



FULL COUNCIL REPORT

Date Written	8 th August 2016
Report Author	Steve Jones
Service Area	Finance
Exempt/Non Exempt	Non Exempt
Committee Date	7 th September 2016

To: Mayor, Ladies and Gentlemen

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update

1.0 SUMMARY OF THE REPORT

- 1.1 The Medium Term Financial Plan 2016/17 to 2019/20 was approved at Council of 23rd March 2016 and included £4.079 million of budget reductions for 2016/17 to be delivered through the Change Management Programme. In addition, a budget deficit of £20.302 million was projected for the period 2016/17 to 2019/20.
- 1.2 Further proposals were considered at Budget Board during May to July 2016 resulting in the identification of £4.079 million net budget reductions for 2016/17 and revised budget deficit projections of £4.671 million for 2017/18 and £15.260 million for the period 2017/18 to 2019/20. These proposals are detailed in Appendices 1 to 5 and were considered by Cabinet of 27th July 2016.
- 1.3 Further reports to Cabinet and Council during 2016/17 will identify further budget reduction proposals in addressing the projected £4.671 million budget deficit for 2017/18.

2.0 RECOMMENDATIONS that

- 2.1 The Cabinet recommended Medium Term Financial Plan revisions detailed in Appendices 1, 4 and 5 be approved.

2.2 The budget reduction proposals detailed in Appendix 2 and 3 be noted as previously approved by Council and/or Cabinet.

3.0 INTRODUCTION AND BACKGROUND

3.1 The Medium Term Financial Plan (MTFP) 2016/17 to 2019/20 was approved by Council on 23rd March 2016 with projected annual budget deficits to be addressed through savings identified via the Council's Change Management Programme. Further budget reductions of £4.079 million were required for 2016/17 to be identified through the Council's change programme work streams of:

- Customer Offering
- Back Office Administrative Support
- Strategic Support Services
- Procurement
- Income Generation and Cost Recovery
- Outcome Focused Redesign

3.2 The summary MTFP 2016/17 to 2019/20 as reported to Council of 23rd March 2016 is outlined in Table 1.

Table 1 – Projected Budget Deficits MTFP 2016/17 to 2019/20

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
People and Performance Directorate	73,861	75,830	77,572	78,913
Place and Transformation Directorate	21,951	22,740	23,427	24,048
Corporate Costs	22,566	23,210	23,378	23,642
Employee Severance/Slippage	1,222	1,210	1,206	1,206
Corporate Risk Fund	600	600	600	600
Non General Fund Allocations	-976	-835	-835	-835
Collection Fund Surplus	-600	-600	-600	-600
Corporate Vacancy Factor	-200	-200	-100	-100
Contribution from Biffa Profit Share	-100	0	0	0
Net Expenditure	118,324	121,955	124,648	126,874
Available Finance	114,245	111,938	109,345	106,572
Projected Budget Deficit	4,079	10,017	15,303	20,302
Change Management Programme	-4,079	-10,017	-15,303	-20,302
Final Budget Deficit	0	0	0	0

3.3 The Budget for 2016/17 is based on the Final Local Government Settlement for 2016/17 of a funding reduction of 0.73% and Council Tax increase of 3.5%. The projected budget deficits for 2017/18 to 2019/20 are based on an indicative Council

Tax increase of 3.5% and funding reductions of 3.57%, 4.07% and 4.5% respectively. The Provisional Local Government Settlement for 2017/18 is expected in October 2016 with the Final Settlement to follow in December 2016.

4.0 MTFP PROPOSED REVISIONS

4.1 Budget Boards of 18th May 2016, 16th June 2016 and 13th July 2016 considered proposed revisions to the MTFP in addressing the further required budget reductions for 2016/17. These proposed revisions resulted from the following:

- Unavoidable increased service demands
- Updated information
- Implementation of Foundation Living Wage
- Cessation of the South Wales Trunk Road Agent (SWTRA) contract
- Contributions from Earmarked Reserves
- Service outcome focused redesign
- Voluntary Early Retirement and Voluntary Redundancy
- Back Office Support and Strategic Corporate Services
- Increase in Fees and Charges
- Capitalisation of employee severance costs
- Amendment to the Minimum Revenue Provision (MRP) Policy
- Strategic partnership

4.2 The revised MTFP taking into account the proposed revisions outlined in paragraph 4.1 is summarised in Table 2.

Table 2 – Revised MTFP 2016/17 to 2019/20

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Budget Deficit – Council 23rd March 2016	4,079	10,017	15,303	20,302
Proposed Corporate Adjustments (Appendix 1)	188	333	1,061	1,068
Approved Accounting Adjustments (Appendix 2)	-1,621	-1,585	-1,566	-796
Approved Budget Reductions (Appendix 3)	-1,792	-1,968	-1,914	-1,866
Further Corporate Budget Reduction Proposals (Appendix 4)	-610	-378	-461	-192
Strategic Partnership Budget Reduction Proposals (Appendix 5)	-244	-1,748	-2,956	-3,256
Revised Budget Deficit	0	4,671	9,467	15,260

4.3 From Table 2 it is evident that budget reductions of £4.671 million are required to be identified for 2017/18, with £15.260 million required for the period 2017/18 to

2019/20. The revised budget deficits are net of strategic partnership proposals for customer offering, social care strategic review, supporting people grant and procurement totalling £3.256 million over the period of the MTFP.

