.01 The Council plans on a 4 year capital programme timescale. Each year, the Council sets its capital programme for the coming year and provides an indication of the estimated level of resources available and has historically shown the potential allocation to service areas in future years.

2.02 Indicative amounts for 2015/16 were shown in the Capital programme 2014/15 report which was agreed by Council on 18th February 2014.

2.03 A meeting hosted by Corporate Resources Overview and Scrutiny Committee was held on 30th January to enable all Members to consider the 2015/16 capital programme. Members raised various comments and questions, responses were provided and a summary of these are in Appendix 3.

3.00 **CAPITAL STRATEGY**

3.01 Flintshire, along with all Councils, has experienced significant pressure on its capital programme in recent years. This results from reduced funding available through the annual financial settlement from Welsh Government (WG) and the impact the current austerity measures and related financial climate continues to have on the Councils ability to generate capital receipts.

Furthermore, as WG seeks to manage its own budgets, the specific grants available to Councils for capital investment in particular services have become more limited. For example, the initial funding proposal for the 21st Century Schools programme was; half unsupported (prudential) borrowing and the remaining half from WG specific capital grant. The WG half is now a mixture of grant and further Council borrowing with the WG providing revenue funding to support principal repayments and interest on the debt.

- 3.02 Flintshire has to achieve revenue efficiencies of circa £50m over the next three years and pressure on capital resources comes at the same time as these revenue pressures and is set to continue until at least the end of the decade. The combination of the two means that it is more important than ever that the Council's revenue and capital service delivery and financial planning are fully integrated.
- 3.03 In approving the 2014/15 Capital Programme Members endorsed a more prudent approach to setting the capital budget, particularly in relation to the recognition of capital receipts (Sections 5.02.2 to 5.02.6 of the Council Fund Capital Programme 2014/15 report to Cabinet on 18th February, 2014 refer). This led to a reduced core programme in 2014/15 and in proposing the budget for 2015/16 this approach has been replicated again.
- 3.04 Against this backdrop it is important to note that the Council sets its core capital programme and puts in place funding to meet urgent needs for 2015/16 to enable the resources to be in place to:-
- Support emerging requirements for change flowing from the Council's current business planning process;
 - Support key service needs e.g. schools maintenance;
 - Support investment which enables change and service flexibility e.g. ICT networks; and
 - Provide funding for property related costs e.g. Health & Safety measures, as well as measures to improve accessibility to our properties for those with disabilities.
- 3.05 In addition to the work and position detailed above the Council is currently developing its Capital Strategy and integrated Asset Management Plan. The document will set out clearly the overall approach to capital management, alternative sources of funding and the effective delivery of its capital programmes of work in the future which are likely to move from the current core programme approach to one which is business case derived. This approach to future capital programme delivery will form one of the strands of an overall approach which will be set out within the Medium Term Financial Plan and will also assist and support a more structured and focussed delivery of the capital budget.

4.00 FUNDING SHORTFALL OF APPROVED SCHEMES

4.01 The final 2013/14 outturn of approved schemes was a shortfall carried into financial year 2014/15 of **£1.578m**, as a direct result of receipts in previous years not being achieved or not achieving their anticipated levels. The aim, when setting the 2014/15 programme, was to focus on and eradicate this shortfall in order to place the capital programme on a sound footing going into 2015/16. This was to be achieved by:-

- the reduction in the core programme described in paragraph 3.03, and
- capital receipts generated in-year.

The projection (to date) is that this aim will be achieved.

5.00 FUNDING THE CAPITAL PROGRAMME

5.01 The capital programme includes the following parts which are funded as shown below:-

(a) A core capital programme resourced by:-

- The funding mechanisms within the WG financial settlement (general capital grant and supported borrowing where WG recognise the cost of this level of borrowing through funding in the revenue financial settlement in the Revenue Support Grant); and
- Capital receipts from the sale of Council assets in accordance with the disposal programme.

The Council has discretion to allocate both of these resources as it determines to meet its local priorities and needs.

- (b) Capital schemes funded from specific grants which are for specific purposes as directed by WG or other grant providers;
- (c) WG supported borrowing through the Local Government Borrowing Initiative (LGBI) for the 21st Century Schools (WG element); and
- (d) Locally determined unsupported (prudential) borrowing, the costs of which are met from the Council's revenue budget without support from WG.

6.00 CORE CAPITAL PROGRAMME

6.01 The total projected (to date) core funding available over the 4 year period 2015/16 to 2018/19, by way of the sources in 5.01 (a) above, is shown in the table below and amounts to £27.472m.

ESTIMATED AVAILABLE FUNDING 2015/16 - 2018/19					
	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m
Financing (Excluding Specific Grants)					
Unhypothecated Supported Borrowing (USB) ¹	4.270	4.270	4.270	4.270	17.080
General Capital Grant (GCG) ¹	2.598	2.598	2.598	2.598	10.392
Total	6.868	6.868	6.868	6.868	27.472

¹ As per 15/16 Final Settlement.

6.02 This shows that the total projected (to date) resources available in 2015/16 to fund the core capital programme are **£6.868m**.

Funding

6.03 The basis for the estimates of funding levels are as follows:-

Unhypothecated Supported Borrowing (USB) and General Capital Grant (GCG)

6.04 The final financial settlement received from WG on 10th December 2014 indicated a total of £6.868m, £4.270m through USB and £2.598m via GCG for 2015/16. This has been assumed to be consistent throughout the reporting period.

The total is £0.004m less than the 2015/16 provisional financial settlement reported to Cabinet on 16th December 2014.

Capital Receipts

6.05 The issue of capital receipts continues to be problematic and is negatively impacted upon by the current economic climate which leads to lower than anticipated disposal values in the current market. It is therefore difficult to predict with certainty when disposals will be effected and the funds realised to support the capital programme.

6.06 As a consequence of this continued position it is considered to be imprudent to set capital budgets where the funding may not be realised. In setting the 2014/15 Capital Programme a budget with a minimal target was set which the Council could be confident in achieving and would address the shortfall described in Section 4 above (£1.578m). Any additional receipt over and above this target figure would be allocated in 2015/16, placing the Capital Programme on a more secure footing during difficult economic times.

6.07 The current projection for capital receipts in 2014/15 is sufficient to meet 2014/15 core capital expenditure, though receipts actually received to date are minimal. Given past experience and the legal complexities that can occur in generating a capital receipt; the recommendation is to assume no receipts from 2014/15 are available to fund the 2015/16 core programme.

Further, it is therefore recommended that the 2015/16 core capital programme budget be set based without reliance on any capital receipts generated in 2015/16.

For information the Council is currently estimating a level of anticipated capital receipts in the order of £2.800m for financial year 2015/16, however, and for the reasons stated above, the delivery of these receipts is subject to negative market forces and legal complexities and at this stage in the budget setting process the delivery of this level of receipts should be treated with some caution.

6.08 It is of course possible that receipts generated in 2014/15 will exceed those needed to fund core capital expenditure. Any receipts generated over and above anticipated need during the remainder of 2014/15 could either be:-

- Allocated to the 2015/16 programme in year through quarterly budget monitoring reports to fund the core capital programme or works arising from corporate priorities; or
- Allocated for use in future years.

Allocation of the available funding

6.09 As indicated in 6.02, the total amount available to fund the core capital programme in 2015/16 is £6.868m.

6.10 A review of the core schemes has been carried out and the resulting recommended allocations for 2015/16 are summarised in the table below, with a more detailed breakdown in Appendix 1. The allocations total £6.535m.

CORE ALLOCATIONS BY PORTFOLIO	
	£m
Chief Executives	0.020
People & Resources	0.075
Governance	0.170
Education & Youth	2.035
Community & Enterprise	2.265
Planing & Environment	0.290
Transport & Streetscene	0.860
Organisational Change	0.820
TOTAL - COUNCIL FUND	6.535

Detailed programmes for future years will be drawn up in the light of actual levels of receipts becoming known.

- 6.11 The recommended allocations above result in a balance of **£0.333m** of core funding unallocated. This is a prudent position moving into the new financial year and provides a degree of protection to the core programme to deal with any issues which may arise in the delivery of those programmes.
- 6.12 The intention is to consider the emerging requirements for capital funding from the business plans to enable organisational change and deliver the necessary revenue efficiencies over the medium term.

It is recommended that unallocated funding, along with any surplus capital receipts realised in 2014/15 (if any, and over and above requirements set out in 6.07 above), be allocated to capital schemes arising from business plans. This would be subject to Portfolios submitting a sound business case and with the approval of Cabinet at a later date.

Current requirements under assessment at this stage include; investment in schools in support of school modernisation and repair programmes, investment to facilitate Community Asset Transfers (CAT's) and the installation of income generating energy installation facilities.

7.00 ESTIMATED TOTAL COUNCIL FUND CAPITAL PROGRAMME

7.01 The total projected funding available (including the core programme) over the 4 year period 2015/16 to 2018/19, by way of the sources in 5.01 (a) to (d) above, is shown in the table below and amounts to £82.719m.

ESTIMATED AVAILABLE TOTAL FUNDING 2015/16 - 2018/19					
	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m
Funding (Total)					
<u>General Funding</u>					
Unhypothecated Supported Borrowing (USB) ¹	4.270	4.270	4.270	4.270	17.080
General Capital Grant (GCG) ¹	2.598	2.598	2.598	2.598	10.392
Sub Total	6.868	6.868	6.868	6.868	27.472
<u>Specific Funding</u>					
Specific Capital Grants	19.959	4.250	0.504		24.713
Unsupported (Prudential) Borrowing	20.290	4.637	0.443		25.370
Local Govt Borrowing Initiative - 21st C Schools	3.575	1.589			5.164
Sub Total	43.824	10.476	0.947	0.000	55.247
Total Funding Available	50.692	17.344	7.815	6.868	82.719
1 As per 15/16 Final Settlement.					

7.02 This shows that the total resources available in 2015/16 to fund the capital programme are £50.692m.

7.03 Appendix 2 sets out the estimated total capital programme for 2015/16, taking account of all funding sources referred to in Section 5. These are detailed below.

7.04 The core allocations, as funded by those sources referred to in Section 5, can be found in the column 'General'.

7.05 Specific allocations can be found in the column 'Specific'. In 2015/16 this adds further investment of £43.824m (See 7.06 to 7.09 below).

7.06 Specific grants amount to £19.959m, the majority of which is 21st Century Schools (£19.122m). The amounts included are based on historical allocations and information available at the time of writing the report, any subsequent variation in the level of individual grants will be dealt with by amendments in subsequent budget setting reports, or by amending the budget in monitoring reports as necessary in year (2015/16). These allocations are for specific time durations hence the variation in amount year on year.

- 7.07 Unsupported (prudential) borrowing of £20.290m relates to Flintshire's element of the 21st Century Schools programme.
- 7.08 Welsh Government Local Government Borrowing Initiation (LGBI) funding mechanism for 21st Century Schools comprises an element of LGBI and specific capital grant. This equates to £22.697m for Flintshire in 2015/16 (£3.575m LGBI, £19.122m specific grant).
- 7.09 The funding for 2015/16 includes £42.907m related to 21st Century Schools. Whilst preliminary expenditure on the programme has taken place in 2013/14 and 2014/15, the profile is for significant expenditure to commence from 2015/16 to deliver on the £64m of investment in Flintshire schools under the 21st Century programme which is funded equally by Flintshire and WG.

8.00 CONSULTATION

- 8.01 A meeting of the Corporate Resources Overview & Scrutiny Committee was held on 30th January 2015, at which the capital programme proposals as set out in this paper were considered. The scrutiny meeting was open to all Members of the Council and the feedback from the meeting is incorporated at Appendix 3.

9.00 RECOMMENDATIONS

- 9.01 Cabinet is invited to recommended to Council on 17th February:
- Approval of the allocation of funding to the core capital programme in 2015/16, as shown in Appendix 1 (and note the indicative funding available for future years).

10.00 FINANCIAL IMPLICATIONS

- 10.01 As set out in the report.

11.00 ANTI-POVERTY IMPACT

- 11.01 Individual Capital Programme Schemes may have specific anti-poverty impacts.

12.00 ENVIRONMENTAL IMPACT

- 12.01 Individual Capital Programme Schemes may have specific environmental impacts.

13.00 EQUALITIES IMPACT

- 13.01 Individual Capital Programme Schemes may have specific equality impacts.

14.00 PERSONNEL IMPLICATIONS

14.01 None directly as a result of this report.

15.00 CONSULTATION REQUIRED

15.01 All Members through Overview & Scrutiny.

16.00 CONSULTATION UNDERTAKEN

16.01 Corporate Resources Overview & Scrutiny Committee on 30th January 2015.

17.00 APPENDICES

17.01 Appendix 1 - Core Capital Programme Schemes 2015/16

Appendix 2 - Total Capital Programme 2015/16

Appendix 3 - Feedback from Overview and Scrutiny

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 1

	2015/16 Estimate £m
--	---------------------------

SUMMARY	
CHIEF EXECUTIVES	0.020
PEOPLE & RESOURCES	0.075
GOVERNANCE	0.170
EDUCATION & YOUTH	2.035
SOCIAL CARE	0.000
COMMUNITY & ENTERPRISE	2.265
PLANNING & ENVIRONMENT	0.290
TRANSPORT & STREETSCENE	0.860
ORGANISATIONAL CHANGE 2	0.820
TOTAL - COUNCIL FUND	6.535

FINANCING	
Unhypothecated Supported Borrowing (USB)	4.270
General Capital Grant	2.598
(Unallocated - Headroom) / Under Financing	(0.333)
TOTAL - FINANCING	6.535

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

	2015/16 Estimate £m
--	---------------------------

CHIEF EXECUTIVES	
Clwyd Theatr Cymru	
General Provision	0.020
TOTAL - CHIEF EXECUTIVES	0.020

PEOPLE & RESOURCES	
Corporate Finance	
General Capital Works - Health & Safety	0.075
TOTAL - PEOPLE & RESOURCES	0.075

GOVERNANCE	
ICT and Customer Services	
General ICT Infrastructure	0.170
TOTAL - GOVERNANCE	0.170

EDUCATION & YOUTH	
Education - General	
Various School Building Works	1.700
Various DD Act - Individual Pupils	0.250
Various Furniture and Equipment	0.045
Primary Schools	
Various Learning Environments (Foundation Phase)	0.040
TOTAL - EDUCATION & YOUTH	2.035

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

	2015/16 Estimate
	£m

SOCIAL CARE		
Social Care		
General	Capital Works	0.000
TOTAL - SOCIAL CARE		0.000

COMMUNITY & ENTERPRISE		
Grants		
Various	Private Sector Renewal & Improvements	1.730
Shotton	Housing Renewal Area Support	0.155
Flintshire Connects		
Various	Flintshire Connects	0.250
Regeneration		
Various	Town Centre Regeneration	0.130
TOTAL - COMMUNITY & ENTERPRISE		2.265

PLANNING & ENVIRONMENT		
Energy Services		
Various	Energy Efficiency Measures	0.100
Engineering		
Various	Land Drainage Works	0.045
Various	Coast Protection Works	0.070
Townscape Heritage Initiative		
Flint	Townscape Heritage Initiative	0.075
TOTAL - PLANNING & ENVIRONMENT		0.290

CORE CAPITAL PROGRAMME SCHEMES APPENDIX 1 (Cont.)

