

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

18TH JULY 2017

MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2020/21

REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE RELEVANT PORTFOLIO HOLDER, COUNCILLOR M NORRIS

AUTHOR: Chris Lee, Group Director, Corporate & Frontline Services - 01443 424026

1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with an update on the Medium Term Financial Plan for 2017/18 to 2020/21, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2018/19 during the autumn.

2. RECOMMENDATIONS

It is recommended that the Cabinet:

- 2.1 Note the current position modelled in respect of the 'Medium Term Financial Plan 2017/18 to 2020/21' and receive further updates in the Autumn as part of the annual budget setting process.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The need to keep Members informed of the budget modelling work being undertaken as part of the Council's Medium Term Financial Planning arrangements. This work is in advance of the Provisional Local Government Settlement, due from Welsh Government in October 2017.

4. BACKGROUND

- 4.1 Each year as part of the Council's robust financial management arrangements, an update on the Medium Term Financial Planning assumptions is provided to Members in advance of the detailed budget strategy work in the autumn.

- 4.2 The Public Sector continues to face a prolonged period of ongoing austerity with national forecasts pointing to challenging times for services across local government. This is coupled with increasing demand and costs associated with many services, in particular Social Care Services.
- 4.3 Locally, this Council has demonstrated its ability and willingness to invest in services, linked to our Corporate Plan priorities in order to meet the changing needs of our people and communities. The significant ‘additional’ investment already agreed by Members during 2015/16 and 2016/17 is providing real improvements across many areas including Leisure Centres, Roads and Information Technology.
- 4.4 Whilst investment through the use of one off funds has been very positive, the Council recognises that it must still address base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. This report provides an interim view on the scale of the challenge faced and the actions and arrangements being put in place to address any shortfalls across the planning period.

5. CURRENT MODELLING ASSUMPTIONS

- 5.1 The detailed modelling assumptions are included as part of the updated ‘Medium Term Financial Plan 2017/18 to 2020/21’ and is attached at **Appendix 1**. The updated plan sets out the detailed basis of the medium term strategy with references to revenue spending, capital plans, income levels and reserves.
- 5.2 Key assumptions used in the construction of the revenue budget modelling to 2020/21 are shown below:
- 5.3 Income

- Local Government settlement levels are projected to be:

Year	Potential Settlement
2018/19	-2.0%
2019/20	-2.0%
2020/21	-2.0%

- Council Tax increases are currently being modelled at 3% per annum
- Fees and charges uplifted by inflation only.

