

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Friday, 20 January 2017
Report Subject	Council Fund Budget 2017/18 – Part 3 Closing Strategy
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

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

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

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

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

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

The Final Local Government Settlement was received on 21 December 2016 and was largely unchanged in overall cash terms from the Provisional Settlement (an increase of £0.044m) other than the inclusion of important additional investment for the rising costs of domiciliary care across Wales. Over and above this an amount

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

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

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

RECOMMENDATIONS

1	Note the details and the implications of the Welsh Local Government Final Settlement.
2	To review, scrutinise and comment on the limited options for closing the remaining gap of £2m.

REPORT DETAILS

1.00	The Latest Budget Position
1.01	The annual Council Fund budget for 2017/18 has been developed in two stages: <ul style="list-style-type: none"> • Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio business plans • Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government.
1.02	The Stage One proposals were approved by Council on 15 November 2016 and are now closed and being implemented.
1.03	The Stage Two proposals on corporate financial stewardship were approved by Council on 6 December 2016 following consideration by Corporate Resources Overview and Scrutiny Committee on 30 November and are also closed and being implemented.
1.04	The Provisional Settlement was received on 19 October. The Settlement gave a similar level of financial support to the Council as in 2016/17 and has been referred to as a 'cash flat' Settlement. Given that there was no reduction in Revenue Support Grant for Flintshire the Settlement had a positive impact on the forecast budget 'gap' of £2.8m.
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	<p>2016 and was largely unchanged in overall cash terms from the Provisional Settlement (an increase of £0.044m) other than the inclusion of important additional investment for the rising costs of domiciliary care across Wales. Over and above this an amount of £0.201m was transferred into the settlement as a new responsibility for homelessness prevention. The funding previously received through the Housing Benefit Subsidy for temporary accommodation for the same purpose has been reduced so there is a net reduction in funding of £0.157m. Given demands for homelessness services this is a new pressure which cannot be avoided.</p>																				
1.06	<p>The amount remaining to be found to achieve a balanced budget stands at £2m as summarised in the table below:</p> <p>Table 1</p> <table border="1"> <thead> <tr> <th>Description</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Projected Budget "gap"</td> <td>14.4</td> </tr> <tr> <td>Less:</td> <td></td> </tr> <tr> <td> Portfolio Business Plans</td> <td>(5.7)</td> </tr> <tr> <td> Corporate Financial Stewardship</td> <td>(4.6)</td> </tr> <tr> <td> Provisional Settlement</td> <td>(2.8)</td> </tr> <tr> <td>Add:</td> <td></td> </tr> <tr> <td> New and Emerging Pressures</td> <td>0.6</td> </tr> <tr> <td> Impact of Final Settlement</td> <td>0.1</td> </tr> <tr> <td>Remaining Budget "Gap"</td> <td>2.0</td> </tr> </tbody> </table>	Description	£m	Projected Budget "gap"	14.4	Less:		Portfolio Business Plans	(5.7)	Corporate Financial Stewardship	(4.6)	Provisional Settlement	(2.8)	Add:		New and Emerging Pressures	0.6	Impact of Final Settlement	0.1	Remaining Budget "Gap"	2.0
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1.07	<p>Cabinet considered a report on 17 January which summarised the current position and advised of the limited options available to meet the remaining budget gap. The report also detailed some of the outstanding risks and issues that will need to be considered as part of the overall closing strategy.</p>																				
1.08	<p>The Cabinet report is attached as Appendix 1 and members are requested to review, comment and scrutinise the limited options for closing the remaining gap of £2m.</p>																				

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

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

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

5.00	APPENDICES
5.01	Appendix 1: Report to Cabinet on 17 th January 2017 – Council Fund Budget 2017/18 – Part 3 Closing Strategy.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Colin Everett, Chief Executive and Gary Ferguson, Corporate Finance Manager Contact Officer: Gary Ferguson Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Local Government Funding Formula: the system through which the annual funding needs of each council is assessed at a national level, and from which each council's annual AEF (see above) is derived. The formula is very complex. In summary, using information such as statistics on local population change and deprivation, the formula sets a guide for each council's funding needs called the Standard Spending Assessment (SSA).</p> <p>Annual Settlement: the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget, and to individual councils one by one. The amount of Revenue Support Grant (see below) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh</p>

Government) which must be used for a pre-defined purpose.

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

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