- 4.4 Detailed explanations for the proposed revisions to the MTFP in addressing the additional budget reduction requirements for 2016/17 are outlined in Appendices 1 to 5. Proposals to bridge the projected budget deficit for 2017/18 will be reported to subsequent Cabinet and Council meetings during 2016/17.
- 4.5 Delivery of the budget reduction proposals will be monitored by the Change Management Board supported by the Change Management Steering Group with the Budget Board responsible for the monitoring of the total Budget for 2016/17 of £114.245 million.

5.0 FINANCIAL IMPLICATION(S)

- 5.1 Net budget reduction proposals totalling £4.079 million are identified for 2016/17 in addressing the additional budget reduction requirements.
- 5.2 A revised budget deficit of £4.671 million is projected for 2017/18, net of the delivery of £1.748 million budget reduction proposals resulting from the strategic partnership programme.
- 5.3 A revised budget deficit of £15.260 million is projected for the period 2017/18 to 2019/20.

6.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY

- 6.1 The Single Integrated Plan and Sustainability Impact Assessment has been completed and the proposals positively impact on the Financial Sustainability of Public Services.

7.0 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR PHIL WILLIAMS
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Medium Term Financial Plan 2016/17 to 2019/20	Council 23 rd March 2016	Council agenda and minutes / Finance Department
Medium Term Financial Plan 2016/17 to 2019/20 (Update)	Budget Boards of 18 th May 2016, 16 th June 2016 and 13 th July 2016	Finance Department
Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update	Cabinet 27 th July 2016	Cabinet agenda and minutes / Finance Department
Medium Term Financial Plan / Budget Working Papers	March 2016 to July 2016	Finance Department
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Proposed Corporate Adjustments

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Single Environment Grant Provisional Local Government Settlement indicated a 6.4% reduction in the all Wales total for 2016/17, resulting in the £66k growth included in the MTFP. Final allocation equated to a 1.8% reduction thus reducing the required growth requirement to £23k.	-43	-43	-43	-43
Additional Learning Needs Transport Relates to contractual uplifts for transport costs	44	36	54	0
Learning – Special Recoupment Additional demand based on current trends and future projections	100	100	100	100
Learning – Retirement/Severance Additional ongoing costs resulting from approved VER's for 2015/16	10	10	10	10
Additional Pension Contributions Education Services impact of projected additional pension contributions to RCT Pension Fund following Fund valuation during 2016/17. As advised by the Fund's Actuary, Aon Hewitt.	0	84	139	204
Application of Foundation Living Wage Projected additional financial commitment from the application of the Foundation Living Wage from 1 st April 2016 as follows: <ul style="list-style-type: none"> ○ 2016/17 at £8.39 per hour ○ 2017/18 at £8.69 per hour ○ 2018/19 at £8.78 per hour ○ 2019/20 at £8.87 per hour ○ 1st April 2020 at £9 per hour From 2018/19 subject to review Monies already included within the MTFP: <ul style="list-style-type: none"> ○ 2016/17 = £50,000 ○ From 2017/18 = £150,000 per annum 	270	283	281	303

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Proposed Corporate Adjustments

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p>Application of Foundation Living Wage – Individual Schools Budget (ISB) Application of Foundation Living Wage of £8.39 per hour for schools for 2016/17. Future years' commitment to be financed through cash protection or by schools through planned budget reductions identified through the Schools' Forum</p>	238	0	0	0
<p>Living Wage Earmarked Reserve Within the 2015/16 provisional revenue outturn surplus £1.34 million earmarked reserves are set aside to finance the projected costs of the application of the Foundation Living Wage for the period 2016/17 to 2019/20 – Cabinet 13th July 2016</p>	-492	-277	-275	-296
<p>South Wales Trunk Road Agent (SWTRA) Contract The SWTRA contract ceased on 31st March 2016 resulting from changes to the contracting Terms and Conditions owing to the current climate of austerity – Cabinet 10th February 2016. Plans are ongoing to restructure the Highways Department with £141,000 of employee savings already approved – Cabinet 24th February 2016. Further proposals involve the potential sharing of Depot facilities with Rhondda Cynon Taf CBC, although unable to break current lease until October 2017 with potential savings 2018/19.</p>	633	625	618	611
<p>Grounds Maintenance Additional demand resulting from the loss of SWTRA income together with the termination of the grass cutting Service Level Agreement with Merthyr Valleys Homes from 1st July 2016.</p>	28	115	117	119

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Proposed Corporate Adjustments