	2015/16 Estimate £m
--	---------------------------

TRANSPORT & STREETSCENE		
Highways		
Various	Highways Infrastructure	0.520
Various	Bridge Assessments and Replacement	0.100
Various	Street Lighting Replacement	0.120
Various	Structural Maintenance	0.120
TOTAL - TRANSPORT & STREETSCENE		0.860

ORGANISATIONAL CHANGE 2		
Administrative Buildings		
Various	Disability Discrimination Act (DDA) Works	0.175
Various	Asbestos Removal	0.070
Various	Legionella Works	0.070
Various	Upgrading Fire and Intruder Alarms	0.055
Various	Fire Safety Order Works	0.100
Various	Corporate Property Maintenance	0.350
TOTAL - ORGANISATIONAL CHANGE 2		0.820

TOTAL - COUNCIL FUND	6.535
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CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2

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Estimate 2015/16		
Estimated Payments	Financing	
	General	Specific
£m	£m	£m

SUMMARY
CHIEF EXECUTIVES
PEOPLE & RESOURCES
GOVERNANCE
EDUCATION & YOUTH
SOCIAL CARE
COMMUNITY & ENTERPRISE
PLANNING & ENVIRONMENT
TRANSPORT & STREETSCENE
ORGANISATIONAL CHANGE 2
TOTAL - COUNCIL FUND

0.020	0.020	0.000
0.075	0.075	0.000
0.170	0.170	0.000
45.022	2.035	42.987
0.000	0.000	0.000
2.841	2.265	0.576
0.551	0.290	0.261
0.860	0.860	0.000
0.820	0.820	0.000
50.359	6.535	43.824

FINANCING
Unhypothecated Supported Borrowing (USB)
General Capital Grant
Capital Receipts
Specific Capital Grants
Unsupported (Prudential) Borrowing
LGBI - 21st Century Schools
(Unallocated - Headroom) / Under Financing
TOTAL - FINANCING

4.270	4.270	
2.598	2.598	
19.959		19.959
20.290		20.290
3.575		3.575
(0.333)	(0.333)	0.000
50.359	6.535	43.824

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments £m	Financing	
	General £m	Specific £m

CHIEF EXECUTIVES	
Clwyd Theatr Cymru	
General	Provision
TOTAL - CHIEF EXECUTIVES	

0.020	0.020	
0.020	0.020	0.000

PEOPLE & RESOURCES	
Corporate Finance	
General	Capital Works - Health & Safety
TOTAL - PEOPLE & RESOURCES	

0.075	0.075	
0.075	0.075	0.000

GOVERNANCE	
ICT and Customer Services	
General	ICT Infrastructure
TOTAL - GOVERNANCE	

0.170	0.170	
0.170	0.170	0.000

EDUCATION & YOUTH	
Education - General	
Various	School Building Works
Various	DD Act - Individual Pupils
Various	Furniture and Equipment
Primary Schools	
Various	Learning Environments (Foundation Phase)
School Modernisation	
Shotton	Taliesin Junior/Shotton Infant
Various	21st Century Schools
TOTAL - EDUCATION & YOUTH	

1.700	1.700	
0.250	0.250	
0.045	0.045	
0.040	0.040	
0.080		0.080
42.907		42.907
45.022	2.035	42.987

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments £m	Financing	
	General £m	Specific £m

SOCIAL CARE	
Social Care	
General	Capital Works
TOTAL - SOCIAL CARE	

0.000	0.000	
0.000	0.000	0.000

COMMUNITY & ENTERPRISE	
Grants	
Various	Private Sector Renewal & Improvements
Shotton	Housing Renewal Area Support
Flintshire Connects	
Various	Flintshire Connects
Regeneration	
Various	Town Centre Regeneration
Travellers' Sites	
Queensferry	Riverside Caravan Site
TOTAL - COMMUNITY & ENTERPRISE	

1.878	1.730	0.148
0.433	0.155	0.278
0.250	0.250	
0.130	0.130	
0.150		0.150
2.841	2.265	0.576

PLANNING & ENVIRONMENT	
Energy Services	
Various	Energy Efficiency Measures
Engineering	
Various	Land Drainage Works
Various	Coast Protection Works
Townscape Heritage Initiative	
Flint	Townscape Heritage Initiative
Ranger Services	
Connahs Quay	Wepre Park Development
TOTAL - PLANNING & ENVIRONMENT	

0.100	0.100	
0.045	0.045	
0.070	0.070	
0.309	0.075	0.234
0.027		0.027
0.551	0.290	0.261

CORE CAPITAL PROGRAMME SCHEMES

APPENDIX 2 (Cont.)

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Estimate 2015/16		
Estimated Payments	Financing	
	General	Specific
£m	£m	£m

TRANSPORT & STREETSCENE	
Highways	
Various	Highways Infrastructure
Various	Bridge Assessments and Replacement
Various	Street Lighting Replacement
Various	Structural Maintenance
TOTAL - TRANSPORT & STREETSCENE	

0.520	0.520	
0.100	0.100	
0.120	0.120	
0.120	0.120	
0.860	0.860	0.000

ORGANISATIONAL CHANGE 2	
Administrative Buildings	
Various	Disability Discrimination Act (DDA) Works
Various	Asbestos Removal
Various	Legionella Works
Various	Upgrading Fire and Intruder Alarms
Various	Fire Safety Order Works
Various	Corporate Property Maintenance
TOTAL - ORGANISATIONAL CHANGE 2	

0.175	0.175	
0.070	0.070	
0.070	0.070	
0.055	0.055	
0.100	0.100	
0.350	0.350	
0.820	0.820	0.000

TOTAL - COUNCIL FUND

50.359	6.535	43.824
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OVERVIEW & SCRUTINY
Corporate Resources – Council Fund Capital Programme

No.	Comments and Questions:	Responses:
1.0	<p><u>School Repair & Maintenance</u></p> <ul style="list-style-type: none"> The repairs allocation is £1.700m. How does this compare with the rate of deterioration in our school buildings? 	<ul style="list-style-type: none"> It is accepted that the £1.700m is insufficient to redress the level of outstanding repair and maintenance. Lifelong Learning Overview & Scrutiny have requested further information as to how this can be addressed, including the use of Prudential Borrowing.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: FLINTSHIRE COUNTY COUNCIL

DATE: TUESDAY, 17 FEBRUARY 2015

REPORT BY: CHIEF EXECUTIVE, CHIEF OFFICER (COMMUNITY AND ENTERPRISE), CORPORATE FINANCE MANAGER

SUBJECT: HOUSING REVENUE ACCOUNT 2015/16 & CAPITAL PROGRAMME 2015/16

1.00 PURPOSE OF REPORT

To present the Housing Revenue Account (HRA) Revenue and Capital Budget for 2015/16.

2.00 BACKGROUND

The final proposals for the HRA Revenue and Capital budget for the 2015/16 financial year, including proposed rent increases were considered by Cabinet on 17th February 2015, and recommendations made to County Council. A copy of the report is attached as Appendix 1.

3.00 CONSIDERATIONS

The outcome of the Cabinet meeting will be reported verbally to the Council, along with a presentation on the main details of the HRA for 2015/16.

4.00 RECOMMENDATIONS

Members are recommended to receive and approve the recommendation from Cabinet on 17th February 2015.

5.00 FINANCIAL IMPLICATIONS

As set out in the report to Cabinet on 17th February 2015.

6.00 ANTI POVERTY IMPACT

None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

None directly as a result of this report.

8.00 EQUALITIES IMPACT

None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

None directly as a result of this report.

10.00 CONSULTATION REQUIRED

None directly as a result of this report.

11.00 CONSULTATION UNDERTAKEN

None directly as a result of this report.

12.00 APPENDICES

Appendix 1 – Report to Cabinet – 17th February 2015

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17TH FEBRUARY 2015**

REPORT BY: **CHIEF OFFICER (COMMUNITY AND ENTERPRISE)**
CORPORATE FINANCE MANAGER

SUBJECT: **HRA REVENUE ACCOUNT 2015/16 & CAPITAL**
PROGRAMME 2015/16

1.00 PURPOSE OF REPORT

1.01 To present for approval the draft HRA Budget for 2015/16, and HRA Business Plan developed for the introduction of self-financing in April 2015.

2.00 BACKGROUND

2.01 The UK Government and the Welsh Government have reached an agreement to change the financing arrangements for council housing in Wales from April 2015. A new rent policy has also been introduced which Flintshire is required to implement from April 2015. This sets the context for the proposed rent increase and for the requirement to start introducing charging for services.

2.02 Welsh Local Authorities have long argued for this change; which to date, has seen a negative subsidy system in operation which has required all eleven stock owning councils across Wales to make a total annual payment of £73m (in Flintshire's case c£6m) of rental income to Welsh Government and on to the UK Treasury. On the introduction of self financing this will cease;

2.03 The new arrangements negotiated by Welsh Government will see the annual subsidy payment replaced by a one off payment of c£920m. The eleven councils are required to take out loans from the PWLB which equate to £40m per annum in interest charges.

2.04 In addition to this, a total borrowing cap of £1.85b has been set for all eleven councils. This includes the borrowing needed to meet the settlement figure referred to above; existing HRA borrowing; planned borrowing to meet WHQS, and a small amount to start a new build programme.

2.05 The legislative framework to enable this change is contained in the Housing (Wales) Act 2014, which came into effect from 17th September. This act contains a duty to make the settlement payment;

and in the UK Government – Wales Bill , which is currently at report stage, and will set the all Wales limit of indebtedness and those for individual Local Authorities’.

- 2.06 Welsh Government has also set a requirement for all providers of social housing to reach the Welsh Housing Quality Standard by 2020. This will require some prudential borrowing in Flintshire’s case.
- 2.07 The council has an aspiration to build council housing to help meet unmet need for social housing and self- financing is providing an opportunity to take this forward in the next few years.
- 2.08 The detail on the distribution of the borrowing limits across the eleven councils is a Welsh Government decision. WG established an officer Steering Group and a number of work streams to take forward this work and make recommendations to the Minister. A consultation paper on the detailed options to implement self financing was issued by Welsh Government in May this year with a return date of July. Flintshire’s response to this was supported by Housing Scrutiny Committee and agreed by Cabinet prior to submission.
- 2.09 In summary, (although figures cannot be defined explicitly at this stage), Flintshire’s borrowing requirements and/or limits for borrowing will be (approximately) as follows :-
- Existing HRA borrowing- £25m
 - Borrowing to achieve settlement- £92m
 - Borrowing for WHQS- £25m
 - Borrowing for new build- £14.5m
- 2.10 The initial borrowing of c£92m for buy out will result in a basket of loans of varying lengths in accordance with the Councils treasury Management Strategy. External advice has been sought and the recommendation is that the council continues to operate a single debt pool approach, providing maximum flexibility.
- 2.11 Work is well underway to prepare for self financing. A HRA project group has been established for some time; this includes the Leader, Deputy Leader, Cabinet member for Housing, Chief Executive, Chief Officer, Finance and Asset Management colleagues. Housing Scrutiny Committee has taken a strong interest in this work. An elected member and tenant workshop was held in January to discuss self financing.
- 2.12 At its November 2014 meeting, subject to a risk assessment, Cabinet gave delegated authority for the Leader of the Council with advice and guidance from the Chief Officer Governance and Corporate Finance Manager to enter into a Voluntary Agreement in January 2015, to enable the introduction of self financing for the HRA from 1st April 2015. This was delayed on the advice of Welsh Government in early

January. Interest rates had reduced considerably since the first proposals were developed with Treasury to confirm the detail of the Buy out arrangements and Local Authorities and Welsh Government wanted to see whether they could adjust the original agreement to provide greater certainty to Local Authorities around interest rate variations, making the buy out payment more certain. These discussions have been positive but are not yet finalised. The figures quoted in this report are close to what the final figures are likely to be and demonstrate the positive benefit that self financing will provide. Subject to a final risk assessment it is expected that the Leader will be able to sign the voluntary agreement towards the end of February.

- 2.13 The HRA will benefit from circa £0.5m additional revenue in year 1 and this should grow in future years. This will provide additional resource for investment in tenants homes and will support achievement of the WHQS by 2020, (whilst minimising prudential borrowing). In addition the borrowing thresholds set will allow a council house building programme (of circa 200 homes over five years), to commence in early 2016 following the completion of the SHARP tender process.

