

# Medium Term Financial Strategy Summary



2015 - 2018

To see the full versions of Part 1 and Part 2 of the Medium Term Financial Strategy visit our website [www.flintshire.gov.uk/OurMoment](http://www.flintshire.gov.uk/OurMoment).

# Introduction

Our Medium Term Financial Strategy (MTFS) is in two parts. The first forecasts the resources the Council is likely to have over the next three years. The second part *Meeting the Financial Challenge* sets out plans and solutions for managing with reducing resources over this three year period. This document is a summary of both parts.

Our resources are being reduced, year on year, through big reductions in the grants we depend on from Government. We then also have to meet cost pressures, such as inflation, with less money at our disposal. Inflation, rises in demand for critical services, such as social care, and the cost of legal obligations placed on us, such as pensions reform, all place a strain on our reducing budget.

## Sizing the Challenge

**Councils are highly dependent on annual grant funding from Government to resource the local services we provide to local communities. Our resources are being reduced, year on year, through big reductions in these grants. We forecast a 'gap' of £52.8m in the resources of the Council over the three year period 2015/16-2017/18. Whilst based on the latest and most reliable available intelligence a forecast cannot be guaranteed to work out as assumed, and the actual funding position for the Council could become better or worse over time.**



In the 'annual settlement' where Government decides how much funding to set aside for local government, provision was once made for inflation and other pressures with councils being funded to meet them. This is no longer the case. Councils now face a double pressure of an actual reduction in their annual grant on the one side, and no financial protection for the extra things they have to fund on the other.

This is why the annual targets for budget reductions, or funding 'gaps' to be bridged, come out so high.

The annual 'gaps' for Flintshire are set out in Table 1.

### Summary of forecasting position 2015 - 2018

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
<b>Expenditure</b>				
National Pressures	0.9	0.4	0.3	1.6
Local Pressures	6.2	2.5	1.2	9.9
Inflation	4.1	4.1	4.3	12.5
Workforce Pressures	2.5	9.4	3.7	15.6
<b>Income</b>				
Reduction in Revenue Support Grant (3.5%)	6.6	6.5	6.3	19.4
Council Tax Increase (3%)	(2.0)	(2.1)	(2.1)	(6.2)
<b>Projected Gap</b>	<b>18.3</b>	<b>20.8</b>	<b>13.7</b>	<b>52.8</b>

A cumulative funding gap of over £50m against a net budget of around £250m is challenge enough for any council. The challenge is made both more complicated and more daunting by two factors - the unpredictability of specific levels of funding for local government, and the number of years for which the public sector will have to endure repeat and compounding reductions in Government grant.

The unpredictability comes from the absence of a medium term Government plan which sets out, with a reasonable level of certainty, the resources which will be allocated for local government and, in turn, to each individual council.

The daunting challenge comes from the fiscal plans of the UK Government to rebalance national debt as a key feature of its economic policy. The repeated annual reductions in national public spending can be expected to continue for the remainder of the decade based on Government policy and the evaluation of its impacts by reputable commenters such as the Institute for Fiscal Studies. Local Government in England has not had the protection of relative shielding from public spending cuts as have some other public services, such as the NHS, a development which is now being mirrored in Wales with local government being given less priority.

Local government in Wales has a higher

dependence on Government grant than its peer group in England. This exposes councils in Wales to a greater level of threat of resource reduction in the absence of parallel freedoms and flexibilities such as the retention of additional National Non Domestic Rate (NNDR) or 'business rates' income through successful strategies for promoting local business growth.

The accuracy of the forecast set out for Flintshire will be determined by a number of factors. Government decisions on funding, trends in inflation, national employment policy and pay trends, and pressures on services through demographic change and Government policy, will all come into the mix.



# An Efficient & Innovative Council

Flintshire has achieved close to £60m of efficiencies and savings in the mainstream or 'Council Fund' expenditure over the past eight financial years from 2008/09 to now. In earlier years these budget changes were often made to reinvest money from one service in another to support the priorities the Council saw as important. In more recent years budget changes have been made to fund the annual budget 'gap' caused by the national reductions in local government finance. The fact that the last two financial years of 2014/15 and 2015/16 account for nearly £25m or 42% of this total figure, shows how the funding position for Flintshire is deteriorating.