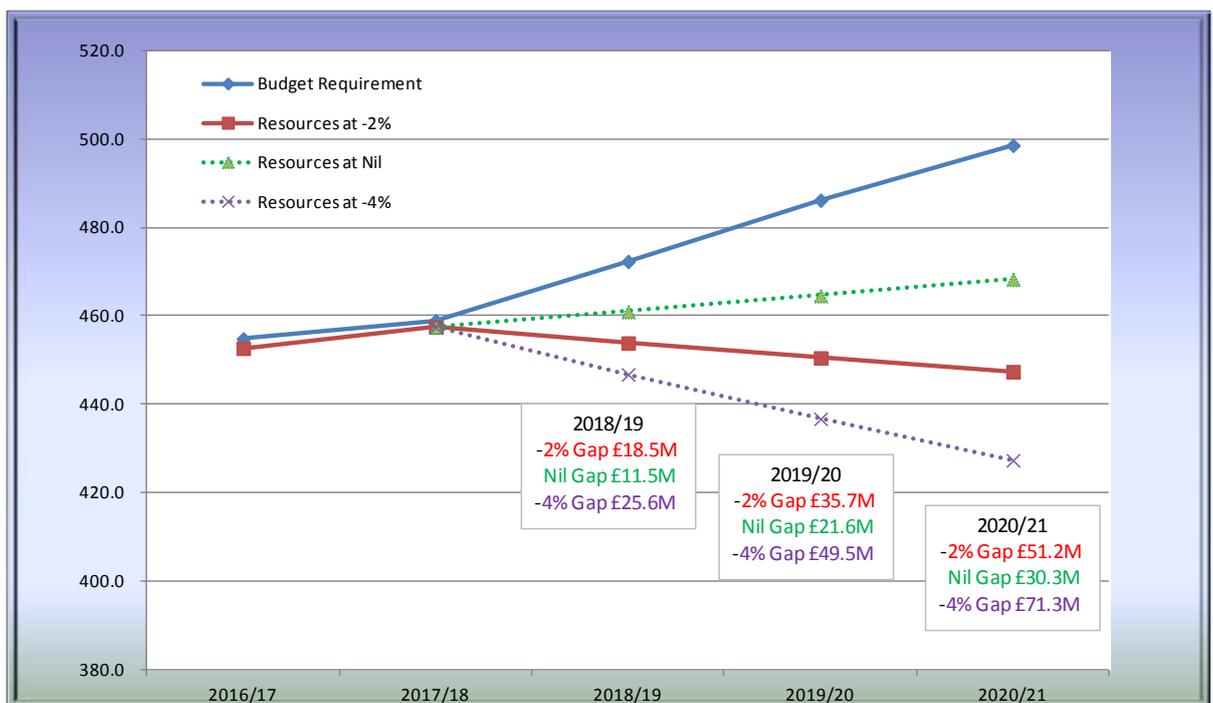
5.4 Expenditure

- Service area pressures reflected which arise from statutory requirements, demand led pressures, demographics etc..
- Uplifts included for pay, pensions and non pay inflation
- Authority wide pressures reflected including Capital Financing, Levies and the Council Tax Reduction Scheme
- Schools budget is modelled to receive a cash uplift of £1M per year

6. CURRENT MODELLING OUTCOMES

6.1 The modelling uses a number of assumptions which are all subject to change and will be reviewed as part of the detailed budget strategy work in the autumn. The 'base case' includes a reduction in Welsh Government funding of 2% per annum over the three year period. The variability of the potential level of Provisional Settlement from Welsh Government has a significant impact on the budget gap. Figure 1 illustrates the outcome of the current 'base case' modelling (pre Provisional Settlement announcement), plus some sensitivity analysis should the Provisional Settlement be more positive (set at 0% flat) or worse (-4%):

Figure 1 : Modelled Budget Gap 2018/19 to 2020/21



7. **BALANCING THE BUDGET**

- 7.1 The Council continues to focus on the budget gap position over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.
- 7.2 Plans are already being developed across a number of areas to balance the projected budget gap for 2018/19 and the medium term. In particular the focus thus far has been on the continued delivery of an annual efficiency target which protects frontline services. Inevitably the focus at annual budget setting time is for the forthcoming financial year, that is, 2018/19, and the savings quantum required is still to be confirmed pending receipt of the Local Government Settlement from Welsh Government.
- 7.3 Using our 'base case' (-2%) modelling forecast, Figure 2 summarises the current savings requirement position, after taking into account an annual efficiency target.

Figure 2: Budget Gap and Savings

Budget Gap Annual	18,458	17,222	15,511
<u>Budget Reduction Measures</u>			
General Efficiencies	- 6,000	- 6,000	- 6,000
Remaining Budget Gap	12,458	11,222	9,511

- 7.4 To close the remaining budget gap identified in Figure 2, work is progressing urgently and will be reported to Members as part of the budget strategy work this autumn.
- 7.5 We have identified a number of themes to focus and prioritise our efforts over the medium term to identify and deliver a transformation agenda across all of our services. These are :
- *Digitalisation* – taking the opportunity new technology provides to deliver better services for residents, visitors, businesses and how we operate internally.
 - *Commercialism* – utilising our scale and expertise to deliver services for other organisations and customers and thereby generate income.
 - *Property Rationalisation* – reducing property costs linked to new ways of working, for example through agile working.