3.00 CONSIDERATIONS

- 3.01 The HRA has to have both short and long term financial planning in place. The short term (more detailed) planning shows how the WHQS standard can be achieved, Choices document promises kept, and new council housing commissioned. The longer term plan shows a viable account with surplus income over expenditure needs. This presents opportunities to do more to improve service delivery; provides reassurance that once achieved, the WHQS standard can be maintained, and could provide further capital funding for new build (subject to borrowing limits).
- 3.02 The strategic context for this year's HRA budget setting includes the following:
- The introduction of self- financing and the need to implement a treasury management strategy to meet the councils new and ongoing borrowing requirements
 - Delivering a prudent plan for income- ensuring that rents are affordable in a local context, and phasing in service charging for new tenants
 - Setting a balanced budget with 3.1% surplus revenue over expenditure
 - Continued drive to ensure all service costs are efficient and that value for money can be achieved.
 - Maximisation of revenue efficiencies to minimise the borrowing required to meet WHQS by 2020.
 - Review of WHQS investment strategy to meet tenant and elected member expectation and the new achievable deadline of 2020

- Planning for the delivery of new build council housing in 2016

Rent increase

- 3.03 Councils are required to implement the new Welsh Government rent policy from April 2015. Target rent bands are set for each landlord based on a consistent set of principles and a common methodology across Wales for both local Authorities and Housing Associations. Landlord rents will be based on locality, size quality and type of dwelling. Rents will be higher for houses and bungalows compared to flats and maisonettes. This framework will be fixed until 2018/19. There is flexibility for each landlord to set the rent band at target, 5% below or 5% above. Cabinet decided to set Flintshire rents at target to support tenant affordability.
- 3.04 Where a landlords weekly rent is lower than the rent band, rents are set at the September CPI figure plus 1.5% plus up to £2 per week, to work towards rent convergence. Where rents are above target (this applies to circa 1000 Flintshire homes), then the rent increase will be inflation (1.2%) plus 1.5% up to minus £2 until the weekly rent falls within the target rent band. The September 2014 figure was 1.2%. This means an average Flintshire rent increase of 2.7% plus or minus up to £2 for 2015/16. Approximately 67% tenants are in receipt of full or partial Housing Benefit.
- 3.05 The business plan attached to this report describes the average rent currently payable and the target rent for each property type. Some tenancies could take 7 years to achieve the target rent.

Capital programme

- 3.06 The WHQS and Asset investment programme for 2015/16 has been set at a total of £20.3m. This includes provision for internal work streams, external enveloping works, fire risk works, DDA, Asbestos, off gas and energy efficiency works. Cabinet has approved the Asset investment plan to achieve the WHQS by 2020 and this budget will ensure that the council meets the commitments in that plan to achieve the standard by 2020.
- 3.07 In addition £0.9m has been budgeted to commence the council house building programme.
- 3.08 Attached to this report for Cabinet approval: -
- The 3 year HRA business plan – Appendix A
 - 30 year revenue and capital account.- Appendix B
 - Efficiencies and service investment proposals –Appendix C
 - WHQS programme to achieve the standard in 2020.- Appendix D

4.00 RECOMMENDATIONS

- 4.01 Cabinet is asked to approve and recommend to the Council:-
- 4.02 The proposed HRA budget for 2015/16 as set out in the Business plan at Appendix A, with the 30 year financial assumptions in Appendix B and service efficiency and investment proposals in Appendix c
- 4.03 The level of rents for 2015/16 as set out in the business plan with target rents applied for new tenancies and the introduction of service charges for new tenancies.
- 4.04 The proposed HRA Capital programme for 2015/16 as set out in Appendix D

5.00 FINANCIAL IMPLICATIONS

- 5.01 The HRA is a ring fenced budget. This HRA budget and business plan demonstrates that the council can achieve the WHQS by 2020, can meet service improvement plans and commitments and with prudential borrowing can commence a council house building programme in 2016.

6.00 ANTI POVERTY IMPACT

- 6.01 Self-financing in the HRA will provide additional revenue to improve property standards and to meet service improvement objectives. The council has agreed a Rent Policy which will see rents at benchmark levels, rather than taking the opportunity to set at 5% per cent above the benchmark. This decision was taken to safeguard affordability for tenants.

7.00 ENVIRONMENTAL IMPACT

- 7.01 Stock investment delivery plans will enhance the appearance of the environment and will contribute toward the council's CO2 reduction targets.

8.00 EQUALITIES IMPACT

- 8.01 All households will benefit from the Councils WHQS programme. The impact of the investment planning and efficiencies is being modelled for various customer groups to ensure that there is no disproportionate impact on any groups with protected characteristics.

9.00 PERSONNEL IMPLICATIONS

- 9.01 Additional staff will be required to deliver an accelerated WHQS programme. The funding for these posts is provided for in the WHQS

programme.

10.00 CONSULTATION REQUIRED

10.01 The proposed rent increase will be discussed with the Tenants Federation at their February meeting.

11.00 CONSULTATION UNDERTAKEN

11.01 Detailed consultation has been undertaken with tenants and elected members to inform the preparation of the revised WHQS investment programme.

12.00 APPENDICES

12.01 HRA Business Plan- Appendix A

12.02 30 year HRA Revenue and Capital Account- Appendix B

12.03 Efficiencies and service investment proposals – Appendix C

12.04 WHQS programme- Appendix D

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

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FLINTSHIRE HOUSING REVENUE ACCOUNT:

BUSINESS PLAN

2015 - 2018



INTRODUCTION

The HRA funds the landlord function of the council for 7200 homes. This includes repairs and maintenance, including upgrading properties and environmental improvements, neighbourhood management including resolving anti-social behaviour and estate caretaking, income collection and customer involvement.

Self financing is being introduced for the Councils Housing Revenue Account (HRA) from April 2015. This will replace the current negative subsidy arrangements, whereby c£6m of tenants rent is paid to Central Government in Westminster annually.

The HRA will remain a ring-fenced account; and self financing is expected to provide additional revenue to deliver improved services and will provide more local accountability to tenants.

The new arrangements, which will apply to the 11 stock retaining councils, will see the annual subsidy payment replaced by a one off payment of c£920m. Each of the councils is required to take out loans from the PWLB to fund this payment, and these must cumulatively provide £40m per annum in interest charges. As interest rates fluctuate and borrowing must take place on 2nd April, it is not possible at this stage to model the actual impact from a Flintshire perspective. As at the beginning of February 2015 Flintshire's settlement figure is expected to be circa £92m.

In addition to borrowing to fund the buy out, a Wales wide borrowing cap has been set of £1.85b. This figure will include all existing borrowing, which from an all Wales perspective is circa £460m (£25m for Flintshire), borrowing to meet WHQS which is £358m for all Wales (£25m for Flintshire) the settlement figure of £920m; then leaving £112m for other priorities such as new build. Flintshire's negotiated share of the new build figure is £14.5m.

BACKGROUND

This report sets out budget proposals for the three year period 2015/2018. Value for money principles have been adopted to maximise resources for stock investment, service improvement and new build. **Page 108**

This plan identifies recent service change and efficiencies and future plans.

It does, as with any business plan, make some financial assumptions, and therefore any aspects which are adopted will need to be kept under review to ensure that assumptions reflect actual costs, performance and risks on an annual basis.

To date rents have been pooled meaning that service costs are charged out equally to all tenants irrespective of service recipient. The council is required by Welsh Government to de-pool rents and introduce charging for “services”. The expectation from Welsh Government is that this will be phased in from 2016 at the latest.

2012 HOUSING BALLOT – CHOICES DOCUMENT

In 2012, the council balloted its tenants on the option for ‘stock transfer’. This process involved making commitments to tenants on service quality and performance, should tenants opt to stay with the council or move to an alternative landlord. 71% of tenants used their vote, with 88% choosing Flintshire County Council to remain as their landlord.

This plan and budget proposals once approved will provide sufficient resources to ensure that all promises made to tenants in the Choices document can be delivered. At the time of the ballot a 5 year stock improvement programme was promised which would provide full kitchen and heating replacement schemes with limited work streams for other property fixtures. At this stage the full WHQS standard could not be delivered until 2038.

Since that time, following detailed cost and investment analysis work, robust efficiency plans and improved performance (coupled with relatively low levels of borrowing), the investment programme has been accelerated and full achievement of the standard can be delivered by 2020.

RESOURCES FOR 2015/16

Rents

The new Welsh Government Rent policy will be implemented for local authorities from April 2015 following exit from the Housing Revenue Account Subsidy system. The

target rent bands for each landlord are based on a consistent set of principles and a common methodology across Wales that applies equally to both local authority and housing associations. Landlord rents are based on locality, size, quality and type of dwelling. The policy prescribes that rents should have a higher value for houses and bungalows compared to those for flats and maisonettes and rents should have a higher value for larger dwellings.

The rent policy sets out the total target rent band for each landlord and landlords will be required to work towards and ultimately achieve average weekly rent levels that fall within the scope of those bands. The banding can be set at 5% above or below the target rent.

Where a landlord’s weekly rent is higher than the target rent band, the landlord is expected to increase its rents more slowly (inflation minus £2) until the average weekly rent falls within the target rent band. Where a landlord’s weekly rent is lower than the target rent band, transitional protection will apply to tenants. In any year a landlord will not be permitted to increase the rent for any individual tenant by more than £2 per week in addition to the agreed average annual rate of rent increases for the sector as a whole. The inflation indices to be used for uplifting rents each year will be based on CPI at the previous September and a real increase percentage of 1.5% will be applied to the inflation indices. This will be fixed until 2018/19.

CPI for Sept 2014 is 1.2% plus 1.5% giving rent inflation for 2015/16 of 2.7%. Anticipated Rental (including voids rent loss) and other income for the three year period 2015/16, 2016/17 and 2017/18 are shown in the table below:

Year	Net Rental Income	Other Income	Total Income
2015 – 2016	£28,365,000	£ 1,033,000	£ 29,398,000
2016 – 2017	£29,685,000	£ 1,270,000	£ 30,955,000
2017 – 2018	£30,959,000	£ 1,547,000	£ 32,506,000

Rent Charges		2015/16				
		£'s			No.	
		Target Rent	Average Transitional Rent	Variance	Equal to / Above Target Rent	Below Target Rent
Target Rents	Properties					
G2house	689	84.91	77.79	- 7.12	54	635
G3House	3201	93.40	82.97	- 10.43	60	3141
G4house	117	101.89	90.12	- 11.77	0	117
G5house	10	110.38	95.19	- 15.19	0	10
G6house	4	110.38	98.52	- 11.86	0	4
G1Flat	178	71.64	71.39	- 0.25	101	77
G2Flat	279	79.32	74.95	- 4.37	23	256
G3Flat	61	87.00	82.00	- 5.00	0	61
G1bungalow	11	76.42	72.59	- 3.83	1	10
G2bungalow	1	84.91	80.34	- 4.57	0	1
G3bungalow	1	93.40	96.72	3.32	1	0
G2maisonette	9	76.82	76.82	-	9	0
G3maisonette	1	84.50	77.75	- 6.75	0	1
S1house	1	76.42	72.07	- 4.34	0	1
S2house	2	84.91	77.15	- 7.75	0	2
S3house	15	93.40	86.76	- 6.64	2	13
S1Flat	504	71.64	71.15	- 0.49	370	134
S2Flat	341	79.32	78.44	- 0.88	210	131
S3Flat	2	87.00	85.46	- 1.54	1	1
S1bungalow	1138	76.42	70.76	- 5.65	130	1008
S2bungalow	619	84.91	76.07	- 8.83	21	598
S3bungalow	26	93.40	90.00	- 3.40	9	17
	7210	£ 85.97	£ 78.46	-£ 7.51	992	6218

The above chart shows the transitional rents chargeable to Flintshire tenants under the new rents policy from 2015/16 and how they compare to target rents. The average rent chargeable for 2015/16 is £78.46 some £7.51 below the weekly target rent under the new policy. There are currently 992 (13.8%) tenancies at target rent.

G = General Need

S = Sheltered

The number equates to the number of bedrooms the property has for example a G3house is a general need 3 bed house.

Empty Properties

Void rent loss is currently at 1.38% of rental income. The business plan assumes void rent loss of 1.30%.

Service Charges

Flintshire Council currently pools rents and service charges, and is required to start the process of disaggregating service charges from rents. Some tenants receive additional services, over and above the service that is provided through rent payments. This tends to apply to those living in blocks of flats, or in schemes with communal/shared facilities. De pooling involves separating out these costs and charging them as a service charge to those who receive the service.

It is recognized that the costs for providing some current services are not value for money and the quality of some services will need to be improved and costs reduced.

With the exception of services provided for the benefit of individuals, the service charges described are all currently "housing benefit eligible". At the beginning of this financial year 67% of tenants were in receipt of full or partial housing benefit.

It is proposed that charges would be introduced on a phased basis for existing tenants over the three years from 2016 leaving a full year to review, consult and improve services. Charging will be introduced fully for new tenancies from April 2015.

The HRA currently funds services to the value of £0.700m per annum (excluding Administration costs). Service charging will be phased in as follows:

Year 1 (2015/16) New tenants service charges

Year 2 (2016/17) As above and Aerials, individual gardens, hedges and communal cleaning services

Year 3 (2017/18) As above and Laundry and Janitor services

Year 4 (2018/19) As above and Caretaking and Communal garden services

The estimated cost recovery based on current service costs for 2015/16 is £0.030m.

Expenditure

The business plan includes 219.2 established Positions (FTE) within the Housing Revenue Account in 2015/16 a reduction of 7.3 FTE's on 2014/15. 73% of these are direct service posts and 27% are back office and management.

Housing Asset Management

Housing Asset Management (HAM) includes Responsive repairs, voids, WHQS and cyclical works and Disabled adaptations. Total FTE's for HAM assumed in the plan are 150.4 a reduction of 3.0 FTE's on 2014/15. The revenue budget for 2015/16 is £8.398m and includes £0.207m of savings targets compared to 2014/15.

Total Housing Asset management and support costs for 2015/16 are £1.153m (£160 per tenancy a reduction of £3 on 2014/15) and total repair and maintenance expenditure costs are £7.245m (£1,005 per tenancy a reduction of £33 on 2014/15)

Tenancy Management

Tenancy Management (TM) includes Rents, Anti Social Behaviour, Tenant participation and Tenancy management services. Total FTE's assumed in the plan are 35.6; a reduction of 3.5 on 2014/15. The budget for 2015/16 is £1.573m and includes £0.301m of savings targets compared to 2014/15.

Total Tenancy management support costs for 2015/16 are £0.266m (£37 per tenancy a reduction of £18 on 2014/15) and Tenancy management frontline costs are £1.308m (£180 per tenancy a reduction of £24 on 2014/15).

Estate Services

Estate Services (ES) includes all costs associated with service charges and landlord costs for communal buildings. Total FTE's assumed in the plan for ES are 8.6, an increase of 0.5 Fte's on 2014/15. This is for a service charge officer post to enable implementation of the service charge programme. The budget for 2015/16 is £1.024m.

The total cost for estate services equates to £142 per tenancy in 2015/16.

Support Services

Support Services include Finance and cash collection, I.T, member services, HR and Training, Legal, Insurance, Buildings, admin and Corporate management costs. The budget for 2015/16 is £2.280m and includes £0.355m of savings targets compared to 2014/15.

Total support services costs are £316 per tenancy a reduction of £43 per tenancy.

