

Medium Term Financial Strategy Summary



2016 - 2019

To see the full Medium Term Financial Strategy (2015-18) visit our website
www.flintshire.gov.uk/ycys

Introduction

Last year we shared our Medium Term Financial Strategy 2015 - 2018 (MTFS) with you and in meetings held in your towns we asked you to support us in delivering the strategy. This year is no different, indeed the challenges remain but are becoming ever more acute. We are facing further financial reductions. Our overarching approach has been to protect essential and valuable services. We have sought to do this through developing business plans that both manage the reductions while minimising impact on our customers and communities. This is Part 1 of our strategy. Parts 2 and 3 set out our approach to prudent uses of our finances and working with Welsh Government.

Our MTFS 2016 - 2019 is summarised in this document. It provides an update on what we have achieved, with your support, and contains information on what we are proposing to do in 2017/2018 and beyond to meet our continuing financial challenges. Flintshire is a forward thinking and innovative Council but it is also a low funded Council. As such we don't have many options or opportunities to close any more gaps in our budget, and we will remain in this position for the foreseeable future. While in 2017/2018 we may again be able to address the financial challenge, we need to develop with you a positive vision for 'Our Flintshire'.

The document is meant to be a useful reference point in understanding our future journey.

Our meetings in your communities during November and our ongoing discussions with you will provide you with further opportunities to take part in the debate.



Where we were this time last year 'Sizing the challenge'

This time last year the Council was predicting an overall £52.8m budget gap over the three years 2015 to 2018, with a specific gap of £20.8m for 2016/2017. This was as a result of substantial year on year reductions in the annual grants it received from Government. In addition to these reductions, Government was no longer providing the funds to meet actual costs of inflation or other financial pressures such as the costs of the living wage; or policies agreed nationally that have to be administered locally by Councils.

All Councils have a legal duty to set a balanced budget. Last year the Council's published Medium Term Financial Strategy (2015- 2018) clearly documented the scale of the challenge along with our strategy for balancing the books.

Between 2008/2009 and 2015/2016 Flintshire had achieved close to £60m of efficiencies and savings. The two years 2014/2015 and 2015/2016 accounted for nearly £25m (42%) of this total figure, highlighting the deterioration of Flintshire's funding position.

Flintshire met these challenges through effective management of its corporate finances, being innovative and doing things differently. The Council was doing all that it could to be innovative in its approach to the financial challenge, and was well advanced in pursuing different ways of doing things such as community asset transfers, moving services away from being directly delivered by the Council, along with modernising how council services could be delivered in the future.

- nearly 50% reduction in senior management posts and their support
- 30% reduction in middle management posts
- 40% reduction in administration and clerical posts
- Sharing buildings by co-locating with partners
- 16% reduction in office accommodation through smarter ways of working

- integrating services with other councils in the region to share costs e.g. education
- procuring or bulk buying with other councils to get better deals e.g. computer hardware
- inviting communities to take on valued local buildings through 'Community Asset Transfers'
- moving the direct delivery of some services away from the Council through the development of Alternative Delivery Models
- NEW Homes - a wholly Council owned trading company providing homes for local people
- SHARP (Strategic Housing and Regeneration Programme) building new Council and affordable homes
- Double Click - a new social enterprise providing social services for adults with mental health issues and learning difficulties

This approach to well thought-out models takes time. If we had taken a short term approach or 'quick-fix', it would have had the potential to put key services at serious risk. For example:

- significant budget reductions for schools
- closure or sale of residential care homes
- significant cuts in support for the local voluntary sector
- cuts in winter maintenance road gritting to the bare minimum
- less frequent household waste collection services

The funding strategy to meet the predicted budget gap for 2016/17 comprised three parts:

Part 1 Service reform and modernisation

With the exception of Education and Social Care, 30% cost reduction targets set for all services, including corporate services, on their three year business plans.

Part 2 Corporate financial stewardship

Prudent use of corporate finances e.g. absorbing the costs of inflation, raising income and managing workforce costs.

Part 3 Working with Welsh Government

Setting out realistic expectations of Welsh Government as our principle funder.

- limiting the annual reduction in Revenue Support Grant to 2.5% for 2016/17 and 2017/18
- removing charging caps and granting the Council the freedom to recover the costs of some services
- investing 25% or more of the new NHS funding passported to Wales by the UK Government in social care

What we did last year to meet the challenge

In line with our budget strategy a set of business service changes were drawn up together with a set of corporate financing cost reductions as a first contribution to the annual budget for 2016/2017. For the third part of the strategy Flintshire engaged in intense activity in making the case for a better local government settlement, including a series of public meetings.