- *Early Intervention and Prevention* – investing in preventative services to deliver savings in the medium term.
- *Independence* – reshaping our services for vulnerable residents to ensure that we promote independence and deliver first class care services.
- *Efficient and Effective Organisation* – challenging our ongoing service delivery and driving out further efficiencies through for example, a reduction in administration costs.

7.6 As work develops through the themes described in 7.5 above, this will be reported through to Members as appropriate.

7.7 Greater clarity will be available on the level of savings required post the Provisional Local Government Settlement in October. The position will be reported to Members as soon as possible after the settlement publication.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no immediate equality and diversity implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself that will be reported on during the autumn.

9. CONSULTATION

9.1 There are no specific consultation requirements at this time.

10. FINANCIAL IMPLICATIONS

10.1 The financial modelling assumptions and implications are set out in the detail of the report. At this stage, the Council is not being asked to make any new financial decisions in respect of the Medium Term Financial Plan.

11. LEGAL IMPLICATIONS

11.1 There are no legal implications aligned to this report.

12. LINKS TO THE COUNCIL'S CORPORATE PLAN / OTHER CORPORATE PRIORITIES / SIP

12.1 The Medium Term Financial Plan is a key enabler for the delivery of the Council's Corporate Plan and its obligations to support wider partnership objectives.

13. CONCLUSION

- 13.1 This report and the accompanying 'Medium Term Financial Plan 2017/18 to 2020/21' sets out the current position on the financial challenges facing the Council in the medium term. The report notes, that subject to the level of funding from Welsh Government, a significant budget gap is likely to be faced in 2018/19 and for the following two years.
- 13.2 The report clearly states that the proactive strategy adopted in recent years through early identification of savings and the targeting of key areas such as procurement and new ways of working can still deliver significant efficiency savings.
- 13.3 The focus will switch to the 2018/19 budget strategy upon receipt of the Provisional Local Government Settlement. Given the actions already being worked through, any budget gaps will in the first instance be addressed through efficiency actions and process changes thereby protecting, as far as possible, our much valued frontline services.

Appendix 1



STRONG HERITAGE | STRONG FUTURE
RHONDDA CYNON TAF
TREFTADAETH GADARN | DYFODOL SICR

Rhondda Cynon Taf County Borough Council

Medium Term Financial Plan

2017/18 – 2020/21
(updated July 2017)

Medium Term Financial Plan - Contents

Introduction and Purpose

- Section 1 Background and Context
- Section 2 Local Government Settlement – Prospects
- Section 3 Council Tax
- Section 4 Schools Budget
- Section 5 Fees and Charges
- Section 6 National and Local Pressures
- Section 7 Inflationary Pressures
- Section 8 Specific Grants
- Section 9 Summary Spend Requirements and Resource Availability
- Section 10 General Fund Reserves and Earmarked Reserves
- Section 11 Balancing the Budget
- Section 12 Capital Programme
- Section 13 Consultation
- Section 14 Other Relevant Documents
- Annex 1 Council Budget by Service Area
- Annex 2 Council Budget by Corporate Priorities
- Annex 3 Council Capital Programme by Corporate Priorities
- Annex 4 Earmarked Reserves

INTRODUCTION AND PURPOSE

Medium Term Financial and Service Planning is an essential component of the effective financial management of this Council. It is the cornerstone of good governance and an enabler of service delivery and service improvement within the constraints of available resources.

This Medium Term Financial Plan sets out, holistically, the financial context within which the Council is operating and forward projects the financial challenge facing the Council over a 3 year planning period.

It will also align and link our financial resources to our Corporate Plan Priorities and will enable us to track resource allocation in this way over future years.

Section 1 Background and Context

- 1.1 Rhondda Cynon Taf has a track record of strong and effective financial management. Medium Term Financial Planning is an essential part of these arrangements.
- 1.2 The austerity measures emanating from the actions of Central Government continue to impact on the resources available to Welsh Government and consequently local government in Wales. At a national level, the overall local government settlement for Wales over the last 4 financial years is shown below in Table 1.