Capital Financing

The HRA self financing requires that FCC borrows the settlement amount from PWLB at the beginning of 2015/16. The current estimated figure for Flintshire is £92m.

The borrowing strategy for 2015/16 is not to commit to long term borrowing too early, to wait until it is clear from capital expenditure plans and reserves that long term borrowing is needed. The HRAS settlement amount will be borrowed on the 2nd April as required, but with £10m being borrowed for 1 year, providing some flexibility in FCCs loan portfolio.

When the loan matures in 2016/17 it can be refinanced on a short or long term basis from the PWLB or from the wider market.

Capital financing costs for 2015/16 are estimated at £5.6m a reduction of £0.5m which is the anticipated saving associated with leaving the HRA subsidy system. This figure is likely to be fluid until self financing is concluded and will be monitored and revised as necessary.

Expenditure over the same period is forecasted as follows:

Year	Management Costs	Repairs	Capital Financing	Total Expenditure
2015/16	£4,877,000	£8,398,000	£5,621,000	£18,896,000
2016/17	£4,936,000	£8,201,000	£7,847,000	£20,984,000
2017/18	£4,950,000	£8,364,000	£8,355,000	£21,669,000

Service	Management cost per tenancy	Service Cost per tenancy	Total cost per tenancy
Housing Asset Management	£160	£1,005	£1,165
Estate Services	£0	£142	£142
Tenancy Management	£37	£180	£218
Support Services	£316	£0	£316
Debt Financing	£759	£0	£759
Total Cost	£1,272	£1,327	£2,600

The capital programme for 2015/16 is £21.2m of which the majority is allocated to achieving the Welsh Housing Quality Standard.

Council House Build Programme

Self financing will provide the HRA with enough borrowing headroom to start a build programme of new Council homes. It is anticipated that 200 homes could be built over 5 years if these are all built on HRA land, and costs are controlled closely. A full procurement exercise is underway and the developer should be appointed by May 2015, with the first start on site in early 2016.

The proposed mix for the first Council house development in Chapel St Flint includes:

14	2 bed houses
8	3 bed houses
6	1 bed apartments
2	2 bed apartments.
Total	30 Council homes

A further 20 homes will also be started at the same time in other sites across the county.

A Task and Finish group has been established, with representation from tenants and elected members to agree the Flintshire House standard. Key priorities have been identified which are, energy efficiency, sufficient storage space and adequate room sizes for family living, lifetime home elements which are practical and cost effective to deliver so making properties fit for purpose for a range of needs across residents lives;

Business plan headroom of £14.5m has been identified for the programme at the moment but this could be extended if further efficiencies are identified and delivered.

BRIEF SUMMARY OF RECENT SERVICE CHANGES / EFFICIENCIES ALREADY ESTABLISHED

Delivering the Choices Document promises

Since the positive ballot result for the future ownership of the council housing stock, the council has focussed on delivering the promises made to tenants in the Choices document. These included both service improvements and stock investment. A number of the successes are detailed below;

- Appointed two Tenant Liaison Officers to involve customers in the delivery of improvements in their homes, and appointed a Customer Involvement Assistant on a temporary basis as a trial.
- A dedicated Anti-Social Behaviour Team of three officers has been created. This has improved the service to those suffering anti-social behaviour considerably.
- Face to face customer service has been improved through the opening of three Flintshire Connects Centres in Holywell, Flint and Connahs Quay.
- Creation of a Financial Inclusion and Tenancy Support Team to support tenants struggling with debt and maintain their tenancies
- Community hubs developed to deliver support services to older tenants in a number of areas throughout the County
- Creation of Apprenticeships and Local Jobs through the Welsh Housing Quality Standard delivery programme

Staffing Costs

Senior Management Costs have reduced significantly over the last three years: At this stage there were four Senior Managers and 50% Head of service costs associated with leading and managing the HRA. From early 2015 this has now reduced to 1 senior Manager and 30% of the cost of the Chief Officer.

Team Staffing Costs: Housing Asset Management has recently restructured to reduce staffing costs creating savings of £174.0k and Neighbourhood Housing Management are currently re-structuring and have supported voluntary redundancies, flexible retirements, and applications for full time staff to reduce hours. The proposed re-structure and associated salary savings are addressed later in this report.

Lean Reviews

Lean reviews on all areas of the service led by a team of internal staff, and involving customers trained in the process has been carried out in order to improve performance, and reduce cost. For example, a review of the collection of 'Former Tenant Arrears' was completed and has increased collection from £56.7k in 2011/12 to £117.3k in 2013/14.

A further example of how lean has been used to generate more efficient ways of working is the introduction of appointments and reminders reducing the incidents of failed appointments and is creating ongoing efficiencies.

Closure of Depot

Housing Asset Management has delivered savings in operational costs of £95.6k by closing an outdated depot.

Outsourcing Stores

Housing Asset Management has delivered savings of £101.2k by outsourcing stores to an external provider.

Multi-Skilling

Enhancing trades' staff multi-skilling has brought about ongoing efficiencies by reducing the need for multiple appointments and associated costs to repairs.

Fleet Review

The completion of the fleet review has resulted in efficiencies of £81.8k

Gas Servicing

The introduction of compressed working hours (8 day fortnight) has meant that the service can be extended from 08:00 – 18:00 resulting in greater performance and lower risk to the council of expired gas safety certificates. The introduction of warrants for forced entry access has reduced the costs of legal cases.

2012/13	No. planned	No. delivered
Heating upgrades	600	1100
Kitchen replacements	922	1100
Smoke detectors	884	2400
Bathroom replacements	56	62

2013/14	No. planned	No. delivered
Heating upgrades	600	977
Kitchen replacements	922	1118
Smoke detectors	884	804
Bathroom replacements	0	200

I.T system- Anti- Social Behaviour Case Management

The introduction of the React System from a paper-based system will enable costs of cases to be tracked to ensure value for money (2014-15 is the first benchmarking year) and has improved performance by enabling effective case management and performance management.

The number of editions of the publication “Housing News” has been reduced from 4 to 2 and less costly options have been selected in respect of paper choice. This has reduced costs by £7k per year.

Voids Performance

The performance for all Void properties in 2013-14 was an average of 42 days compared to 47 days for 2012-13. Letting days for normal Voids was just 33 days in Q2 2014/15. This means that average rent loss for void properties now equates to 1.35% of the rent debit, a consistent reduction.

Rent arrears

Despite the introduction of benefit changes in April 2013 and a subsequent reduction in Housing Benefit to the HRA of circa £800k it has been possible to maintain performance in this area through a proactive approach to affordability and debt management. The council has also out-performed the national average in its ability to transfer customers to the smaller properties that they have requested.

Co-location of Area Housing Teams

The co-location of the three area housing teams along with the ASB Team, Income Team and Customer Involvement, has enabled the Connah’s Quay and Mold offices to close. The Neighbourhood Teams were one of the first to pilot agile and the new flexible working system. This has enabled a reduction in office space and a greater flexibility for both staff and customers, with appointments being offered later than previously with no additional costs to the service.

New proposals for efficiencies and service improvement

This plan provides additional efficiencies of c£1.2m by year 3. The principles underpinning the efficiencies are as follows:

- Joint Procurement
- Realising and releasing capacity
- Undertaking work for internal and external partners
- Improved performance
- Increased customer satisfaction.

- The demand for social housing is nationally outstripping supply, so there is minimal risk to the HRA not having sufficient demand for its properties in general terms. However, the design and location of some properties has resulted in low demand which incurs costs for the council through rent loss.
- Sheltered bedsits can be unpopular, and the introduction of welfare reform has significantly reduced demand for upper floor 2 bedroom flats. Similarly the location of some sheltered properties impacts adversely on demand and therefore consideration may need to be given in the long term to the re-designation of some units of accommodation to general needs. Particularly in some areas where 'single-person general need' accommodation is in short supply, and pressures are faced by the council fund to find temporary accommodation for vulnerable homeless single people. These issues are addressed in the Asset Management Strategy.
- WHQS must be achieved by 2020/2021 requiring an investment of £107m however it can be assumed that this additional investment will have a positive impact on the demand for repairs, and the scale of investment needed post 2020/21. Completion of the works will gradually (from April 2015), release capacity for the DLO workforce to undertake capital work streams.

WHAT THE FUTURE SERVICE WILL LOOK LIKE AND WHAT NEEDS TO CHANGE:

- Further improved productivity and performance
- Technology and support systems utilized to full potential
- Introduction of more customer self-serve options
- Improved management of housing stock to protect WHQS investment
- Longer operating hours (8am to 6pm)
- Inspections carried out by trades staff
- "Right First Time" approach, including a considerable increase in repairs jobs being completed on the first visit and routine housing enquiries being resolved at the first point of contact through the Contact Centre or Connects.
- Majority of repairs undertaken through appointment and scheduling system

- Streamlined processes to manage absence, capability, and disciplinary issues.
- Increased capital works to deliver WHQS
- Improved Business Intelligence from IT System
- More automated workflows through Civica and Capita System
- Increased internal collaboration and joint procurement
- Consideration of the opportunities and benefits for external collaboration

RISK MANAGEMENT

A risk management plan has been developed for the WHQS programme and this is regularly monitored by both scrutiny committee and the Cabinet. Reports have also been considered on progress of the Choices Document promises by Scrutiny Committee and by regular reporting to tenants conferences and the Tenants Federation.

A revised risk assessment process is under development for the council and this will be applied to this business plan before April 1st to include new key strategic risks as identified below:

- Self financing
- MRA funding commitment
- Council house building programme

CONCLUSION

This plan is written at a time of significant change for council housing finance across Wales. There are positive opportunities ahead to provide good quality housing services; local homes maintained to a high standard and new council homes built to meet local housing need.

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		Income			Expenditure						Net Operating Balance				Available Capital Funding					Capital Programme			
Year	Year	Net Rent Income	Other Income	Total Income	Tenancy Mgmt	Estate Services	Housing Asset Mgmt	Support Costs	Debt Charges	Total Expenses	Net Operating Expenditure	Balance B/F	CERA	Balance C/F	CERA	MRA	Prudential Borrowing	Capital Receipts	Total Capital Funds	WHOS Capital Programme	SHARP programme	Shortfall	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000								
1	2015.16	(28,365)	(1,033)	30 y	1,573	1,024	8,398	2,280	5,621	18,896	(10,502)	(946)	10,787	(661)	10,787	5,200	5,400	-	21,387	20,298	900	(189)	
2	2016.17	(29,685)	(1,270)	(30,955)	1,601	1,044	8,201	2,291	7,847	20,984	(9,971)	(661)	9,897	(734)	9,897	5,200	10,500	-	25,597	21,589	4,017	9	
3	2017.18	(30,959)	(1,547)	(32,506)	1,632	1,065	8,364	2,253	8,355	21,669	(10,837)	(734)	10,813	(758)	10,813	5,200	12,400	-	28,413	23,004	5,517	107	
4	2018.19	(32,192)	(1,839)	(34,031)	1,664	1,086	8,531	2,296	8,902	22,479	(11,552)	(758)	11,524	(787)	11,524	5,200	8,900	-	25,624	20,214	5,682	272	
5	2019.20	(33,366)	(1,877)	(35,243)	1,697	1,108	8,700	2,341	9,006	22,851	(12,392)	(787)	12,379	(800)	12,379	5,200	-	-	17,579	17,217	0	(362)	
6	2020.21	(35,103)	(1,898)	(37,001)	1,730	1,130	8,874	2,387	8,810	22,932	(14,069)	(800)	14,066	(803)	14,066	5,200	3,000	-	22,266	19,518	0	(2,748)	
7	2021.22	(36,332)	(1,928)	(38,260)	1,765	1,153	9,051	2,435	8,727	23,132	(15,128)	(803)	15,121	(810)	15,121	5,200	-	-	20,321	22,739	0	2,418	
8	2022.23	(37,604)	(1,959)	(39,562)	1,800	1,176	9,233	2,484	8,531	23,223	(16,339)	(810)	16,336	(813)	16,336	5,200	-	-	21,536	17,351	0	(4,185)	
9	2023.24	(38,736)	(1,990)	(40,726)	1,836	1,199	9,417	2,534	8,310	23,296	(17,430)	(813)	17,427	(815)	17,427	5,200	-	-	22,627	17,871	0	(4,756)	
10	2024.25	(39,782)	(2,022)	(41,804)	1,873	1,223	9,605	2,584	8,086	23,372	(18,432)	(815)	18,429	(818)	18,429	5,200	-	-	23,629	18,407	0	(5,222)	
11	2025.26	(41,643)	(2,064)	(43,707)	1,911	1,248	9,798	2,636	7,871	23,463	(20,245)	(818)	20,241	(821)	20,241	5,200	-	-	25,441	18,959	0	(6,482)	
12	2026.27	(41,959)	(2,089)	(44,048)	1,949	1,272	9,994	2,689	7,669	23,572	(20,476)	(821)	20,472	(825)	20,472	5,200	-	-	25,672	19,528	0	(6,144)	
13	2027.28	(43,092)	(2,123)	(45,215)	1,988	1,298	10,193	2,742	7,434	23,656	(21,559)	(825)	21,556	(828)	21,556	5,200	-	-	26,756	20,114	0	(6,642)	
14	2028.29	(44,255)	(2,158)	(46,414)	2,028	1,324	10,397	2,797	7,203	23,749	(22,665)	(828)	22,662	(831)	22,662	5,200	-	-	27,862	20,717	0	(7,144)	
15	2029.30	(45,450)	(2,195)	(47,645)	2,068	1,350	10,605	2,853	6,975	23,852	(23,793)	(831)	23,790	(835)	23,790	5,200	-	-	28,990	21,339	0	(7,651)	
16	2030.31	(46,678)	(2,232)	(48,909)	2,109	1,377	10,817	2,910	6,749	23,963	(24,946)	(835)	24,942	(839)	24,942	5,200	-	-	30,142	21,979	0	(8,163)	
17	2031.32	(48,861)	(2,281)	(51,142)	2,152	1,405	11,034	2,969	6,540	24,099	(27,043)	(839)	27,038	(843)	27,038	5,200	-	-	32,238	22,639	0	(9,600)	
18	2032.33	(49,232)	(2,309)	(51,541)	2,195	1,433	11,254	3,028	6,307	24,217	(27,324)	(843)	27,320	(848)	27,320	5,200	-	-	32,520	23,318	0	(9,202)	
19	2033.34	(50,561)	(2,348)	(52,910)	2,239	1,462	11,479	3,088	6,083	24,351	(28,559)	(848)	28,554	(852)	28,554	5,200	-	-	33,754	24,017	0	(9,737)	
20	2034.35	(51,927)	(2,389)	(54,316)	2,283	1,491	11,709	3,150	5,889	24,523	(29,793)	(852)	29,787	(858)	29,787	5,200	-	-	34,987	24,738	0	(10,249)	
21	2035.36	(53,329)	(2,431)	(55,760)	2,329	1,521	11,943	3,213	5,440	24,447	(31,313)	(858)	31,316	(856)	31,316	5,200	-	-	36,516	25,480	0	(11,036)	
22	2036.37	(54,768)	(2,474)	(57,242)	2,376	1,551	12,182	3,277	5,121	24,507	(32,736)	(856)	32,733	(858)	32,733	5,200	-	-	37,933	26,244	0	(11,689)	
23	2037.38	(57,330)	(2,532)	(59,862)	2,423	1,582	12,426	3,343	4,779	24,553	(35,309)	(858)	35,307	(859)	35,307	5,200	-	-	40,507	27,032	0	(13,475)	
24	2038.39	(57,766)	(2,563)	(60,329)	2,472	1,614	12,674	3,410	4,539	24,709	(35,620)	(859)	35,615	(865)	35,615	5,200	-	-	40,815	27,843	0	(12,972)	
25	2039.40	(59,326)	(2,609)	(61,935)	2,521	1,646	12,928	3,478	4,483	25,056	(36,878)	(865)	36,866	(877)	36,866	5,200	-	-	42,066	28,678	0	(13,388)	
26	2040.41	(60,927)	(2,656)	(63,584)	2,571	1,679	13,186	3,548	4,314	25,298	(38,286)	(877)	38,277	(885)	38,277	5,200	-	-	43,477	29,538	0	(13,939)	
27	2041.42	(62,572)	(2,705)	(65,277)	2,623	1,713	13,450	3,619	4,146	25,550	(39,727)	(885)	39,718	(894)	39,718	5,200	-	-	44,918	30,424	0	(14,494)	
28	2042.43	(64,262)	(2,755)	(67,016)	2,675	1,747	13,719	3,691	3,897	25,729	(41,287)	(894)	41,281	(901)	41,281	5,200	-	-	46,481	31,337	0	(15,144)	
29	2043.44	(67,268)	(2,822)	(70,090)	2,729	1,782	13,993	3,765	3,765	26,034	(44,056)	(901)	44,045	(911)	44,045	5,200	-	-	49,245	32,277	0	(16,968)	
30	2044.45	(70,389)	(2,891)	(73,280)	2,783	1,817	14,273	3,840	3,635	26,349	(46,931)	(911)	46,920	(922)	46,920	5,201	-	-	52,121	33,246	0	(18,875)	