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Corporate Risk Fund To alleviate the financial pressures on the Medium Term Financial Plan for 2016/17 to 2017/18 it is proposed that the Corporate Risk Fund be relinquished for 2016/17 and 2017/18. Instead within the 2015/16 provisional revenue outturn surplus £1.2 million is set aside to serve the same purpose – Cabinet 13 th July 2016.	-600	-600	0	0
Local Development Plan (LDP) Financial commitment associated with the replacement of the LDP – Council 20 th April 2016.	0	0	60	60
Total	188	333	1,061	1,068

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Accounting Adjustments

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p>Amendment to Minimum Revenue Provision (MRP) Policy</p> <p>This relates to capital financing costs associated with long-term borrowing for capital expenditure. A more prudent provision based on all debt charged to revenue over 50 years by the straight line method together with amendments to the treatment of infrastructure assets and capital expenditure where no asset life is determined was approved by Council on 23rd March 2016, subject to Wales Audit Office (WAO) review. The subsequent WAO review in its audit of the Council's 2015/16 accounts reduced the average asset life from 50 to 44 years whilst disallowing the element relating to capital expenditure where no asset life determined.</p>	-871	-835	-816	-796
<p>Capitalisation of Severance Costs</p> <p>The Council is able to utilise capital receipts received during 2016/17 to 2018/19 to finance the costs of employee severance falling in those respective years, as per the Minister for Public Services' direction. Based on current and projected future fixed asset sales, it is estimated that £750,000 new capital receipts are available per annum allowing the Council to capitalise revenue costs of employee severance thus alleviating the financial liability on the revenue budget – Council 23rd March 2016.</p>	-750	-750	-750	0
Total	-1,621	-1,585	-1,566	-796

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Net Approved Budget Reductions

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
VR/VER Delegated Authority (Highways Reconfiguration) – Cabinet 24 th February 2016	-141	-143	-144	-145
VR/VER Delegated Authority (Other Services) – Cabinet 24 th February 2016	-212	-282	-281	-281
Leisure Trust Management Fee Reduction – Council 23 rd March 2016	-15	-15	-15	-15
Strategic Corporate Services – Council 20 th April 2016	-98	-98	-98	-98
Income and Cost Recovery – Council 20 th April 2016	-608	-583	-533	-508
Social Services Outcome Focused Redesign – Council 20 th April 2016	-511	-580	-572	-544
Back Office Support Services – Cabinet 4 th May 2016	-49	-49	-49	-49
VER (Corporate Director) – Cabinet 11 th May 2016	-69	-117	-121	-125
Participation VER – Delegated Authority February 2016	-27	-29	-28	-27
Education Inclusion Service VER – Delegated Authority April 2016	-35	-38	-38	-38
Street Lighting/Waste VER – Delegated Authority May 2016	-27	-34	-35	-36
Total	-1,792	-1,968	-1,914	-1,866

VER = Voluntary Early Retirement
 VR = Voluntary Redundancy

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Further Corporate Budget Reduction Proposals

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Procurement Subscription Savings As part of the Welsh Government e-procurement strategy for Wales the licence fees for all common e-procurement solutions were negotiated and delivered by Value Wales to support the e-procurement services programme. This resulted in the Council's fees for Purchase to Pay and the e-commerce marketplace being paid directly by Welsh Government.	-43	-43	-43	-43
Social Services Further review of budgets within Directorate services and recharges as part of outcome focused redesign of social care	-25	0	0	0
Social Services Further review of budgets within Adult Services as part of outcome focused redesign of social care	-73	-67	-61	-50
Social Services Further review of budgets within the Independent Service Provision as part of outcome focused redesign of social care	-260	-175	-188	-43
Social Services Further review of budgets within Children's Services as part of outcome focused redesign of social care	-209	-93	-169	-56
Total	-610	-378	-461	-192

Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update
Strategic Partnership Budget Reduction Proposals

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Customer Offering <ul style="list-style-type: none"> ○ Channel shift ○ Increased use and focus of Customer Contact Centre ○ Improved digital offering with enhanced website ○ Implementation of strategic technology ○ Better use of data analytics and reporting 	0	-322	-644	-644
Social Care Strategic Review <ul style="list-style-type: none"> ○ Enhanced Child in Need (ECIN) Expansion ○ Targeted prevention ○ Learning Disabilities Opportunities ○ Double handed care ○ Right sizing client calls ○ In-house respite 	0	-440	-1,010	-1,310
Supporting People Grant <ul style="list-style-type: none"> ○ More effective use and value for money 	0	-84	-400	-400
Procurement <ul style="list-style-type: none"> ○ Governance through Procurement Board and contract review ○ Cross cutting expenditure ○ Tactical spend review ○ Fleet management 	-244	-902	-902	-902
Social Care Strategic Review Investment Relates to the employment of a Social Worker Team to drive forward the 'Looked After Children' preventative agenda. This commitment was outlined within the Change Programme's Social Care Strategic Sourcing Plan.	169	178	184	188
Contribution from Corporate Risk Fund Funding to support the enablement of the 'Looked After Children' preventative agenda.	-169	-178	-184	-188
Total	-244	-1,748	-2,956	-3,256