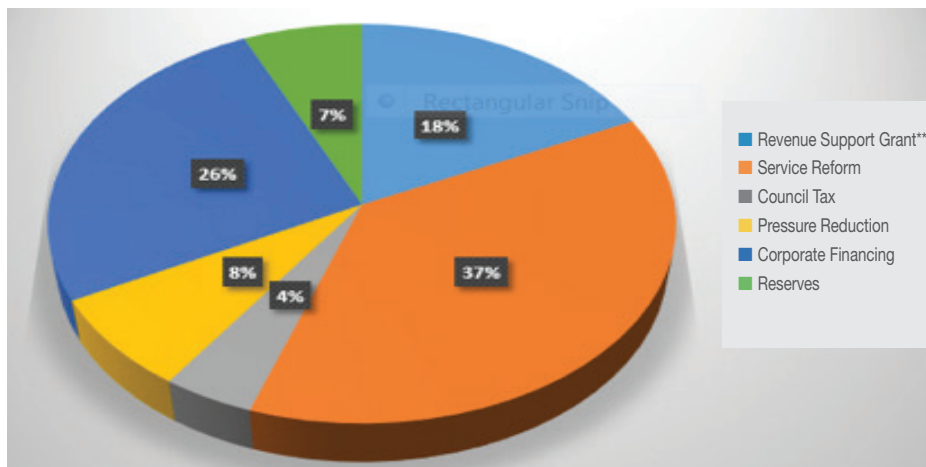
The Council was playing its part and had identified around two thirds of the funding target needed for 2016/2017, but we didn't have a lot of options or opportunities to close any more gaps in our budget.

With the gap for 2016/2017 predicted to be £20.8m, the announcement of the Provisional Local Government Settlement in December was an improvement of £3.8m on the forecast position, reducing the gap to £17m.

Continuation of the review of services through the second year of business planning proposals contributed efficiencies of £7.8m whilst a review of corporate financing elements contributed a further additional £5m. This was achieved by taking a risk based approach to inflation, reducing provisions, increasing income and controlling our investment in schools. The remaining gap was £4.2m.

Further work on refining pressures and greater corporate efficiencies contributed to the final position which came down to striking a balance between deployment of reserves and an increase in council tax of 4.5%. The chart below illustrates how the gap was met.

Chart 1. How we balanced the budget for 2016/2017



** Revenue Support Grant refers to the amount of money given by Welsh Government to Councils to deliver local services.

Where are we now 2016 - 2019?

Last year’s forecast for the 2017/2018 financial year set a likely ‘gap’ between the total spending requirement and anticipated income of £13.7m. This forecast has now been revised based on more recent budget developments at a national and a local level. An initial forecast for 2018/2019 has also been included to provide a 3 year picture.

Once the challenging task of balancing the 2016/2017 budget was complete, the focus immediately moved on to the 2017/2018 financial year and the need to meet the projected shortfall in funding of £13.7m as outlined in the MTFS last year.

Further work has been undertaken through the early part of the year to review our figures and assumptions to ensure that the most up to date position is reflected. This has resulted in the shortfall increasing by a further £0.7m to £14.4m.

The current forecast is shown in table 1:



Table 1 - Summary of the forecasting position 2016 - 2019

	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m
Expenditure				
National Pressures	0.4	0.7	0.3	1.4
Local Pressures	2.5	6.2	1.6	10.3
Inflation	4.1	3.1	3.2	10.4
Workforce Pressures	9.4	4.1	0.7	14.2
Income				
Reduction in Revenue Support Grant (3.5%)	6.5	2.8	2.7	12.0
Council Tax Increase (3%)	(2.1)	(2.5)	(2.3)	(6.9)
Projected Gap	20.8	14.4	6.2	41.4

The changes made to our forecast since last year are summarised in table 2:

Table 2. Summary of changes to 2017/18

Forecast	Amount £m
Revenue Support Grant (RSG)	(3.5)
Council Tax Base	0.4
Social Care Pressure	2.5
Other Pressures	2.2
Reduction of Pressures and Inflation	(1.3)
Repayment of Reserves and other 2016/17 budget issues	1.2
Total Changes	0.7

Originally the RSG assumptions were based on a 3.5% reduction. Based on our understanding of the changing national picture this was subsequently reduced to 1.5%.

An estimated increase in Council tax income is due to an estimated increase in properties in the County.

We are anticipating a pressure relating to increased costs in social care. We have identified

new pressures including the apprentice tax and insurance liabilities.

Overall pressures associated with inflation as individual services are expected to manage these pressures within their budgets.