HRA Business Planning - Appendix C										
	Risk	Income Model 1 and 2	2015/16	2016/17	2017/18	Notes	Service Impact RAG	Deliverability	Staffing Implications RAG	EIA RAG
1	LOW	Increased rental income from rent reform inc. agreed inflationary increases	(1,060,928)	(1,319,841)	(1,273,947)	Rent re-structuring will mean an increase in rental income until the target rent is achieved.	Green	Green	Green	Green
2	LOW	Reduction in income arising from phased implementation of gardens and service charges	738,051	522,187	266,271	2014/15 Business plan assumed full implementation in year 1. This reduction in income reflects the revised phased implementation plan.	Amber	Green	Green	Green
		Total	(322,877)	(797,655)	(1,007,676)					

	Risk	Savings Options Model 1 and 2	2015/16	2016/17	2017/18	Notes	Service Impact RAG	Deliverability	Staffing Implications RAG	EIA RAG
3	LOW	Maximise material efficiencies via product mix and pricing 3%	(56,000)	(56,000)	(56,000)	Realise efficiencies through the Travis Perkins contract via price reductions or changing product types.	Green	Green	Green	Green
4	MEDIUM	Fire Alarm Testing in-house	(45,000)	(45,000)	(45,000)	Proposal for Estate Caretakers to carry out function in place of contractors.	Green	Amber	Amber	Green
5	MEDIUM	Mobile Working back office savings	1,056	(21,761)	(21,761)	1 FTE Admin Staff reduction as a result of less paperwork and more efficient back office processes. Replaced with a one year system auditor post for implementation of job shedding	Green	Green	Amber	Green
6	MEDIUM	Mobile working performance and productivity savings	150,000	(24,555)	(24,555)	Void programme of works incorporating a phased move from subcontractors in year 1 to a team of 6 trades staff in years 2 and 3 as a result of increased productivity allowing for the redeployment of resource.	Green	Green	Amber	Green
7	LOW	Reduction in PPE and cleaning products	(10,000)	(10,000)	(10,000)	A reduction in the supply of PPE to supply only essential items and a reduction in the supply of some cleaning materials will result in savings of £10k pa	Green	Green	Green	Green
8	LOW	Remove Tenant Incentive Budget and replace with urgent cases budget	(20,000)	(20,000)	(20,000)	Currently have a budget of £35000 to assist tenants with downsizing.	Green	Green	Green	Green
9	MEDIUM	Review security policy for voids	(100,000)	(100,000)	(100,000)	Review Options for achieving value for money on void security costs	Amber	Green	Green	Green
10	LOW	Reduced expenditure on rent credits on tenancy commencement.	(27,000)	(27,000)	(27,000)	Prospective tenants are now provisionally allocated properties well in advance of the tenancy start date so there is a reduced need to provide rent free weeks at the start of the tenancy	Green	Green	Green	Green
11	MEDIUM	Van stock management	(10,000)	(10,000)	(10,000)	Fuel reductions due to effective van stock management	Green	Green	Green	Green
12	MEDIUM	Savings on the stores contract	0	(56,000)	(56,000)	This could be achieved through a joint contract with Wrexham or as part of a re-tendered service.	Green	Amber	Green	Green

13	MEDIUM	Introduction of flexible working for trades staff	(22,000)	(22,000)	(22,000)	15% reduction in overtime as some tradesstaff are working until 6pm meaning Emergencies can be dealt with by those working and not through overtime.	Green	Green	Green	Green
14	MEDIUM	Introduce a tree management policy	(18,000)	(18,000)	(18,000)	Essential tree works only on trees in tenants gardens. Medium risk as may increase H&S issues	Green	Green	Green	Green
15	HIGH	Fleet Management	(10,000)	(10,000)	(10,000)	15% reduction on management costs as more efficient processes following Corporate Fleet Review.	Green	Green	Green	Green
16	MEDIUM	Reduced Tenant Group Funding	(2,750)	(2,750)	(2,750)	10% reduction on tenant group funding.	Green	Green	Green	Green
17	MEDIUM	Reduce Inspection Team	(42,580)	(96,588)	(96,588)	Reduce inspection team as trades carry out more trade based inspections - reduction of 3 x FTEs	Amber	Green	Red	Amber
18	LOW	Housing Management Restructure	(116,801)	(116,801)	(116,801)	Assumptions made about salary grades as JEQs yet to be assessed.	Amber	Amber	Red	Green
19	LOW	Business Improvement Officer	(34,410)	(34,410)	(34,410)	Deletion of post in HAM as work is being absorbed within the current resources.	Green	Green	Red	Amber
20	MEDIUM	Reduce external conference events for tenant groups	(3,650)	(3,650)	(3,650)	A reduction in the funding for external conferences from £7650 to £4k.	Amber	Amber	Green	Green
21	LOW	Reduce postage costs / increase electronic communications	(3,500)	(7,000)	(7,000)	Lower saving in Year 1 to incentivise switch to electronic.	Green	Amber	Green	Green
22	MEDIUM	Increase insurance excess	(46,849)	(46,849)	(46,849)	Insurance excess can be increased to reduce cost of insurance. Medium risk as savings could be offset by number of claims.	Amber	Green	Green	Green
23	LOW	One off decant costs	(132,591)	(132,591)	(214,782)	Budget for regeneration of Flint. Once complete savings can be made. Majority of occupiers have now been re-housed.	Green	Green	Green	Green
24	Low	One year IT post ended	0	(30,358)	(30,358)	One year IT project post for Job scheduling and service charges.	Green	Green	Green	Green
25	Low	One off Redundancy Costs	(183,600)	(183,600)	(183,600)	Redundancy costs will be found via in year staff vacancy savings	Green	Green	Green	Green
26	Low	Reduce bad debt provision	(20,000)	(20,000)	(20,000)	Budget realignment	Green	Green	Green	Green
		Total	(753,675)	(1,094,913)	(1,177,105)					

WHQS		
3.00%	4.50%	107,573,324

	Stock Condition Survey	Eco Funding/Non Trad. Properties	Internal Works	Envelope Works	Fire Risk	External works	Off Gas Cost	Environmental Works	Asbestos	DDA/Smoke Alarms	Empty Properties	Welfare Reform Remodelling	Contingency/Ur gents	Fees	WHQS Total	DFG	Flintshire Regen	Non WHQS Total	WHQS P.U	Other Capital P.U	Total Capital P.U	Stock
	£	£					£		£				£	£	£	£						
2015.16		2,800,000	8,391,450	3,914,950	500,000	475,000	1,100,000	0	350,000	50,000	500,000	100,000	446,442	669,663	19,297,505	1,000,000	900,000	1,900,000	2,676	264	2,940	7,210
2016.17		550,000	11,952,550	2,581,150	150,000	475,000	750,000	950,000	350,000	50,000	750,000	100,000	520,761	781,142	19,960,603	1,030,000	4,017,000	5,047,000	2,768	700	3,552	7,210
2017.18		700,000	9,853,450	5,834,900	150,000	475,000	500,000	950,000	350,000	50,000	350,000	100,000	547,901	821,851	20,683,101	1,060,900	5,516,680	6,577,580	2,861	910	3,945	7,230
2018.19		0	6,825,000	7,051,850	150,000	475,000	0	950,000	350,000	50,000	350,000	100,000	478,556	717,833	17,498,239	1,092,727	5,682,180	6,774,907	2,407	932	3,562	7,270
2019.20		0	2,662,500	7,286,600	150,000	475,000	0	1,900,000	350,000	50,000	350,000	100,000	389,223	583,835	14,297,158	1,125,509	0	1,125,509	1,956	154	2,355	7,310
2020.21		0	662,500	10,718,750	150,000	475,000	0	1,900,000	350,000	50,000	350,000	100,000	432,188	648,281	15,836,719	1,159,274		1,159,274	2,161	158	2,663	7,330
2021.22	11,728,000		2,123,550	1,967,800		150,000		350,000			500,000		489,581	734,371	18,043,301	1,194,052		1,194,052	2,462	163	3,102	7,330
2022.23	11,728,000										500,000		351,840	527,760	13,107,600	1,229,874		1,229,874	1,788	168	2,367	7,330
2023.24	11,728,000										500,000		351,840	527,760	13,107,600	1,266,770		1,266,770	1,788	173	2,438	7,330
2024.25	11,728,000										500,000		351,840	527,760	13,107,600	1,304,773		1,304,773	1,788	178	2,511	7,330
2025.26	11,728,000										500,000		351,840	527,760	13,107,600	1,343,916		1,343,916	1,788	183	2,587	7,330
2026.27	11,728,000										500,000		351,840	527,760	13,107,600	1,384,234		1,384,234	1,788	189	2,664	7,330
2027.28	11,728,000										500,000		351,840	527,760	13,107,600	1,425,761		1,425,761	1,788	195	2,744	7,330
2028.29	11,728,000									A	500,000		351,840	527,760	13,107,600	1,468,534		1,468,534	1,788	200	2,826	7,330
2029.30	11,728,000										500,000		351,840	527,760	13,107,600	1,512,590		1,512,590	1,788	206	2,911	7,330
2030.31	11,728,000										500,000		351,840	527,760	13,107,600	1,557,967		1,557,967	1,788	213	2,999	7,330
2031.32	11,728,000										500,000		351,840	527,760	13,107,600	1,604,706		1,604,706	1,788	219	3,088	7,330
2032.33	11,728,000										500,000		351,840	527,760	13,107,600	1,652,848		1,652,848	1,788	225	3,181	7,330
2033.34	11,728,000										500,000		351,840	527,760	13,107,600	1,702,433		1,702,433	1,788	232	3,277	7,330
2034.35	11,728,000										500,000		351,840	527,760	13,107,600	1,753,506		1,753,506	1,788	239	3,375	7,330
2035.36	11,728,000										500,001		351,840	527,760	13,107,601	1,806,111		1,806,111	1,788	246	3,476	7,330
2036.37	11,728,000										500,002		351,840	527,760	13,107,602	1,860,295		1,860,295	1,788	254	3,580	7,330
2037.38	11,728,000										500,003		351,840	527,760	13,107,603	1,916,103		1,916,103	1,788	261	3,688	7,330
2038.39	11,728,000										500,004		351,840	527,760	13,107,604	1,973,587		1,973,587	1,788	269	3,798	7,330
2039.40	11,728,000										500,005		351,840	527,760	13,107,605	2,032,794		2,032,794	1,788	277	3,912	7,330
2040.41	11,728,000										500,006		351,840	527,760	13,107,606	2,093,778		2,093,778	1,788	286	4,030	7,330
2041.42	11,728,000										500,007		351,840	527,760	13,107,607	2,156,591		2,156,591	1,788	294	4,151	7,330
2042.43	11,728,000										500,008		351,840	527,760	13,107,608	2,221,289		2,221,289	1,788	303	4,275	7,330
2043.44	11,728,000										500,009		351,840	527,760	13,107,609	2,287,928		2,287,928	1,788	312	4,403	7,330
2044.45	11,728,000										500,010		351,840	527,760	13,107,610	2,356,566		2,356,566	1,788	321	4,536	7,330

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **FLINTSHIRE COUNTY COUNCIL**

DATE: **TUESDAY 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **PRUDENTIAL INDICATORS 2015/16 - 2017/18 AND REVISION OF 2014/15 PRUDENTIAL INDICATORS**

1.00 PURPOSE OF REPORT

1.01 To present to Council the recommendations of the Cabinet in relation to the setting of a range of Prudential Indicators.

