



## CABINET – 18TH JUNE 2013

**SUBJECT: UPDATE OF MEDIUM TERM FINANCIAL PLAN**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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### 1. PURPOSE OF REPORT

- 1.1 To advise Cabinet of changes that are now extremely likely to affect the Authority's Medium Term Financial Plan (MTFP) as agreed by Council on 27 February 2013.

### 2. SUMMARY

- 2.1 The report updates the MTFP indicative allocation of funding from WG for 2014/15, incorporating revised savings targets. Recent changes in respect of the Outcome Agreement Grant and the impact in respect of funding are also included in the report. Cabinet are required to make decisions on these two significant changes in respect of funding.

### 3. LINKS TO STRATEGY

- 3.1 Budget decisions impact on all Council strategies. This report relates, primarily, to the efficient and effective use of the Council's resources.

### 4. THE REPORT

- 4.1 UK Government has reduced funding to Welsh Government (WG) during the most recent Budget announcements. A list of scenarios have been worked up by the Welsh Local Government Association (WLGA) giving a range of the likely impacts in respect of the cuts of £80m to the Welsh Government (WG) funding levels for 2014/15 and the estimated impact on each Local Authority's indicative allocation of Revenue Support Grant (RSG) funding for 2014/15. WG announced in a letter to Local Authorities from the Minister for Local Government and Government Business on 23<sup>rd</sup> May 2013 that:-

"Whilst I understand we set out indicative figures for 2014/15 as part of last year's Settlement exercise, the changes to the Welsh Government budget we have already seen and the further adjustments we are likely to see in June, mean those figures have been over taken by events. Consequently, they can no longer be considered as a basis on which to plan".

The range of scenarios looks at:-

- (i) a further top slice for collaboration on a similar basis to the top slice taken in 2013/14, which for CCBC was £600k;
- (ii) in addition to (i) above, a further reduction of funding based on WG determining that each spending area of their budget takes a pro rata share of the cut made by the UK government;

- (iii) a further top slice to (i) above but a reduction in funding to Local Government based on WG determining to protect Health.

The impact of the likely funding reductions for the 2014/15 indicative allocation are attached in the table in Appendix 1 with the consequential effect on savings targets.

Cabinet are reminded that this table assumes the same assumptions in respect of growth, inflationary and pay award increases as agreed in the MTFP approved at Council on 27 February 2013. It is not anticipated currently that there is a need to update these assumptions. Recently identified savings have been factored into the revised MTFP for Insurance and Project Gwyrdd.

The MTFP agreed at Council, assumed an increase in Council Tax of 2.35% per annum. An increase in Council Tax for 2014/15 above this level would reduce what is now a significant savings target to be agreed and determined by December 2013. An increase of 0.5% in Council Tax for each of the 3 years of the MTFP would reduce the savings target by £900 k. This would help, in part, to protect certain key service levels.

WG have recently announced a change to the Outcome Agreement terms and conditions in respect of 2014/15. Cabinet are reminded that this is grant funding. The Outcome Agreement has been used to fund expenditure as set out in the table in Appendix 2 for 2013/14. Moving forward, a letter from WG on 13 May 2013 details a change in the conditions attached to this grant. Half of the grant i.e. £935k is now based on each Local Authority's performance and governance. Firstly, the Authority's overall patterns of performance as revealed in the data for the 24 national strategic indicators will be used to see whether an Authority can show strong and / or improving performance. Secondly, in relation to this half of the grant, WG will consider the standards of corporate and service governance as reflected in the findings of the main regulators and inspectors. Cabinet are reminded of Caerphilly County Borough Council's position of relative weakness currently in this area following the Wales Audit Office Public Interest Report identifying serious weaknesses in Corporate Governance.

Hence, due to the uncertainty of funding in respect of this grant, it is recommended that the funding currently used for the Capital Programme in 2013/14 of £819k be set aside for 2014/15 to be used for one-off expenditure relating to improving the Authority's performance and governance to ensure funding is secured and outcomes achieved. Further reports will be presented on this matter when more detail becomes available.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan, therefore no Equalities Impact Assessment has been carried out.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 As detailed in the report.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 An increased savings target is extremely likely to lead to reductions in staffing levels. The Authority will always endeavour to avoid compulsory redundancies. The Authority has a strong track record in respect of its Redeployment Policy.

## **8. CONSULTATIONS**

8.1 Consultees are listed below. Any suggested changes have been incorporated in this report.

## **9. RECOMMENDATIONS**

- 9.1 Cabinet agree to the revised MTFP as attached at Appendix 1 to enable Officers to work up savings proposals for Members to consider in line with the new targets.
- 9.2 Cabinet determine whether officers incorporate a range of levels of increase in Council Tax in the MTFP savings proposals for Members to consider.
- 9.3 Cabinet agree to set aside funds totalling £819 k in respect of the Outcome Agreement for 2014/15 pending further reports.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To ensure that the MTFP is reviewed and updated to provide realistic savings targets. To ensure that the Outcome Agreement secures improvement and is adjusted to comply with changes to the grant as determined by WG.

## **11. STATUTORY POWER**

- 11.1 The Local Government Finance Act 1998. The Local Government Act 2003.

Author: Nicole Scammell, Acting Director of Corporate Services and S151 Officer  
Consultees: Corporate Management Team  
Colin Jones, Head of Performance and Management  
Gail Williams, Monitoring Officer  
Stephen Harris, Acting Head of Corporate Finance  
Councillor Keith Reynolds, Deputy Leader & Cabinet Member for Corporate Services  
Councillor David Hardacre, Cabinet Member for Performance & Asset Management

Background Papers:  
MTFP File

Appendices:  
Appendix 1 Update of MTFP Savings Targets  
Appendix 2 Outcome Agreement – Expenditure 2013/14  
Appendix 3 MTFP as agreed at Council 27/02/13