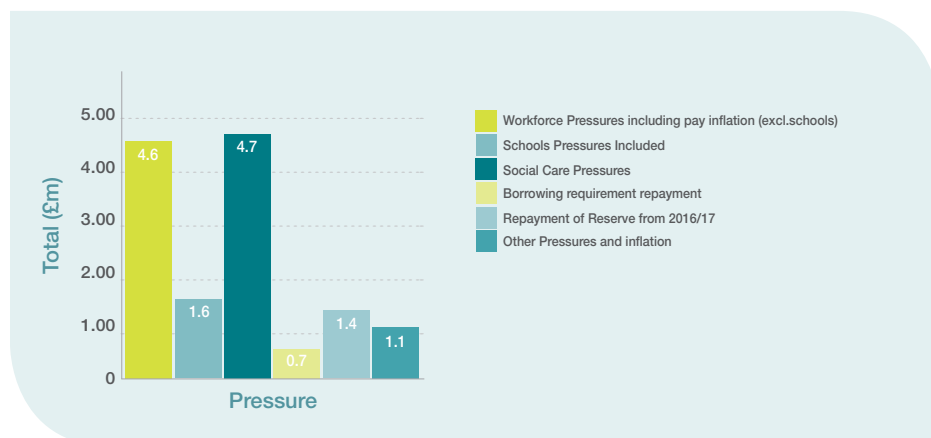
Reserves used prudently in 2016/2017 to balance the budget cannot be used again in 2017/2018, therefore the ongoing costs need to be built into the overall budget.

Chart 2 shows the main pressures of £14.1m* within the 2017/2018 forecast

(*See Expenditure column on table 1)

The level of our financial challenge is largely due to the fact that we are a low funded Council. Using a mechanism called the 'Local Government Funding Formula', Welsh Government calculates how much money to give Councils to deliver local services. Comparing the money received from Welsh Government through this calculation, Flintshire has, for the past three years, been ranked 19 lowest out of the 22 Councils in Wales.

Chart 2 - Further analysis of 2017/18 Pressures and Inflation



Flintshire is a semi-rural county with a number of equally sized county towns, each needing localised community services, such as schools, leisure centres, libraries, etc. The formula does not sufficiently recognise our needs. Despite this our performance remains strong as shown below.

How We Perform

In 2015/16 Flintshire achieved better than the Welsh average in 60% of the national performance indicators councils use and was in the top three performers in 20% of these indicators

Our highlights 2015/16:

- Council Homes receiving energy efficiency improvements increased from 417 to 649
- Dementia awareness programme developed including the opening of six memory cafes
- 2,139 jobs created; 863 within the Deeside Enterprise Zone (exceeding overall target of 5,000 jobs 2012-2017 by 1,500)
- Continuation of securing the highest levels in Wales (98.7%) of 16 year olds in education, employment or training
- 5 new social enterprises developed with support from our business development team and through the Community Asset Transfer programme

The National Public Survey shows that the Council is ranked 2nd in Wales for providing good quality services according to the views of residents.

Our Funding Strategy

The Council funding strategy continues to have three parts - service reform, corporate financial stewardship and working with Welsh Government. The first two parts are based on reform and local choice. The third is based on decision-making by and within Welsh Government.

The three parts are inter-dependent. For 2017/2018 the Council is continuing to progress service reform but is not proposing to reduce service levels beyond the levels already outlined publicly.

The Council wants to continue to ensure essential and valued services remain available. This means to balance the books in future we need to place more emphasis on our corporate financial stewardship and work with Welsh Government to achieve a fairer funding settlement for Flintshire.

Flintshire is an efficient and innovative Council and is also a low funded Council. As a council with a relatively low resource base we have few opportunities left for bridging the 'funding gap' through local innovation without resorting to further and deeper cuts and closures of a scale unprecedented in North Wales.

Councils and other public bodies are part of a wider system of public sector funding. They make local choices to reduce their costs which contribute to making best use of public funding as part of the UK's "austerity programme". Whilst councils should be expected to be efficient and innovative they cannot act alone and governments need to share responsibility.

In a funding system where councils in Wales depend on Government grant for up to 75% of their annual revenue funding for mainstream resources, the capacity to act flexibly with their resources is constrained. Social policies or new legislation for example can bring in new financial pressures on councils. If government want social or legal change then they have the duty to carefully consider the resourcing consequences, otherwise the budgets for existing local services will inevitably be placed under increasing strain.

Under **part one** of the funding strategy the Council takes responsibility for continuing to reform and modernise local services through its three year service business plans. All services and corporate support services, with the exception of education and social care, have 30% cost reduction targets to achieve.

