



# Council Fund Budget 2017/18

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Flintshire County Council  
6 December 2016



# Purpose of the Presentation

- » To present, in detail the Corporate Financial Stewardship Proposals (Part 2 of the Strategy) to Council for approval. The proposals were recommended by Cabinet this morning, following consideration by Corporate Resources Overview and Scrutiny Committee on 30 November 2016.
- » To set out the further work to be done to conclude the budget proposals for 2017/18.

# The Forecast 'Budget Gap' 2017/18

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



## Where we left off in November

- »Service Portfolio Business Planning proposals of £5.733m approved by Council 15/11/16
- »Provisional Settlement received at “cash-flat” - £2.8m benefit to MTFS
- »Corporate Financial Stewardship review itemised list shared – discussed in detail with Corporate Resource and Scrutiny Committee 30/11/16 (with work ongoing)



# Corporate Financial Stewardship Proposals

Description		£m
Council Tax Base Increase		0.345
Independent Living Fund (ILF)		0.412
Transition to Adulthood		0.162
Flint Extra Care Scheme		0.170
Schools Investment		0.400
Apprentice Tax Levy		0.470
Central Loans and Investment Account (CLIA)		2.690
<b>Total</b>		<b>4.649</b>

# Apprentice Tax Levy

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

# Central Loans and Investment Account

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

# Central Loans and Investment Account

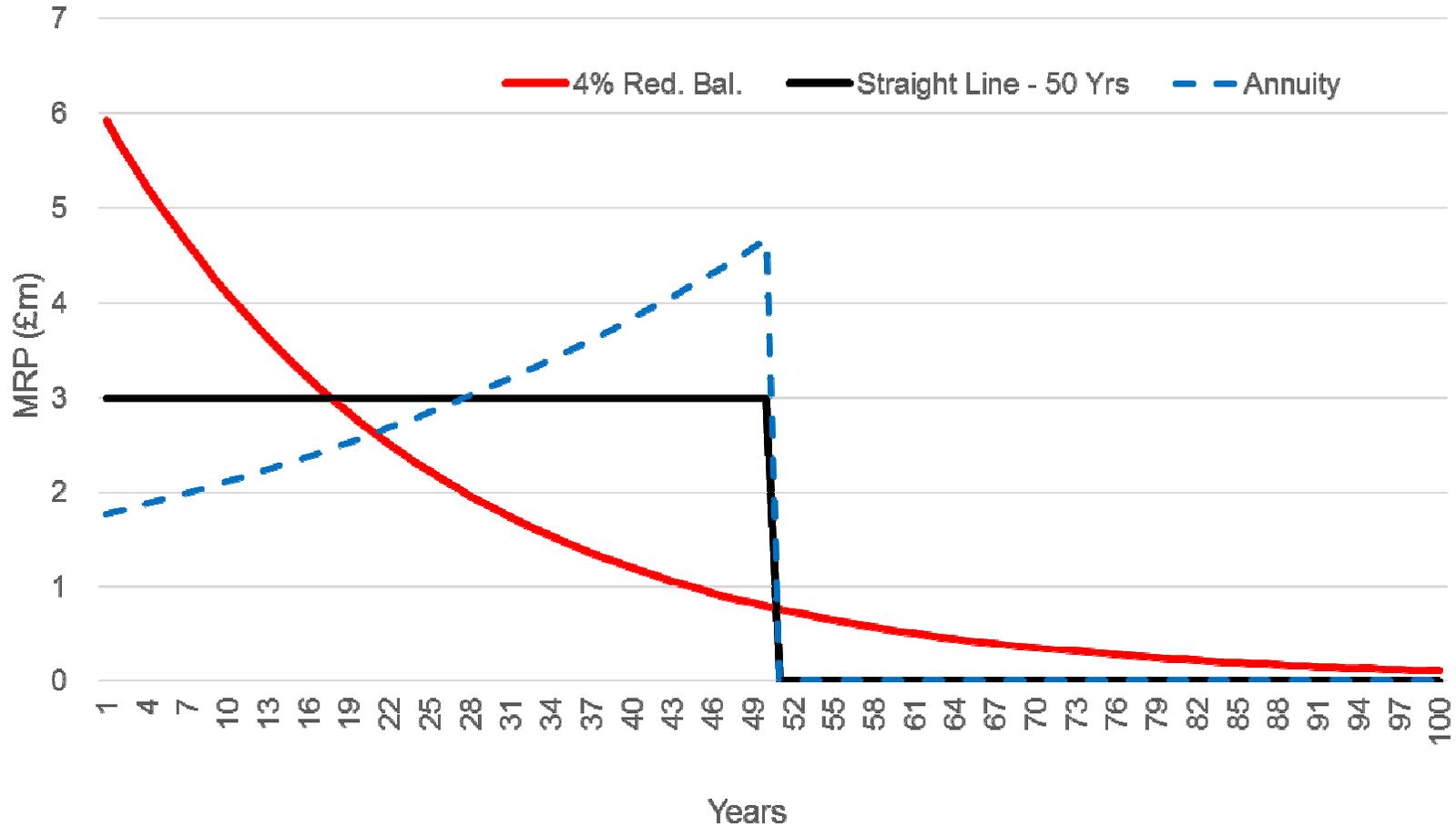
» Review considered 3 options:

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

# Central Loans and Investment Account



Annual MRP charge £m – Comparing methods



# Central Loans and Investment Account

Conclusions of the review;

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

# Central Loans and Investment Account

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



# Summary of Overall Budget Position

Description		£m
Projected Budget "gap"		14.4
<b>Less:</b>		
Portfolio Business Plans		(5.7)
Corporate Financial Stewardship		(4.6)
Provisional Settlement		(2.8)
<b>Add:</b>		
New and Emerging Pressures		0.6
<b>Remaining Budget "Gap"</b>		<b>1.9</b>

# Domiciliary Care Cap Review

- » Nationally set cap of £60 per week on care charges
- » Made a strong case for relaxation or lifting of the cap
- » Sector faces significant additional cost pressures in an increasingly fragile provider sector
- » Opportunity to recover a greater share of cost from clients (who can afford to pay more)
- » Expectation that either the cap is raised to £70.00 per week minimum and/or some additional investment in subsidising the lost income from Welsh Government
- » Decision due imminently - crucial to setting the budget

# Corporate Financial Stewardship – Ongoing Work

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

# Final Stages of 2017/18 Budget Setting

- »6<sup>th</sup> December – Cabinet considers response of Corporate Resources Overview and Scrutiny Committee to Corporate financial stewardship proposals
- »6<sup>th</sup> December – Council requested to approve Corporate financial stewardship proposals
- »February 2017 – final approval of budget by Council
- »March 2017 – formal Council meeting to set Council Tax levels