Table 1

Financial Year	All Wales Settlement
2014/15	-3.9%
2015/16	-3.5%
2016/17	-1.4%
2017/18	+0.2%

- 1.3 For Rhondda Cynon Taf, the overall reduction in funding over many years has translated into a need to make budgetary savings in excess of £80M since 2011, equating to a reduction of approximately 17% of the Council's net budget.
- 1.4 In February 2016, the Council agreed a new Corporate Plan for the period 2016-2020, the context for which is reproduced in the following paragraphs.
- 1.5 The Corporate Plan 2016-2020 set the overall direction for the Council over the four year period, describing its vision, purpose and ambition for the County Borough.
- 1.6 The Council's vision is:

“For a County Borough that has high aspirations, is confident and promotes opportunity for all”.
- 1.7 The Council's purpose and the reason why it exists is:

“To provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper”.

1.8 The Council is focused on the following three priorities:

1. ***Economy - Building a strong economy;***
2. ***People - Promoting independence and positive lives for everyone;***
3. ***Place - Creating neighbourhoods where people are proud to live and work.***

1.9 The Corporate Plan is a key component of the Council's budgetary and business planning process. The Plan recognises that Rhondda Cynon Taf Council and the wider public sector continue to face significant financial challenges, even though macro economic conditions have begun to improve. The improved position is not reflected in the wider public sector and the challenges for services and ultimately residents continues to be significant. In addition, the process of exiting the European Union does mean a period of uncertainty which could add further pressure on the economy. The position was summarised in the Corporate Plan as follows:

- *Further spending cuts to come: Despite nearly £100 billion of spending cuts since 2010, the UK budget deficit still stands at around £90 billion meaning that austerity will continue.*
- *Increasing pressure on services: increasing demand on services is driven by a changing population. Rhondda Cynon Taf's population is relatively static but health and social services in particular are facing acute challenges due to the growth in older cohorts, as people live for longer.*
- *Wider financial pressure on households: from energy bills, housing costs, wage restraint, and benefit reforms.*
- *Increasing public expectations: with residents expecting better services and more prompt responses. This means that the Council must plan for the fact that spending reductions will affect all parts of the public sector to the end of the decade and that increasing levels of demand will not be met from simply doing more of what it is currently doing.*
- *The impact on the Council's finances – past and future: In Rhondda Cynon Taf, the impact of austerity has translated to the Council needing to save or generate £76m over the period 2011 – 2015, equivalent to 16% of the Council's budget. Looking ahead, based on assumptions about future public spending and rising demand, the Council is forecasting the need for further savings of over £60million in the latter half of the decade. In real terms, by the end of the decade, the council's total spending power will be nearly half of what it was at the start.*

- 1.10 Knowing that the Council continues to face significant financial challenges in the years ahead, there is a need to develop and agree a plan for meeting the challenge.
- 1.11 Despite austerity, the economy is now growing, with the Cardiff Capital City Region one of the fastest growing areas outside of London. This creates opportunities for the Council; for residents; and for business. In Rhondda Cynon Taf, the benefits are already being seen through reduced unemployment, falling numbers of pupils eligible for free school meals, with more people on benefits moving into work. Despite, the recession more new homes were built in the County Borough in recent years than in all but two other local authorities across Wales. We are actively working with housing developers in areas such as Llanillid, Robertstown, Hirwaun, Tonyrefail, and Mwyndy to provide new homes and new jobs. Furthermore, the ten local authorities of South East Wales, Welsh Government and the UK Government have agreed plans for a £1.2 billion investment in boosting the local economy in the Cardiff Capital City Region that will benefit residents of Rhondda Cynon Taf.
- 1.12 The Council's agreed budget for 2017/18 amounts to £458.940M. Annex 1 sets out the Council budget for 2017/18 as allocated across services.
- 1.13 The budget has also been analysed across the 3 priority areas of Economy, People and Place as set out in the Corporate Plan (referenced in paragraph 1.8) in order to demonstrate the allocation of Council Revenue Resources to these priority areas. Whilst some allocation has been necessarily subject to a degree of 'best fit', this is still felt to be a helpful analysis given the Corporate Plan and provides a basis to track resource allocation over time. This is attached at Annex 2. A similar analysis is also included for the 3 year capital programme at Annex 3.

