

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	21 SEPTEMBER 2015
SUBJECT:	MEDIUM TERM FINANCIAL PLAN UPDATE 2016/17
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
HEAD OF SERVICE:	RICHARD MICKLEWRIGHT / BETHAN HUGHES OWEN
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s		
The Executive is invited to note and adopt the report.		
B - What other options did you consider and why did you reject them and/or opt for this option?		
n/a		
C - Why is this a decision for the Executive?		
This matter is delegated to the Executive.		
CH - Is this decision consistent with policy approved by the full Council?		
Yes		
D - Is this decision within the budget approved by the Council?		
Yes		
DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	TBC
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	TBC
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

F - Appendices:

Appendix A – 2016/17 Revenue Medium Term Financial Plan
Appendix B – 2016/17 Medium Term Financial Plan Table

FF - Background papers (please contact the author of the Report for any further information):

MEDIUM TERM FINANCIAL PLAN – 2016/17**1. BACKGROUND**

1.1 In the Report to the Executive dated 20th July 2015 the estimated budget shortfall for 2016/17 was £5.2m.

2. BUDGET 2016/17

2.1 The Welsh Government provisional settlement is due to be announced in October/November 2015 and upon this announcement the Council will have a more accurate indication of its funding for 2016/17, however it is important to note that the Final Settlement will not be announced until late December 2015 or early January 2016.

2.2 The Council is currently working to a revised budget shortfall in 2016/17 of £5.740m and over four years a budget shortfall of £17.0m.

2.3 The process of identifying the efficiencies required to address the funding gap for 2016/17 and future years is currently under way. Cyllid Môn 2016/17 is an efficiency strategy where by each and every budget line is challenged as to its requirement level based upon the service being statutory or non-statutory as well as challenges for new ways of delivering the service.

2.4 Cyllid Môn 2016/17 began with service challenges, it was from these challenges that ideas about future efficiencies was drawn up. The requirement for each service was over the summer months to put forward formal proposals of efficiencies. The deadline for this was the 4th September 2015.

2.5 At present the Service Accountants are evaluating the proposals provided by each service, the evaluation includes an analysis of financial viability which will then form the basis for the member workshop and public consultation. The full list will be presented to the Executive for consultation in November.

2.6 A number of strands of activity have taken place over the summer months, to identify possible savings for Members' consideration. Below is a summary of the events/activities that have and are about to take place.

(i) Budget Reviews

All budgets and performance against them are currently being reviewed by accountants, and any adjustments will be reported in due course.

(ii) Subjective Reviews

Traditionally, budgets are looked on at a service by service basis. However they are also being examined on a cross – cutting basis across the council as a whole and procurement savings identified are currently being investigated and in some cases going out to tender. An exercise in reviewing the Utilities is also underway and has highlighted potential areas for efficiency savings. This will be presented in the paper on the Budget in November 2015.

(iii) Other Projects

There are a number of these other pieces of work already under way with the aim of identifying efficiencies, e.g. the Transformational Board and procurement project.

3. Medium Term Financial Plan - Updated

3.1 The Council's updated Medium Term Financial highlights the need to make savings of £5.740m for the period 2016/17. This is based upon the Welsh Government reducing the Revenue Support Grant by -4.5% and a total savings of £17.0m over the next four years. The assumptions are based on the following:-

- Council Tax increase of 4.5% year 1 and ongoing;
- Assumed decrease in grant funding of -4.5% (All Wales average decrease 2015/16 3.4%);
- Inflation assumption as follows:-
 - Teaching and non-teaching pay award of 1%;
 - National Insurance and Pension Costs 2%;
 - General price increases of 1.25% year 1 and 1.5% ongoing;
- Outcome Agreement grant will be included in the Revenue Support Grant (RSG);
- Demographic Changes - this is to reflect on ageing population;
- Council Tax Reduction Scheme - this reflects the need to address a shortfall between the grant received and the awards of the scheme.
- No growth - Due to the shortfall in the budget there will be no growth bids accepted for the financial year 2016/17.

3.2 **Fees & Charges** - a comprehensive list of all fees and charges for the whole authority will be presented at the budget setting stage in February 2016. This will be a change from the present process where each department presents their own paper throughout the year.

3.3 In the July 2015 paper to the Executive the MTFP assumption was that Council Tax would increase by 4.5% each year. In 2015/16 the Council set an increase of 4.5% which is above the average increase across Wales of 4.2%. The autumn consultation will again offer an option to increase Council Tax by 4.5%. An increase of 4.5% for a Band D property equates to around £46 per year or 88p per week. The current Council Tax level is below average in Wales (8th) and these increases are proposed given the massive reduction in anticipated Wales Government funding, and also the short notice provided of such a major change.

3.4 A copy of the latest MTFP table is attached in Appendix B.

APPENDIX B

Medium Term Financial Projection
Welsh Government - Revenue Support Grant -4.5% (Reduction) Year 1 - 3% ongoing
Council Tax + 4.5% Increase Year 1 ongoing

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Current / Revised Spending Levels B'fwd	124,646	121,131	119,438	117,853
Pressures:				
Employees Pay Award 1% (1% recurring year after)& Pension & NI	815	750	755	775
Cost Increases - Inflation 1.25% and 1.50% recurring	1,010	1,226	1,245	1,263
Demographic Changes	500	500	500	500
Council Tax Reduction Scheme	200	200	200	200
Returned Growth Bids	-300			
Revised Spending Levels C'fwd	126,871	123,807	122,138	120,591
Financed By:				
Welsh Government	88,783	86,119	83,535	81,029
Council Tax	32,348	33,804	35,325	36,915
Outcome Agreement Grant	0	0	0	0
Total Funding	121,131	119,923	118,860	117,944
Shortfall of Funding required to balance the budget	5,740	3,883	3,763	3,654