Table 4. Business Plan Efficiency targets 2015/2016 - 2017/2018

Business Plan Efficiency				
Portfolio	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Planning & Environment	0.941	0.413	0.205	1.559
Streetscene & Transportation	2.570	2.158	1.350	6.078
Social Care	2.068	0.838	0.690	3.596
Education & Youth	1.459	0.710	0.873	3.042
Organisational Change	1.306	1.272	0.943	3.521
Corporate Services	0.633	0.855	0.903	2.391
Community & Enterprise	1.565	1.509	1.129	4.203
Central & Corporate Finance	2.333	3.527	0.150	6.010
Business Plan Total	12.874	11.282	6.243	30.400

17/18 are provisional figures

Under **part two** the Council takes responsibility for corporate financial stewardship, which means the prudent use of corporate finances for example absorbing the costs of inflation, raising income, managing workforce costs.

Table 5. Corporate financial stewardship areas under review

Subject	Detail
Council Tax Base	Increase in the number of properties
Independent Living Fund (ILF)	Specific Grant funding likely to continue in 2017/18
Actuarial Review	Potential to phase increases in pension contributions as part of triennial review
Apprentice Tax Levy	Potential to fund from reserves for one year only pending confirmation of scheme
Auto Enrolment	Risk based approach on projection of number of employees remaining in scheme
Central Loans and Investment Account (CLIA)	Review projected interest rates and timing of borrowing
CLIA - Repayment of debt	Consider different options for repayment of debt
Use of Reserves	Consider use of reserves noting this will defer impact to 2018/19
Review of Service Pressures	
Transition to Adulthood	Reduction in pressure due to current profile of clients
Schools Funding	Review of current level of overall investment in schools
Flint Extra Care Scheme	Reduced in year pressure due to timing of scheme, impact deferred to 2018/19

It is estimated that the potential efficiency value from the areas above could range from £2m to £5m.

Under **part three** we set out realistic expectations of Welsh Government as our principal funder.

The Way Forward

The factors that currently affect us are similar to those encountered last year. The fact we have faced a considerable financial challenge for a number of years now means we need to continue to make a strong case for reform to the way funding is distributed to Councils in Wales.

Without the one-off support of Welsh Government last year in addressing some of the things we were asking for, we would have been unable to balance the budget without making some very unpalatable choices.

Whilst we may be able to address the financial challenge for 2017/2018 again with one-off support from Welsh Government, Flintshire will remain in this position if we continue to be low funded. A national reform of the funding mechanism for 2018/2019 onwards is needed to modernise the formula allocation which currently results in Flintshire being ranked 19 lowest per capita (per head of population) out of the 22 local authorities in Wales.

If councils are to see a way through these challenging times, with local services on which communities depend staying intact, then continued close working is needed between councils and government for common purpose.

Flintshire is shown to be a low funded Council. It is also shown to be a solid performer in the

standards to which it provides local services, with excellence in key services such as education and social care.

Flintshire is being recognised nationally as a Council which is being innovative in finding new solutions that are both cost efficient and resilient and are sustainable for the future.

Councils in Wales are heavily dependent on government grant to fund what they do. More so in Wales than in England. This is why, within our three part strategy, we call for greater freedoms for the Council to be able to be entrepreneurial. If Wales is to be exposed to 'English style cuts' then councils in Wales need to be given English style powers and freedoms to be able to adapt.

The Council is playing its part and has identified around two thirds of the funding target needed for 2017/2018. As a mature and responsible Council we will work with Welsh Government to find joint solutions. Local government needs to be given support with social care and health being jointly funded as a top priority.



The principal issues for national recognition and support remain as previously set out in the MTFS (2015-2018) and campaigned around last year namely:

- medium term financial planning at national level
- sufficient and sustainable levels of Revenue Support Grant, in particular a flat line settlement for 2017/2018 at 2016/2017 levels
- reform of specific grants and retention of current levels to maintain services
- relaxing charging levels for services such as domiciliary care
- full funding of welfare schemes such as Council Tax Reduction Scheme; and
- meeting cost pressures of national legislative and public demand in key services such as social care

The Council is actively involved in national discussions over the Welsh Government Budget for 2017/2018 including the Local Government Settlement, and Flintshire as a low funded Council continues to make the case that it is particularly exposed to the impacts of the significant annualised reductions in public sector funding to meet current and new cost burdens.

This Strategy inevitably concentrates on 2017/2018 as the next budget year we need to plan for. Equally, we have an eye on 2018/2019 and subsequent budget years in planning ahead in a responsible and sustainable way.

To help us strengthen our position at a national level in debates about changes to funding we need to have a clear vision for what we want 'Our Flintshire' to be like in the future. This joint view from individuals, communities and public bodies will show that we have a positive approach and know what we want to achieve. This in itself will give people confidence to invest and be part of Flintshire's journey.

We call on local communities to:

- Continue to be understanding and patient with the changes that still have to be made.
- Support our work nationally to reform the funding formula.
- Share and be part of developing our vision for the future.
- Work with us co-operatively to support delivery of our vision.

To see the full Medium Term Financial Strategy (2015-18)
visit our website www.flintshire.gov.uk/ycys