Section 2 Local Government Settlement – Prospects

- 2.1 As referenced in Section 1, local government as a whole has received negative settlements from Welsh Government in overall terms for 3 of the last 4 financial years. For Rhondda Cynon Taf the level of settlements received are shown below in Table 2.

Table 2

Financial Year	RCT Settlement	All Wales Settlement
2014/15	-3.7%	-3.9%
2015/16	-3.7%	-3.5%
2016/17	-0.9%	-1.4%
2017/18	+0.4%	+0.2%

- 2.2 Welsh Government have not provided any indication of future year financial settlements, leaving local government to themselves model potential scenarios. The Welsh Local Government Association (WLGA) support local government in this regard.
- 2.3 Nationally, the outcome of the recent general election coupled with Brexit, have increased the uncertainty over the future austerity programme and, consequently, likely funding scenarios.
- 2.4 For planning purposes, this Council has developed a base case built upon planning assumptions as summarised in Table 4 below.

Table 4: RCT Planning Assumptions – Welsh Government Settlement

Year	Potential Settlement
2018/19	-2.0%
2019/20	-2.0%
2020/21	-2.0%

- 2.5 The provisional local government settlement for 2018/19 is anticipated to be received during October 2017.

Section 3 Council Tax

- 3.1 Council Tax income accounts for 22% of the Council's net budget, generating £102.1M from local taxpayers in 2017/18.
- 3.2 The total yield from Council Tax is determined by a combination of the level of the tax base and the level at which Council Tax is set.
- 3.3 The Tax Base is the measure of the relative taxable capacity of different areas within the County Borough and is calculated in accordance with prescribed rules. The Gross Tax Base is the number of chargeable dwellings in the area expressed as Band D equivalents after allowing for exemptions, disablement reductions and discounts. This is then adjusted for an assumed collection rate to give the Net Tax Base.
- 3.4 The Tax Base is provided to Welsh Government and is used as part of the distribution formulae for the Local Government Settlement. The Tax Base is calculated for the County Borough as a whole and for those areas that have a Community Council.
- 3.5 The Tax Base movement over recent years is shown in Table 5 below.

Table 5

Year	Gross Tax Base (£)	Collection Rate	Net Tax Base (£)
2014/15	75,189	96.5%	72,557
2015/16	75,565	97.0%	73,298
2016/17	76,207	97.5%	74,302
2017/18	76,901	97.5%	74,978

- 3.6 The level of any increase or decrease of Council Tax is considered each year as part of the annual budget consultation processes, and subsequently determined by Council as part of the annual budget strategy. The formal resolution is also agreed by Council.
- 3.7 Council Tax levels over recent years are shown in the Table 6 below.

Table 6

Year	Band D Council Tax £	Increase over Previous Year
2014/15	£1,248.00	4.5%
2015/16	£1,295.48	3.8%
2016/17	£1,331.17	2.75%

2017/18	£1,361.18	2.25%
---------	-----------	-------

- 3.8 The total amount raised through Council Tax is derived by multiplying the net tax base by the band D Council Tax charge, which for 2017/18 amounts to (74,978 x £1,361.18) £102.060M.
- 3.9 For modelling purposes as part of this report, a Council Tax increase of 3% per annum is currently being used in our medium term calculations, noting of course that this is a key decision for Members to make as part of setting each years budget. In terms of generating resources, a 1% increase in the level of Council Tax will raise an extra £763k¹ of additional income each year (this is net of the costs associated with the Council Tax Reduction Scheme described in more detail below).

Council Tax Reduction Scheme (CTR Scheme)

- 3.10 Welsh Government have determined a national CTR Scheme for Wales which assesses a taxpayers ability to pay and provides support for those who are eligible.
- 3.11 During 2016/17 the Council paid CTRS to 25,828 eligible applicants at a cost of £22.4M. For 2017/18 the Council has estimated the cost to be £23.507M.