The Council is cost efficient against the benchmark of having to achieve increasingly large targets of efficiencies and savings to bridge the annual funding 'gap' through being innovative. For example:

- Reducing senior management posts and their support by nearly 50%
- Reducing 'middle' management by between 25-30%
- Reducing administration and clerical positions by over 40%
- All services being on track to achieve 30% cost reduction targets (except education and social care)
- Large scale voluntary redundancy programmes for non-teaching employees.
- Reduction in non-school based employees of 6% over the past 12 months alone
- Sharing buildings by co-locating with partners including North Wales Police, Job Centre Plus and Coleg Cambria
- Reducing office accommodation by 16% through smarter ways of working
- Procuring or bulk buying with other councils to get a better deal e.g. computer hardware
- Integrating services with other councils in the region to share costs e.g. education

- Trading with other councils in services to share costs e.g. Occupational Health
- Stopping trading in services where the market performs better, for example trade waste
- Inviting local communities to take on treasured local buildings and facilities through 'community asset transfer'
- Moving a number of services away from direct Council provision and into new 'alternative delivery models' and reducing their level of public 'subsidy' as a result

Recent ground breaking work shows how the Council is being innovative to do things differently. These include setting up a new wholly Council owned Trading Company "New Homes" to help provide homes for local people; the SHARP programme (Strategic Housing and Regeneration Programme) to build new Council and affordable housing; switching social services for adults with mental health issues and learning disabilities to a new social enterprise, called "Double Click", to protect them for the future.

The opportunities for such innovations are diminishing; the opportunities to save money are diminishing with them.

## Council Annual Efficiency Targets 2008/09 - 2015/16

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Budget</b>	226.419	233.335	240.408	239.896	241.203	258.825	253.718	249.979
<b>Target £</b>	5.654	3.803	6.151	8.920	4.716	5.331	11.950	12.874
<b>Target %</b>	2.50	1.63	2.56	3.72	1.95	2.06	4.70	5.15

# A Low Funded Council

Councils in Wales are funded by Welsh Government through a mechanism called the Local Government Funding Formula. Within this formula a calculation or benchmark of what each council needs called the Standard Spending Assessment (SSA) is included. The SSA is based on factors including demography, population change and deprivation. Whilst being a theoretical calculation the SSA is significant in determining how much of the share of public funds set aside for local government in Wales comes to Flintshire. For Flintshire some 65% of our annual funding comes from Welsh Government through the formula. The Local Government Funding formula is complex and theoretical. Whilst it can be argued that the formula distributes the available funds fairly across twenty-two local authorities according to need, the formula was not designed for a situation where the total amount of funding being pass-ported through it was in sharp decline.



Counties like Flintshire have needs which are not sufficiently recognised in a technical formula which makes no provision for flexibility and exceptions.

Flintshire, for example, is a semi-rural county with a number of equally sized county towns where communities need localised services. The Council therefore has to manage a network of dispersed services for example schools, leisure centres, libraries and household recycling centres. The point will come when the amount counties receive though the formula is simply insufficient to maintain services in a way which is similar to current configurations. This means that

local services will face major upheaval as the current pattern cannot be maintained. The cost of running a secondary school efficiently from one council to the next, or that of a principal leisure centre, is similar regardless of factors such as rurality and deprivation. The amount of Government grant we are now receiving is no longer sufficient to maintain local services to the levels to which local communities are accustomed. So for councils with low funding it becomes a question of how many schools or leisure centres a council can afford to keep open and run, and not one of how efficient they can be one by one.

Flintshire has come 19th out of the 22 councils for the amount of Government funding it receives through the formula per head of population in each of the last two years. As a low funded council the scope for making savings and efficiencies, whilst trying to maintain services in ways which support and serve local communities, is very constrained.

To explore and demonstrate whether Flintshire is indeed a low funded council we engaged The Chartered Institute of Finance and Accountancy (CIPFA) to provide advice.

Their report concludes that 'based on the research that we have carried out using nationally published data sets we can form a number of tentative conclusions. We can conclude that:-

- Flintshire is a low spending authority on both Social Care and Education;
- Flintshire achieves a relatively high level of performance on both of these services despite the low level of expenditure;
- Flintshire spends at an above average level on highways;
- Flintshire achieves the highest level of performance in Wales on the performance measure of roads in poor condition.'

It should be added to the above that Flintshire has experienced unprecedented rises in levels of demand for Children's Services in the past two years and has had to make extra investment in this highly sensitive area of social services to cope.

In confirming that Flintshire has 'a low Standard Spending Assessment (SSA) due to the demand statistics in the calculation formula and a low level of Aggregate External Finance (AEF)' the independent analysis highlights that Flintshire receives lower funding under the current system. Why does this matter? If education and social care account for two thirds of the Council's expenditure, and we already spend relatively lowly on them - on spend per pupil in schools and on spend per head of the adult population for social care - then there is inevitably limited scope to be more cost efficient. Given that Flintshire performs highly in both service areas then any significant reduction in spend will directly impact on performance to the detriment to pupils and students, and local people in need of care support. Whilst there may appear to be scope for a reduction in spend on highways maintenance, any such reduction will impact on the quality of local roads people use. Flintshire roads may be the best maintained in Wales but the condition of our roads is declining.