2.00 BACKGROUND

2.01 At its meeting of 17th February 2015, Cabinet considered a report from the Corporate Finance Manager in respect of the setting of Prudential Indicators for the period 2015/16 to 2017/18 and the revision of the 2014/15 Prudential Indicators.

3.00 CONSIDERATIONS

3.01 The recommendations of Cabinet to County Council are set out in Appendix 1 - Prudential Indicators 2015/16 - 2017/18 and Revision of 2014/15 Prudential Indicators (the report to Cabinet 17th February 2015).

4.00 RECOMMENDATIONS

4.01 Council is requested to agree the recommendations of the Cabinet as set out in the attached report (Appendix 1).

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

11.00 CONSULTATION UNDERTAKEN

12.00 APPENDICES

Appendix 1 - Report to Cabinet 17th February 2015: Prudential Indicators 2015/16 - 2017/18 and Revision of 2014/15 Prudential Indicators

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **PRUDENTIAL INDICATORS 2015/16 - 2017/18 AND**
 REVISION OF 2014/15 PRUDENTIAL INDICATORS

1.00 **PURPOSE OF REPORT**

1.01 To present proposals for setting a range of prudential indicators in accordance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.00 **BACKGROUND**

2.01 The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in determining their programmes for capital investment in fixed assets. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out duties under Part 1 of the Local Government Act 2003.

2.02 The framework established by the Prudential Code is intended to support local strategic planning, local asset management planning and robust option appraisal. The objectives of the Code are to ensure, within a clear framework, that the capital investments plans of local authorities are **affordable, prudent and sustainable**, and that treasury management decisions are taken in accordance with good professional practice.

2.03 The Prudential Code sets out the indicators that must be used, and the factors that must be taken into account in preparing such.

3.00 **CONSIDERATIONS**

3.01 **General**

3.01.1 The prudential indicators required by the Prudential Code are designed to support and record local decision making; they are not designed to be comparative performance indicators - the use of them in this way would be likely to be misleading and counter productive. They are considered in parallel with the treasury management indicators required by the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, as reported elsewhere on this agenda.

3.01.2 The Prudential Code recognises that in making capital investment decisions, and in reviewing the prudential indicators, the Council must have regard to the following:

- Service objectives, e.g. strategic planning for the authority
- Stewardship of assets, e.g. asset management planning
- Value for money, e.g. option appraisal
- Affordability, e.g. implications for Council Tax and Council housing rents
- Prudence and sustainability, e.g. implications for external borrowing
- Practicality, e.g. achievability of the forward plan

The Code does not specify how the Council should have regard to these factors, but instead concentrates on the means by which it demonstrates that the proposals are affordable, prudent and sustainable.

3.01.3 Affordability is the ultimate constraint on the amount that a local authority can spend or borrow. In practice, when making a decision to invest in a capital asset, the authority must do more than simply determine whether it can afford the immediate cost. In order to ensure long term affordability, decisions have to be prudent, and in the long term sustainable. Borrowing has to be prudent because, since future interest rates and revenue streams are uncertain, it must involve an element of risk. Furthermore, if the Council is unable to deliver its capital programme, or to afford the cost of running and maintaining the new facilities, the chosen level of capital investment will not be sustainable in the long term. Prudence and affordability are related concepts.

3.01.4 The Prudential Code specifies that prudential indicators are required to be calculated for the forthcoming financial year and two subsequent financial years, this process links in with the Medium Term Financial Plan.

3.02 Housing Revenue Account (HRA) – Introduction of Self Financing

3.02.1 Agreement has been reached between the UK Government and the Welsh Government to change the financing arrangements for council housing in Wales from April 2015. Currently a negative subsidy system is in operation which requires Flintshire to make annual payments of c£6m in negative subsidy to Welsh Government and on to UK Treasury, along with the other 11 stock retaining authorities in Wales.

3.02.2 The agreement is expected to generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

- 3.02.3 Introduction of self financing will end the negative subsidy system and annual payments. The subsidy payments will be replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council must borrow to exit the subsidy system. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), will be paid to Welsh Government (WG) and on to UK Treasury.
- 3.02.4 WG have established an officer Steering Group and a number of work streams to undertake the considerable amount of work involved to exit the subsidy system by the 31st March 2015, which Flintshire has been contributing to. Good progress has been made to date, and the work continues.
- 3.02.5 The settlement payment will be set with reference to PWLB interest rates on 31st March 2015 and therefore cannot be confirmed at this point in time. The current projection for Flintshire is £92m, based on the latest interest rate forecast. At this value the estimated annual revenue savings are £0.5m. These figures will change up until 31st March and will be monitored closely.

3.03 Prudential Indicators for Capital Expenditure

- 3.03.1 Based on those resources currently allocated (including specific grants, but excluding any rephasing of expenditure from 2014/15 to future years), the estimates of capital expenditure to be incurred in 2015/16 (and the following two years), are as indicated in the table below.

CAPITAL EXPENDITURE			
	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate
	£m	£m	£m
Council Fund	50.359	17.348	7.819
Housing Revenue Account	113.620	25.606	28.520
Total	163.979	42.954	36.339

- 3.03.2 This is in line with the capital programme proposals recommended to commence in 2015/16 in the Council Fund Capital Programme 2015/16 to 2018/19 report which is included elsewhere on this agenda.
- 3.03.3 The 2015/16 HRA total includes the settlement payment required to exit the HRA negative subsidy system detailed in section 3.02 of this report.
- 3.03.4 The capital expenditure totals essentially provide the base financial data from which all other indicators follow.

3.04 Prudential Indicators for Affordability

- 3.04.1 Estimates of the ratio of financing costs to net revenue stream for 2015/16 based on those expenditure assumptions outlined in the Council Fund and Housing Revenue Account (HRA) budget report (both included elsewhere on this agenda), are as included in the table below; these indicators of affordability address the revenue implications of the Council's financial strategy.

RATIO OF FINANCING COSTS TO NET REVENUE STREAM			
	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate
	%	%	%
Council Fund	5.7%	5.9%	6.1%
Housing Revenue Account	20.1%	26.4%	27.0%

The Council Fund net revenue stream is the amount to be met from Welsh Government (WG) grants and local taxpayers, and the HRA equivalent is the amount to be met from WG grants and from rent payers. The estimate of financing costs includes the current commitments and the proposals included in the capital programme report.

The HRA ratio, calculated in accordance with the Prudential Code, reflects the increase in financing costs attributable to the settlement payment required to exit the HRA negative subsidy system detailed in section 3.02 of this report. The ratio does not include the revenue savings as a result of no longer paying negative subsidy which outweigh the increase in finance costs. As a result of this change to the system the HRA expects to save £0.500m per annum.

- 3.04.2 The Prudential code requires that the estimate of the incremental impact of capital investment decisions as proposed in the capital budget report, over and above capital investment decisions that have previously been taken by the Council, are reported in terms of their impact on Band D Council Tax and Housing Rents.

The Council Fund Capital Programme contains no new capital investment decisions.

The HRA Capital Programme contains capital expenditure funded by unsupported (prudential) borrowing for; the settlement payment to exit the HRA negative subsidy system detailed in section 3.02 of this report, achievement of the Welsh Housing Quality Standard (WHQS), and building new Council homes. However, the revenue savings as a result of no longer paying negative subsidy, outweighs the increase in finance costs as a result of the capital expenditure, meaning that these investment decisions haven't had an increasing impact on rent levels.

3.05 Prudential Indicators for Prudence

3.05.1 Estimates of the capital financing requirement, for 2015/16 are:

CAPITAL FINANCING REQUIREMENT			
	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate
	£m	£m	£m
Council Fund	181.758	194.278	194.662
Housing Revenue Account	119.308	125.797	134.731
Total	301.067	320.075	329.393

3.05.2 The capital financing requirement measures the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. In accordance with best professional practice, the Council does not associate debt with particular items or type of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its debt and investments in accordance with its approved Treasury Management Policy and Strategy. The Treasury Management Policy Statement 2013 - 2016 and the Treasury Management Strategy 2015/16 appear elsewhere on this agenda following consideration by the Audit Committee in January 2015. In day to day cash management, no distinction can be made between revenue cash and capital cash. External debt arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

3.05.3 CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following; gross debt and the capital financing requirement, as a key indicator of prudence.

'In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional financing requirement for the current and next two financial years'.

In November 2012 CIPFA issued an amendment to the Prudential Code changing the indicator from net debt (total borrowing and other long-term liabilities less any investments held) to gross debt. Following reflection that comparing the capital financing requirement to the net position i.e., net of investments, could potentially mask a position where an authority had borrowed other than for a capital purpose and then subsequently invested the surplus funds.

The Corporate Finance Manager reports no difficulty in meeting this requirement for the future period to which the prudential indicators apply. This view takes into account current commitments, existing plans, and all budget proposals.

3.06 Prudential Indicators for External Debt and Treasury Management

2014/15 Revised Indicators

- 3.06.1 The Prudential Code requires that any revisions to indicators must be approved by the body that set them in this case, Council.
- 3.06.2 The exit from the HRA negative subsidy system detailed in section 3.02 of this report will require the Council to borrow to fund the settlement payment. The borrowing arrangements will be made on 31st March 2015, in the 2014/15 financial year, and the transaction will take place 2 days later on the 2nd April 2015, in the 2015/16 financial year. It is therefore necessary to ensure that the borrowing limits for both 2014/15 and 2015/16 are sufficient to complete the transaction.
- 3.06.3 Both the Authorised Limit and Operational Boundary for External Debt need to be revised from those approved by Council at its meeting of 18th February 2014. The tables below show the original estimate and revised Indicators.

AUTHORISED LIMIT FOR EXTERNAL DEBT		
	2014/15	2014/15
	Estimate	Revised
	£m	£m
All Borrowing (Cap/Rev)	202.300	303.100
Other Long Term Liabilities	20.100	20.100
Total	222.400	323.200

OPERATIONAL BOUNDARY FOR EXTERNAL DEBT		
	2014/15	2014/15
	Estimate	Revised
	£m	£m
All Borrowing (Cap/Rev)	182.300	279.100
Other Long Term Liabilities	10.100	10.100
Total	192.400	289.200

3.06.4 As stated in 3.02.5 the settlement payment and therefore the associated borrowing requirement cannot be confirmed until 31st March 2015, as the calculation is based on the PWLB interest rate on that day. The operational boundary has been increased to accommodate a settlement payment based on rates being 0.5% lower than anticipated in the HRA budget report. The authorised limit has been increased to accommodate the highest possible settlement payment. The point at which the Council would decide not to proceed with the introduction of self financing, as the costs of financing the debt outweighs the revenue savings from no longer making negative subsidy payments.

Council is asked to approve the revised Indicators for 2014/15.

2015/16 - 2017/18 Indicators

3.06.5 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of any investment for the next three financial years. These limits separately identify borrowing from other long term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Corporate Finance Manager, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

AUTHORISED LIMIT FOR EXTERNAL DEBT			
	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate
	£m	£m	£m
All Borrowing (Cap/Rev)	324.100	341.100	353.100
Other Long Term Liabilities	20.100	20.100	20.100
Total	344.200	361.200	373.200

The authorised limits are consistent with the authority’s current commitments, existing plans and the proposals in the capital programme report, and with its approved Treasury Management Strategy 2015/16. They are based on the estimate of most likely, prudent position with, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

- 3.06.6 Council is also asked to approve the following operational boundary for external debt for the same period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent provision, without the additional headroom included in the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures borrowing and other long term liabilities are separately identified. Council is also asked to delegate authority to the Corporate Finance Manager, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to Council at its next meeting following the change.

OPERATIONAL BOUNDARY FOR EXTERNAL DEBT			
	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate
	£m	£m	£m
All Borrowing (Cap/Rev)	304.100	321.100	333.100
Other Long Term Liabilities	10.100	10.100	10.100
Total	314.200	331.200	343.200

- 3.06.7 It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since actual external debt reflects the position at a point in time.

Council is asked to note that the authorised limit determined in 2015/16 (see section 3.06.4 above) will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

- 3.06.8 The Prudential Indicator in respect of treasury management is confirmation that the Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (as reported elsewhere on this agenda). The aim of this indicator is to ensure that treasury management is led by a clear integrated forward treasury management strategy.

4.00 RECOMMENDATIONS

4.01 That Members approve and recommend to County Council on 17th February 2015:

- (a) the Prudential Indicators for 2015/16 - 2017/18 and revised Indicators for 2014/15 as detailed in Section 3 of the report
- (b) delegated authority for the Corporate Finance Manager to effect movements between the separately agreed limits within the authorised limit for external debt and the operational boundary for external debt (3.06.5, 3.06.6)

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None directly as a result of this report.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

Various Welsh Government and CIPFA Papers.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **FLINTSHIRE COUNTY COUNCIL**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **MINIMUM REVENUE PROVISION – 2015/16 POLICY**

1.00 PURPOSE OF REPORT

1.01 To present to Council the recommendations of the Cabinet in relation to the setting of a prudent Minimum Revenue Provision for the repayment of debt.

2.00 BACKGROUND

2.01 At its meeting of 17th February 2015, Cabinet considered the Corporate Finance Manager's report in respect of the calculation of Minimum Revenue Provision for 2015/16.

2.02 The report of 17th February 2015 detailed the requirements and associated guidance in respect of:-

- The four available options for making prudent provision.
- The circumstances for using the options, two of which are available in respect of capital expenditure funded by way of Welsh Government supported borrowing and a further two in respect of that funded by unsupported (prudential) borrowing.

3.00 CONSIDERATIONS

3.01 The recommendations of Cabinet to County Council are set out in Section 4.00 of the report to Cabinet of 17th February 2015, a copy of which is included as Appendix 1 to this report.

4.00 RECOMMENDATIONS

4.01 In relation to the Council Fund, Council is requested to agree the recommendations of the Cabinet, being that:-

- Option1 (Regulatory Method) be used for the calculation of the Minimum Revenue Provision in 2015/16 for all supported borrowing.

- Option 3 (Asset Life Method) be used for the calculation of the Minimum Revenue Provision in 2015/16 for all unsupported (prudential) borrowing.

4.02 In relation to the Housing Revenue Account (HRA), Council is requested to agree the recommendations of the Cabinet, being that:-

- Option 2 (Capital Financing Requirement Method) be used for the calculation of the HRA's Minimum Revenue Provision for all HRA capital expenditure funded by debt. This represents a continuation of how the calculation has been carried out in 2014/15, although the governing regulations have changed for 2015/16.