¹ Based on 2017/18 Council Tax Income

Section 4 Individual Schools Budget (ISB)

- 4.1 The total Individual Schools Budget (ISB) for the Council in 2017/18 amounts to £146.9M and represents over 30% of the Council's net budget.
- 4.2 Since 2012/13, the ISB has increased at a level above other council services and above the level of the Council's own settlement from WG. The ISB has been subject to protection requirements by WG over this period which ended in 2016/17. The comparative ISB increases over the last six years are shown in Table 7:

Table 7

Year	School (ISB) Increase	RCT Settlement Level
2012/13	+1.58%	+0.42%
2013/14	+2.08%	+0.5%
2014/15	+0.9%	-3.7%
2015/16	+0.6%	-3.7%
2016/17	+1.85%	-0.9%
2017/18	+1.5%	+0.4%

- 4.3 Over the 6 year period shown in Table 7, the ISB has received an increase amounting to 8.51%, as opposed to the Council's remaining budgets having been reduced by 6.98%. In monetary terms, applied to an ISB of £138M (2011/12 ISB) this amounts to an extra £21.4M being provided to schools over the period.
- 4.4 Pupil number forecasts are modelled across Primary, Secondary and Special Schools sectors with the financial implications included in the Schools Budget Requirement.
- 4.5 The levels of school reserves held as at the 31st March 2017 are shown in Table 8 below.

Table 8

Type of School	31/03/16	2016/17 Movement	31/03/17
	£'000	£'000	£'000
Primary	4,159	(1,335)	2,824
Secondary	(828)	(12)	(840)
Special	270	(124)	146
Nursery	(14)	14	0
Total	3,587	(1,457)	2,130

Section 5 Fees and Charges

- 5.1 The Council raises £15.5M of income annually from fees and charges raised across services. The level of charges is reviewed annually.
- 5.2 As part of the budget strategy for 2014/15, Council agreed to increase fees and charges, in total, by an average of 3% above the Retail Prices Index (RPI) per annum for 2014/15 and for each subsequent year up to and including 2017/18.
- 5.3 The latest application of this decision for 2016/17 meant an average increase of 4.2% (with RPI on the 19th January 2016 being 1.2%)
- 5.4 As part of their review for 2017/18, Cabinet determined to make a number of exceptions to the standard level of increase which meant that all other fees would increase by 4.7%. The changes are detailed in Table 9 below.

Table 9

Area of Charge	Proposed Increase for 2017/18
Parking Charges	Nil
Summer and Winter Playing Fees (Sports Clubs)	Nil
Domiciliary Care (Adults)	Nil
Trade Refuse (Recycling)	Nil
Meals on Wheels	Nil
School Meals	Nil

- 5.5 In order to meet the income target from the Council decision (as per paragraph 5.2) it would then become necessary to increase all other fees and charges by RPI + 6.3%, that is a total increase of 8.8%.
- 5.6 However, in order to protect residents from such a level of increase and having due regard to the more positive settlement from Welsh Government which this Council received, it was possible to cap the increases for other fees and charges at a flat rate of 2.25%. The financial impact of this (£555k) was built into the revenue base budget for 2017/18.
- 5.7 With regard to Leisure Fees and Charges, as agreed by Cabinet on the 12th February 2015, all committed prices were frozen until January 2017, at which point they were to be increased by RPI + 3%. On the 5th December 2016, the Group Director Community and Children's Services made a delegated decision to freeze membership charges for a further 12 month period, in order to continue to grow the membership, further bolster the value for money of the product and

reinforce the Council's commitment to invest in its leisure facilities. In line with the same decision, all pay and play prices were increased from 1st January 2017 (by 5%, note RPI as at November 2016 was 2%).