## How We Perform

**In 2014/15 Flintshire achieved better than the Welsh average in 62% of the national performance indicators councils use and was in the top three performers in 20% of these indicators**

### **Our highlights:**

- the highest number of young people engaged in education, employment or training for the last 3 years
- educational attainment - GCSE level for first language English or Welsh - ranked as top for the last 3 years
- consistently high school attendance - 1st or 2nd position over the past 3 years
- care plans for Social Services clients been produced on time; the top performer for 2 years
- the best condition of roads for the last 3 years

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 has three parts - service reform, corporate financial stewardship and working with Welsh Government. The first two parts are based on local reform and choice. The third is based on choice and decision-making by and within Welsh Government. The three parts are inter-dependent. For the strategy to succeed, progress will need to be made in each of the three parts.**

Flintshire is an efficient and innovative council and is 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 service reforms, cuts and even closures of a scale unprecedented in North East Wales.

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

In a funding system where councils in Wales depend on Government grant for up to 75% of their annual revenue funding for mainstream services. 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 governments want social or legal change then they have a 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 'portfolio' business plans. All services and corporate support services, with the exception of education and social care, have 30% cost reduction targets to achieve. Under **part two** the Council takes responsibility for the prudent use of corporate finances for example absorbing the costs of inflation, raising income, and managing workforce costs. Under **part three** we set out realistic expectations of Welsh Government as our principal funder.

## Business Plan Efficiency Targets 2015/16 - 2017/18

Portfolio	2015/16 £m	2016/17 £m	2017/18 £m
Planning and Environment	0.941	0.422	0.255
Streetscene and Transportation	2.570	2.590	3.405
Social Care	2.068	0.788	1.984
Education and Youth	1.459	0.382	1.520
Community and Enterprise	1.565	1.209	0.787
People and Resources	0.385	0.385	0.730
Governance	0.248	0.315	0.725
Organisational Change	1.306	1.272	0.902
<b>Business Plan Efficiency Totals</b>	<b>10.541</b>	<b>7.363</b>	<b>10.308</b>

## Corporate Finance Efficiency Proposals 2015/16

Subject	Proposal	Efficiency/Growth £m
Inflation Management	Part absorption of inflation risk	1.0
Corporate Overheads	Selective reduction in provisions	1.0
Schools Funding Formula	Controlled schools investment	2.5
Local Taxation	Enhanced Council Tax increases	0-1.8
Local Income	Increases in charging	0.5
<b>Totals</b>		<b>5-6.8</b>

## The Way Forward

Flintshire is in uncharted territory in having to manage budget cuts of this scale. So is Welsh Government. If councils are to see a way through these challenging times - with local services on which communities depend staying intact - then 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 to marvices both cost efficient and resilient, and suke its sestainable for the future.

A fundamental point is that the scale and the pace of the escalating annual budget cuts does not allow time for innovation. Our local programme for working with communities to transfer community assets to community ownership, and our local programme to create Alternative Delivery Models (ADMs) for selected services, whilst being well advanced, both need time and space to come to fruition. So do our business plans for the ongoing modernisation of services. If our plans are not given time, and are rushed into change, then key services will be put at serious risk.



Like all counties Flintshire is shaped by its history and its make-up of communities. We have set out the challenges of managing Flintshire as a dispersed county which has a number of proud and independent principal county towns. The Council tries to support and protect each county town by ensuring that their communities have local services and amenities which can be readily accessed. We will no longer be able to maintain our networks of local services without some relief from the relentless budget cuts.

The list of services which will be exposed to major cuts if our strategy does not enjoy universal support is a long one:-

- a significant reduction in the budgets given to local schools
- withdrawal of social services such as day care
- closure or sale of residential care homes
- closure of the welfare rights service
- cuts in support for the local voluntary sector
- a major cut in maintenance expenditure for roads
- cuts in winter maintenance road gritting service to the bare minimum
- closure of leisure centres
- closure of community buildings
- cuts in countryside and coastal management services
- less frequent household waste collection services
- closure of local household recycling centres
- withdrawal of all bus subsidies which support the less commercial local bus routes
- withdrawal of our grant to Theatr Clwyd
- reduced transport provision for learners to and from schools and colleges
- closure of the business support service and no future support for tourism
- closure of the ecology and biodiversity functions
- reduced maintenance standards for our rights of way network
- reduced support for the Clwydian Range Area of Outstanding Natural Beauty
- withdrawal of our financial support for Greenfield Valley

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 2016/17. 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.

Our request to Welsh Government for some relief is based on a four point case:-

- 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
- fully funding the Council Tax Reduction Scheme as a national welfare scheme

This Strategy inevitably concentrates on 2016/17 as the next budget year we need to plan for. Equally, we have an eye on 2017/18 and subsequent budget years in planning ahead in a responsible and sustainable way.

Flintshire is at a 'tipping point'. A reorganisation of local government, still some years off, is not in itself a solution to the financial challenge. Neither is more talk of making efficiencies in 'back office' costs. The decisions to be made by the Council, by the UK Government and by Welsh Government in the coming months will define the future for local public services.

We call on local communities to stand up for their local services by working with us whether this is:-

- in being understanding and being patient with the changes we plan to make
- coming forward and working with us on transferring services to community models or
- in speaking up so that those who have decision-making power in their hands hear their voice.



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