5.00 FINANCIAL IMPLICATIONS

5.01 The 2015/16 revenue budget provides for the Minimum Revenue Provision as follows:

- Council Fund capital expenditure funded by supported borrowing, on the basis of Option 1 - Regulatory Method calculation.
- Council Fund capital expenditure funded by unsupported (prudential) borrowing, on the basis of Option 3 – Asset Life Method calculation.
- HRA capital expenditure funded by borrowing, on the basis of Option 2 - Capital Financing Requirement Method calculation.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None required.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

Appendix 1 - Report to Cabinet 17th February 2015: Minimum Revenue Provision 2015/16 Policy

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Various Welsh Government papers.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**
DATE: **TUESDAY 17TH FEBRUARY 2015**
REPORT BY: **CORPORATE FINANCE MANAGER**
SUBJECT: **MINIMUM REVENUE PROVISION - 2015/16 POLICY**

1.00 **PURPOSE OF REPORT**

1.01 To present proposals for the setting of a prudent Minimum Revenue Provision (MRP) for the repayment of debt in 2015/16, as required under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 ('the 2008 Regulations').

2.00 **BACKGROUND**

2.01 Local Authorities are required each year to set aside some of their revenue resources as provision for the repayment of debt i.e. a provision in respect of capital expenditure funded from borrowing or credit arrangements.

2.02 Regulation 22 of the 2008 Regulations requires an authority to each year make an amount of Minimum Revenue Provision (MRP) which it considers to be 'prudent', but the regulation does not itself define 'prudent provision'. However, the Welsh Government (WG) has provided guidance which makes recommendations to authorities on the interpretation of the term; the guidance was last updated in April 2010.

2.03 Authorities are required to prepare an annual statement of their policy on making MRP, which mirrors the existing requirements on the prudential borrowing limit and investment policy.

3.00 **CONSIDERATIONS**

3.01 **Meaning of 'Prudent Provision'**

3.01.1 The WG guidance provides for a number of options for making 'prudent provision'. It explains that provision for the debt which funded the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.

3.02 Options for Prudent Provision

Option 1 – Regulatory Method

- 3.02.1 For capital expenditure funded from borrowing which is supported by Revenue Support Grant (RSG), authorities may continue to use the formula specified in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (the regulations which preceded the 2008 Regulations), since the RSG is calculated on that basis, i.e. authorities are able to calculate MRP exactly as if the 2003 Regulations were still in force.

Formula for calculation is to multiply the adjusted Capital Financing Requirement at the end of the preceding financial year less adjustment A by 4%.

(Adjustment A is a fixed value determined by changes to statutory regulations referred to above).

- 3.02.2 Option 2 – Capital Financing Requirement Method

This is a technically simpler alternative to option 1 and may also be used in relation to supported borrowing. While still based on the concept of the Capital Financing Requirement (CFR), which is easily derived from the balance sheet, it avoids the complexities of the formula in Regulation 22. However, for most authorities it will probably result in a higher level of provision (and subsequent impact on service budgets) than Option 1, as it would for Flintshire County Council.

Formula for calculation is to multiply the adjusted Capital Financing Requirement at the end of the preceding financial year by 4%.

- 3.02.3 Option 3 – Asset Life Method

For capital expenditure funded from debt under the Prudential system for which no Government support is being given and is therefore self-financed, there are two options. Option 3 is to make provision in equal instalments over the estimated life of the asset for which debt is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.

- 3.02.4 Option 4 – Depreciation Method

Alternatively, for debt under the Prudential system for which no WG support is being given, Option 4 may be used. This means making MRP in accordance with the standard rules for depreciation accounting.

3.03 Conditions for using the options

3.03.1 The intention is that Options 1 and 2 should be used only for WG supported borrowing. Options 3 and 4 should be used in relation to all capital expenditure which is to be financed by unsupported borrowing or credit arrangements.

3.04 Practical Considerations

3.04.1 The useful life of an asset will vary depending on the class of asset concerned; a vehicle or ICT equipment may be financed over 5 years whereas a new school over 50 years. Judgements about the useful life will need to be made on an individual basis as expenditure is incurred.

3.04.2 Large capital projects may take a number of years to complete, for example the 21st Century Schools building programme. In this instance the MRP is incurred in the year after the asset has become operational, rather than during the construction phase.

3.05 Housing Revenue Account (HRA) – Introduction of Self Financing

3.05.1 Currently the MRP for the repayment of debt within the Housing Revenue Account (HRA) is governed by the 'Item 8 Determination' set by Welsh Ministers. It is calculated by multiplying the adjusted HRA Capital Financing Requirement at the end of the preceding financial year by 2%.

3.05.2 As a result of the planned voluntary exit from the HRA negative subsidy system in Wales on 31st March 2015, and the introduction of self financing, the Item 8 Determination governing the HRA's MRP has changed.

3.05.3 From 1st April 2015 the calculation of the HRA MRP will be similar to the Council Fund as set out in section 3.02 with the following modifications:

- Options 1 and 2 - the percentage applied is 4% for the Council Fund and 2% for the HRA.
- Options 1 and 2 can be used in relation to capital expenditure incurred before 1st April 2021. After 1st April 2021 only options 3 and 4 maybe used.

4.00 RECOMMENDATIONS

4.01 That members approve and recommend to the County Council on 17 February 2015 for Council Fund:-

- Option 1 (Regulatory Method) be used for the calculation of the MRP in 2015/16 for all capital expenditure funded from supported borrowing; this represents a continuation of the approved and adopted policy for 2014/15.
- Option 3 (Asset Life Method) be used for the calculation of the MRP in 2015/16 for all capital expenditure funded from unsupported (prudential) borrowing; this represents a continuation of the approved and adopted policy for 2014/15.

4.02 That members approve and recommend to the County Council on 17 February 2015 for the HRA:-

- Option 2 (Capital Financing Requirement Method) be used for the calculation of the HRA's MRP in 2015/16 for all HRA capital expenditure funded by debt. This represents a continuation of how the calculation has been carried out in 2014/15, all though the governing regulations have changed for 2015/16.

5.00 FINANCIAL IMPLICATIONS

5.01 The 2015/16 revenue budgets provide for the MRP as follows:

- Council Fund capital expenditure funded by supported borrowing, on the basis of Option 1 - Regulatory Method calculation.
- Council Fund capital expenditure funded by unsupported (prudential) borrowing, on the basis of Option 3 – Asset Life Method calculation.
- HRA capital expenditure funded by borrowing, on the basis of Option 2 – Capital Financing Requirement Method calculation.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Background Papers:	Various Welsh Government papers
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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **FLINTSHIRE COUNTY COUNCIL**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY 2015/16**

1.00 PURPOSE OF REPORT

1.01 To present to Council the recommendation of Cabinet in relation to Treasury Management Strategy for 2015/16.

2.00 BACKGROUND

2.01 The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.

2.02 The Council has adopted The CIPFA Code of Practice which requires:-

- The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.
- The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.
- The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy

statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*.

- A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

3.00 CONSIDERATIONS

- 3.01 At a meeting of the Audit Committee on 28th January 2015 Members reviewed the draft Treasury Management Strategy for 2015/16. The Audit Committee recommended to Cabinet that the Council approves the Strategy for 2015/16.
- 3.02 This morning's Cabinet meeting (17th February 2015) received the recommendation of the Audit Committee. The Cabinet report, which includes the Treasury Management Strategy for 2015/16, is included at Appendix 1. Any comments from the Cabinet will be reported verbally.
- 3.03 A training session open to all Members on treasury management was run by Arlingclose, the Council's Treasury Management advisors on the morning of 21st January. The aim of the workshop was to aid Members' understanding of the Treasury Management Strategy.
- 3.04 On 1st March 2013 the Council approved the current Treasury Management Policy and Treasury Management Practices with both documents covering 3 financial years, 2013 to 2016. It was agreed that these documents would not require annual approval by Members, unless any significant changes was required. No changes need to be made to the Policy, and only minor changes need to be made to the Practices simply to bring them in line with changes approved to the Strategy.

4.00 RECOMMENDATIONS

- 4.01 Council approves the Treasury Management Strategy 2015/16.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd as Treasury Management Advisers.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd as Treasury Management Advisers.

12.00 APPENDICES

12.01 Appendix 1 – Cabinet report of 17th February 2015

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 17 FEBRUARY 2015**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY 2015/16**

1.00 **PURPOSE OF REPORT**

1.01 To present to Members the draft Treasury Management Strategy for 2015/16 for recommendation to Council.

2.00 **BACKGROUND**

2.01 The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.

2.02 The Council has adopted The CIPFA Code of Practice which requires:-

- The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.
- The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.
- The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy

statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*.

- A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

2.03 A training session open to all Members on treasury management was run by Arlingclose, the Council's Treasury Management advisors on the morning of 21st January. The aim of the workshop was to aid Members' understanding of the Treasury Management Strategy.

3.00 CONSIDERATIONS

3.01 The 2015/16 Treasury Management Strategy is attached in Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and the Welsh Government guidance.

3.02 The Treasury Management Strategy details the approach that the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy and a number of treasury management indicators that the CIPFA Code requires.

3.03 The contents and layout of the 2015/16 Strategy have not materially changed from that of the 2014/15 Strategy.

Changes made and matters needing to be brought to Members attention are summarised below along with the supporting rationale:-

- 3.04 • Section 4 – Local context.

This section summarises the anticipated treasury position in 2015/16. A new graph called the liability benchmark has been included (Table 4) which shows the net requirement for borrowing after considering resources available from reserves and working capital over the next 50 years. Treasury Management activity in 2015/16 will change and will focus more on borrowing and less on investments than in recent years.

- 3.05 • Section 5 – Housing Revenue Account; Subsidy Reform and introduction of self financing.

Preparations continue to be made for the abolition of the Housing Revenue Account Subsidy (HRAS) system in Wales and the introduction of 'Self Financing' for the Housing Revenue

Account on 31st March 2015. The treasury impact will be to increase the Council's debt position. Section 5 of the report provides further information.

3.06 • Section 6 – Investment Strategy.

Changes have been made to the format of the Investment criteria and limits detailed in table 5. The changes are necessary to ensure that the Council's exposure to credit risk is minimised. This is as a consequence of the recently introduced legislation (commonly referred to as 'bail-in') to reform procedures should financial institutions fail in the future. The reforms end potential support available from the government and require investors / creditors classed as unsecured bondholders (such as Councils) to be bailed-in to secure the future financial stability in the event of a default.

3.07 • Section 7 – Borrowing Strategy.

Changes have been made to the planned borrowing strategy in 2015/16 from that of 2014/15 which can be seen in Section 7 – Borrowing Strategy. In 2014/15 the strategy was to create short term revenue savings by not undertaking any new borrowing. In 2015/16 the Council will need to borrow to fund the capital programme.

3.08 At a meeting of the Audit Committee on 28th January 2015 Members reviewed the draft Treasury Management Strategy for 2015/16.

3.09 Investments and borrowing requirements were discussed at length during the meeting, with no amendments made to the draft report.

3.10 On 1st March 2013 the Council approved the current Treasury Management Policy and Treasury Management Practices with both documents covering 3 financial years, 2013 to 2016. It was agreed that these documents would not require annual approval by Members, unless any significant changes was required. No changes need to be made to the Policy, and only minor changes need to be made to the Practices simply to bring them in line with changes approved to the Strategy.

4.00 RECOMMENDATION

4.01 That the Cabinet approves and recommends to the Council the Treasury Management Strategy 2015/16.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd as Treasury Management Advisers.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd as Treasury Management Advisers.

12.00 APPENDICES

12.01 Appendix 1 – Draft Treasury Management Strategy 2015/16

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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FLINTSHIRE COUNTY COUNCIL

**TREASURY MANAGEMENT
STRATEGY**

2015/16

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Treasury Management Strategy Report 2015/16

The Council is recommended to:

- **approve the Treasury Management Strategy for 2015/16**
- **approve the Treasury Management Indicators for 2015/16**

1.0 Introduction

In April 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's treasury management strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

2.0 Economic Context (including Interest Rate Forecast – as provided by Arlingclose Ltd, November 2014).

Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for a 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and

small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

Interest rate forecast: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 20 year PWLB loan rate for 2015/16 to 2.8%.

Table 1: Interest rate forecast

	Bank Rate	3 month LIBID	12 month LIBID	20 year PWLB rate	50 year PWLB rate
Q1 2015	0.50	0.60	1.00	2.55	2.65
Q2 2015	0.50	0.75	1.05	2.65	2.70
Q3 2015	0.75	0.90	1.20	2.75	2.80
Q4 2015	0.75	1.05	1.35	2.85	2.90
Q1 2016	1.00	1.20	1.50	2.95	3.00
Q2 2016	1.00	1.35	1.65	3.00	3.05
Q3 2016	1.25	1.50	1.80	3.05	3.10
Q4 2016	1.25	1.60	1.95	3.10	3.15
Q1 2017	1.50	1.70	2.10	3.15	3.20
Q2 2017	1.50	1.80	2.20	3.20	3.25
Q3 2017	1.75	1.90	2.30	3.25	3.30
Q4 2017	1.75	2.00	2.40	3.30	3.55

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.65%, and that new long-term loans will be borrowed at a weighted average rate of 3.15%.