- 5.8 A separate report was considered by Cabinet on the 18th of January 2017 relating to car parking charges and changes to the associated charging policy were agreed. Again this was built into the revenue budget strategy for 2017/18.
- 5.9 During December 2016 and January 2017 the Welsh Government held a public consultation in respect of a number of proposed changes to Adult Social Care Charges. The outcome of the consultation was that the following amendments to the rules relating to Adults Social Care came into effect from 10th April 2017:
- (a) The amount of money people can keep without having to use it to pay for residential social care would increase from £24,000 to £30,000.
 - (b) Financial assessments for charging for care and support would require a full disregard of War Disablement Pension.
 - (c) The minimum amount a person in residential social care can keep from their income to spend as they wish increases from £26.50 to £27.50 a week.
 - (d) A rise in the maximum charge for non-residential care and support to £70 a week

A separate report on the implementation of these changes will be considered by Cabinet in July 2017.

- 5.10 Finally, it was agreed that a nominal charge would be applied to adult users of the Pontypridd Lido (under 16 use remains free). The Lido has been extremely successful in terms of user numbers, promoting healthy activity and delivering wider economic benefits to the area. Over 70,000 people used the facility in 2016 and the online booking system proved very successful in allowing visitors to plan their visit and the service to manage numbers. As per the delegated decision taken in February 2016, the operational arrangements included free general access for the 2016 season. Given no charge was applied, experience from the year showed that there were inevitably some visitors who booked slots who then did not attend on the day. It is felt that applying a nominal charge will not only contribute further income to the facility but it would also seek to address 'non attendance' by committing users to pay a small charge. The charge agreed was £1 per adult user. Based on a prudent estimate of potential adult users, additional income of £30k is projected for 2017/18 and was built into the budget strategy proposals for the 2017/18 financial year.

5.11 A full list of all fees and charges across all Council services can be accessed [here](#), including the agreed level of charges for 2017/18.

Section 6 National and Local Pressures

6.0 Authority Wide Budgets

6.1 Appropriate sums must be set aside to cover a number of Authority Wide costs. These include the following:

Capital Financing

The projected level of capital charges are linked to the Council's Capital Programme and Treasury Management Strategy.

Levies

Levies are raised (against non service specific budgets) by the South Wales Fire Service, the Coroner, Brecon Beacons National Park Authority and the Glamorgan Archives (Joint Committee).

Council Tax Reduction Scheme

This demand led area of expenditure is still relatively new, with Welsh Government having introduced a national scheme from financial year 2013/14.

Miscellaneous

The areas of expenditure held here include :

- Carbon Reduction Commitment
- Graduate and Apprenticeship programmes
- Trade Union Costs
- Local Government Elections
- Planning Appeals
- Former Authority Pension Costs
- Voluntary Termination Costs
- LGPS including auto-enrolment
- Bank Charges
- Housing Benefit Subsidy Costs
- Energy / Invest to Save
- External Audit Fees
- Vehicle Replacement Funding
- City Deal Costs
- Insurance Costs
- Discretionary NDR Relief
- Apprenticeship Levy

- 6.2 A summary of the projected requirement for Authority Wide budgets from the current year (2017/18 budget) to 2020/21 is shown below in Table 10.

Table 10

Authority Wide Budgets	2017/18	2018/19	2019/20	2020/21
	Current Budget	(Projected)	(Projected)	(Projected)
£K	£K	£K	£K	£K
Capital Financing	19,557	19,947	20,322	20,682
Levies	11,649	11,882	12,120	12,362
CTRS	23,507	24,212	24,938	25,686
Miscellaneous	15,264	15,239	16,451	16,972
TOTAL	69,977	71,280	73,831	75,702
		1,303	2,551	1,871

Note included in 'Miscellaneous' are increases in pension fund contributions and costs associated with living wage increases which will be reallocated across service areas as part of the budget setting process.

6.3 Service Inescapable Pressures

- 6.4 There are clearly areas of our budget which are exposed to more uncontrollable spending requirements which might arise from demand led or demographic changes, legislative or regulatory change, the effect of external market forces (and prices) and the financial implications of policy and service planning decisions made by the Council. These are **inescapable pressures** and include the implications of the Living Wage on our External Contracts, increasing pupil number projections, the ongoing impact of EU legislation on sleeping night payments and assumptions around reductions in specific grants.
- 6.5 The amount included for Service Inescapable Pressures within the Budget Requirement is shown below in Table 11.