3.0 Current Treasury Portfolio

The Council's treasury portfolio as at 31st December 2014 was as follows:

Table 2: Current Treasury Portfolio

	Principal £m	Interest rate %
Investments:		
Call accounts	5.0	0.35
Money market funds	15.6	0.44
Short-term deposits	31.8	0.62
Long-term deposits	-	-
Total Investments	52.40	0.55
Borrowing:		
Short-term loans	-	-
Long-term PWLB loans (fixed)	143.16	5.86
Long-term PWLB loans (variable)	10.00	0.55
Long-term market loans (LOBOs)	18.95	4.53
Total Borrowing	172.11	5.42
Net Borrowing	119.71	

4.0 Local Context

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

Table 3: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
Council Fund Capital Financing Requirement (Borrowing only)	154	164	186	190	188
Housing Revenue Account Capital Financing Requirement (Borrowing only)	25	24	122	130	140
Capital Financing Requirement (Borrowing only)	179	188	308	320	328
Less: Current borrowing	-172	-172	-172	-172	-172
Funding Required	7	16	136	148	156
Less: Usable reserves	-60	-43	-25	-21	-19
Less: Working capital	4	4	5	5	5
Investments / New borrowing (called the Liability Benchmark)	49	23	-116	-132	-142

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are

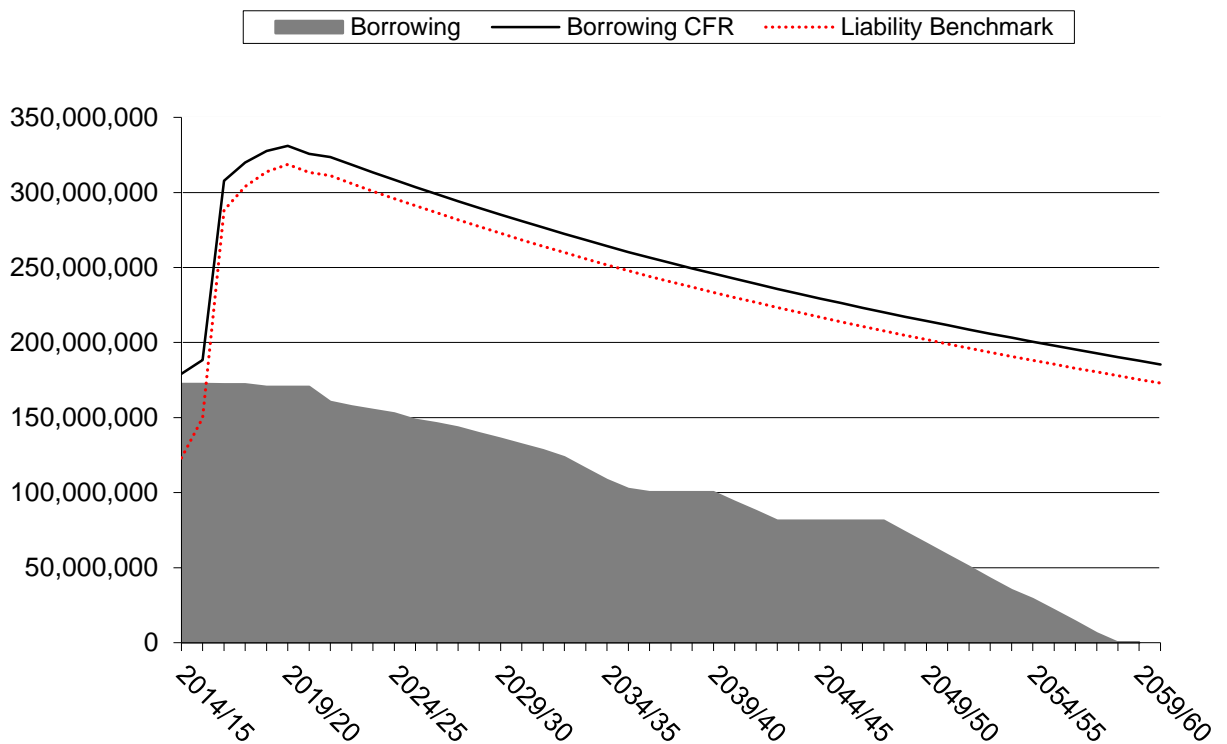
the underlying resources available for investment. The Authority's current strategy is to maintain borrowing below their underlying levels, sometimes known as internal borrowing.

Table 3 shows the Authority's CFR increasing steadily until 2015/16, this is linked with the capital programme which increases sharply in 2015/16 due to the 21st century schools building programme and the payment required to exit the Housing Revenue Account Subsidy system (described in more detail in section 5). The level of reserves the Authority has is expected to fall in 2014/15 following the implementation of the Single Status Agreement. The combination of the increase in capital expenditure and a reduction in reserves, results in:

- an expected reduction in investments in 2014/15 and 2015/16,
- a significant projected new borrowing requirement in 2015/16 and further new borrowing required in 2016/17 and 2017/18.

The graph in table 4 shows the Council's anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The steep rise in the liability benchmark in 2015/16 corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2015/16 and over the medium term is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Table 4: Liability Benchmark - Flintshire County Council (January 2015)



The impact of the above will result in the focus of treasury management activity changing in 2015/16. In recent years attention will have been concentrated on investments, which will now switch to borrowing.

Budget implications

The budget for investment income in 2015/16 is £130k, based on an average investment portfolio of £20m at an average interest rate of 0.65%. The total budget for loan interest paid in 2015/16 is £12.6m, based on an average debt portfolio of £276.5m at a weighted average interest rate of 4.53%. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

5.0 Housing Revenue Account (HRA) – Introduction of Self Financing and Subsidy Reform

Agreement has been reached between the UK Government and the Welsh Government to change the financing arrangements for council housing in Wales from April 2015. Currently a negative subsidy system is in operation which requires Flintshire to make annual payments of c£6m in negative subsidy to Welsh Government and on to UK Treasury, along with the other 11 stock retaining authorities in Wales.

The agreement is expected to generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

Introduction of self financing will end the negative subsidy system and annual payments. The subsidy payments will be replaced with interest payments on PWLB loans that the Council must borrow to exit the subsidy system. The PWLB loans, called the settlement payment (a one-off lump sum payment), will be paid to Welsh Government (WG) and on to UK Treasury.

WG have established an officer Steering Group and a number of work streams to undertake the considerable amount of work involved to exit the subsidy system by the 31st March 2015, which Flintshire has been contributing to. Good progress has been made to date, but the work continues.

The settlement payment will be set with reference to PWLB interest rates on 31st March 2015 and therefore cannot be confirmed at this point in time. The current projection for Flintshire is £92m, based on the latest interest rate forecast. At this value the estimated annual revenue savings are £0.5m. These figures will change up until 31st March and will be monitored and revised as necessary.

The sharp increase in the HRA capital financing requirement from 2015/16 onwards in table 3 above, is due to the estimated £92m settlement payment and an estimated planned programme of £28.3m capital expenditure over 3 years to improve existing stock and to start building new council houses.

6.0 Investment Strategy

The Council holds surplus funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £45.2 and £80.9 million.

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure asset classes during 2015/16. This is especially the case for any longer-term investment made. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification will therefore represent a change in strategy over the coming year.

Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

Table 5: Investment criteria and limits

(This table should be read in conjunction with the notes that follow it)

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£4m	£7m	£7m	£4m	£4m 10 years
AA+	5 years	5 years	25 years	5 years	
AA	£4m 4 years	£7m 4 years	£7m 15 years	£4m 4 years	
AA-	£4m 3 years	£7m 3 years	£7m 10 years	£4m 3 years	
A+	£4m 2 years	£7m 2 years	£7m 5 years	£4m 2 years	£4m 5 years
A	£4m 1 year	£7m 1 year		£4m 1 year	
A-	£4m 6 months	£7m 6 months		£4m 6 months	
Pooled Funds	£7m per fund				
BBB-	The Council is restricted to overnight deposits at its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities			£4m 2 years		
Unrated Other	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> • an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit) • a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit) 				

Credit Rating

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator

determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB+, BBB or BBB- are restricted to overnight deposits at the Authority's current account bank.

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial papers issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government or Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

Pooled Funds

Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Other Organisations

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ / Aa1 sovereign credit rating from all three major credit rating agencies, and to a maximum of £10 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

Risk assessment and credit ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative")

so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks.

Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines ‘high credit quality’ organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Non-specified investments will therefore be limited to long term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure, such as

money market funds and other pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the table below.

Table 6: Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£10m
Total shares in pooled funds	£30m
Total investments without credit ratings or rated below A- (not including pooled funds)	£10m
Total non-specified investments	£50m

Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Planned investment strategy for 2015/16

The UK implemented the 'bail-in' provisions on 1st January 2015 ending government support potentially available should a bank fail in the future. Investors / creditors classed as senior unsecured bondholders will be bailed-in to secure the future financial stability of a bank in the event of a default.

There is a risk that following the withdrawal of potential government support, the credit rating agencies will downgrade the credit ratings of some institutions on Flintshire's counterparty list to BBB+, below A- which is the minimum rating required by the Treasury Management Strategy.

To mitigate this risk, the Council will:

- Not invest in any financial institution rated below A-, with the exception of overnight deposits with the Council's current account.
- Reduce the amount of unsecured investments made.
- Seek to invest in alternative, secure financial instruments such as UK Government Treasury Bills and investments secured on a bank or building societies assets, such as covered bonds, that are exempt from bail-in in the unlikely event of insolvency.
- Continue to diversify the portfolio of investments, subject to cash flow requirements as outlined in the following paragraphs

Treasury management staff will continue to seek out investments that meet the criteria detailed within this strategy whilst having full regard for the Council's cash flow requirements, in particular the expectancy to meet outstanding single status and equal pay obligations during the 2015/16 financial year.

The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio.

7.0 Borrowing Strategy

The Council currently holds £172.11m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council will need to undertake significant new long term borrowing during 2015/16.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council's capital expenditure plans will be monitored throughout 2015/16 to inform and confirm the Council's long term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long

term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term instead. By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. Credit risk as a result of the bail-in legislation has increased as referred to in section 6 the planned borrowing strategy helps to mitigate the increased risk.

Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.

In addition, the Council may borrow for short periods of time (normally for up to one month) to cover unexpected cash flow shortages.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB)
- UK local authorities
- any institution approved for investments above
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Clwyd Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

LGA Bond Agency (Municipal Bond Agency)

The LGA Bond Agency is a Local Capital Finance Company established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

LOBOs

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2015/16, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Planned borrowing strategy for 2015/16

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council, as at 31st December, 2014.
- Effect any borrowing that maybe required in 2015/16 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.

- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Audit Committee.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as bond issues and bank loans, that may be available at more favourable rates.

Loans that present additional risk to the authority, such as lender's option borrower's option (LOBO) loans and variable rate loans will be restricted to the limit on the net exposure to variable interest rates in the treasury management indicators in section 9.

8.0 Policy on Use of Financial Derivatives

In the absence of any legislative power, the Council's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures and options. Derivatives embedded into loans and investments may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

9.0 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposures	£330m	£350m	£360m
Upper limit on variable interest rate exposures	£60m	£70m	£80m

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on total principal invested beyond year end	£10m	£10m	£10m

Any long term investments carried forward from previous years will be included in each years limit.

Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Programme report. However they are repeated here for completeness.

	2015/16	2016/17	2017/18
Operational boundary – borrowing	£304.1m	£321.1m	£333.1m
Operational boundary – other long-term liabilities	<u>£10.1m</u>	<u>£10.1m</u>	<u>£10.1m</u>
Operational boundary – TOTAL	£314.2m	£331.2m	£343.2m
Authorised limit – borrowing	£324.1m	£341.1m	£353.1m
Authorised limit – other long-term liabilities	<u>£20.1m</u>	<u>£20.1m</u>	<u>£20.1m</u>
Authorised limit – TOTAL	£344.2m	£361.2m	£373.2m

10.0 Other Matters

The WG Investment Guidance requires the Council to note the following three matters each year as part of the investment strategy:

Treasury Management Advisers

The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules

Investment training

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

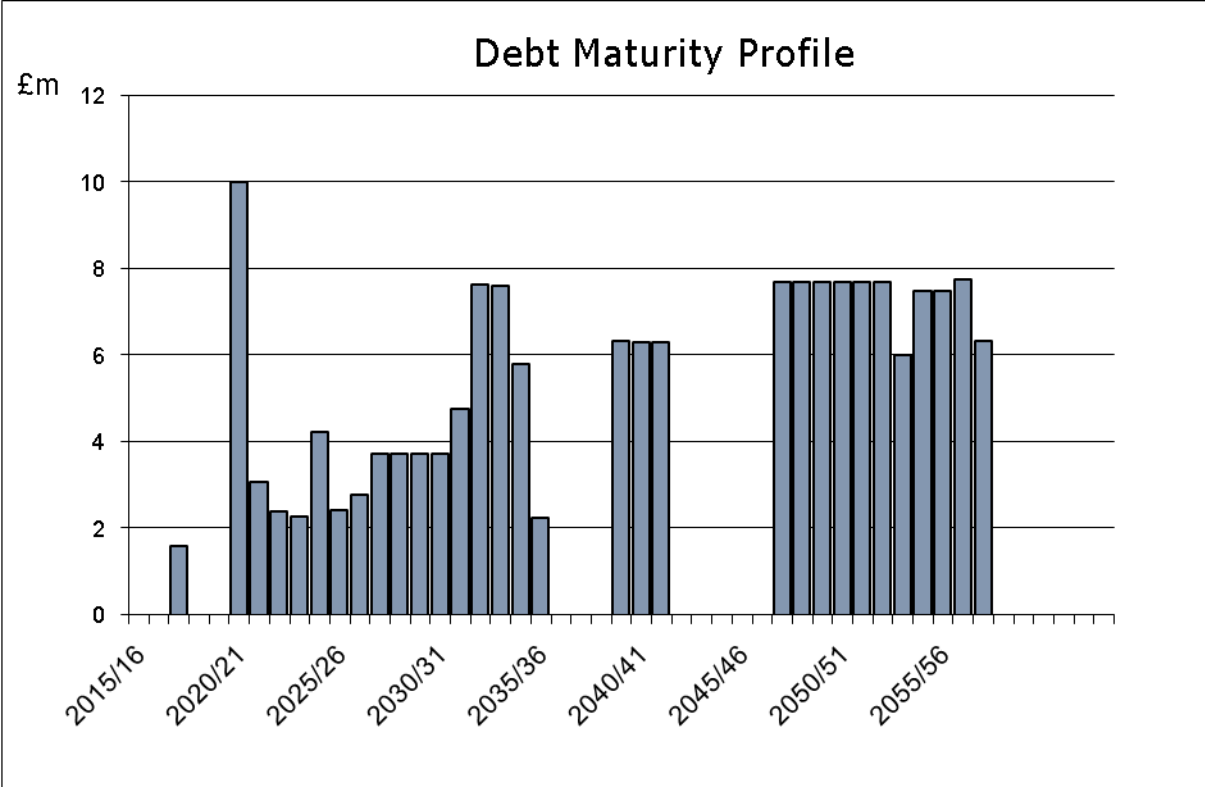
The total amount borrowed will not exceed the authorised borrowing limit of £344.2 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Other Options Considered

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing if debt rescheduling costs weren't prohibitive	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

APPENDIX A – DEBT MATURITY PROFILE



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