Table 11

Forecasted Inescapable Budget Pressures	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Schools (ISB)	1,354	1,080	93
Education and Lifelong Learning	978	0	0
Community and Children's Services	3,766	1,783	1,484
Corporate and Frontline Services	900	368	337
Total	6,998	3,231	1,914
			12,143

6.6 Service Financial Risks

6.7 In addition to the above inescapable budget pressures, there are items of risk which have been identified and which are captured and estimated in financial terms. A view is then taken on the potential overall likelihood of the risk materialising and the quantum of it which can be included in the early modelling of the budget requirement. As time progresses the risks will either become inescapable or will fall away, possibly with a longer term impact.

6.8 The amount included for Service Financial Risks within the Budget Requirement is shown below in Table 12:

Table 12

Financial Risks	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Value of Risk Included	862	3,558	3,051

6.9 School (ISB) Requirements

6.10 Section 4 set out the context for school budgets noting their favourable treatment as compared to other Council services. Notwithstanding this favourable treatment, there is still an expectation that they will make a positive contribution toward balancing the overall council budget. Consequently, a cash uplift to school budgets of £1M per year has been included for modelling purposes. The ISB budget increases are set out in Table 13 below.

Table 13

Schools (ISB) Modelled Budget	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Budget Requirement (ISB)	150,488	150,949	150,991
Modelled Budget	147,872	148,872	149,872
Modelled Increase	1,000	1,000	1,000

Section 7 Inflationary Pressures

7.1 Employee Inflation

7.2 The NJC for APT&C workers has yet to agree a pay award for 2018/19 (a 2 year deal having been in place for 2016/17 and 2017/18). It should be noted that the pay award increases have been proportionately greater for the lower grades over the last 2 years and provision for this is included above a flat modelled 1% forecast increase to the paybill.

7.3 For all other categories of employees, including teachers, a 1% allowance is also included for each year from 2018/19 to 2020/21.

7.4 There are currently no known changes planned to employer National Insurance Contributions.

7.5 Non Employee Inflation

7.6 The Bank of England's Monetary Policy Committee continues to set monetary policy to meet a 2% inflation target. For the MTFP, inflation is included across all expenditure and income heads currently at 2.0%, 2.1% and 2.1% for 2018/19, 2019/20 and 2020/21 respectively. A number of specific cost areas where inflation is known or anticipated to be above these rates have more appropriate inflationary allowances applied as detailed below.

7.7 Specific Inflation

7.8 There are some budget heads which are particularly volatile and susceptible to variations in rates of inflation which are outliers to the central forecasts. More detailed analysis and procurement intelligence is applied to uplifts for the following expenditure heads :

- Electricity
- Gas
- Fuel (Petrol)
- Food

7.9 The overall cost of inflation to the Council is summarised in Table 14 below.

Table 14

Inflation	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Employee Related	2,734	2,761	2,789
Non Employee Related	4,116	3,832	3,902
	6,850	6,593	6,690
			20,133

Section 8 Specific Grants

- 8.1 The Council is mindful of the opportunities that are likely to accrue, by the Council attracting specific grants to supplement its base revenue budget. Whilst specific grants can dilute local accountability, the fact remains that in attracting such funding, it allows us to undertake projects that otherwise we may have had to defer, or cancel.
- 8.2 By their nature, specific grants tend to be time-limited, and involve an assessment process. It is important therefore, that any specific grant funded programme complements the Council's locally determined priorities. In addition, even if they are initially successful in attracting specific grants, authorities are restricted in their ability to confidently forward plan, as they have no guarantee of ongoing (specific grant) funding. Consequently, because specific grants are time limited it is vital to develop appropriate "exit strategies".
- 8.3 Whilst specific grants come from a number of sources, for 2017/18 the Welsh Government alone will provide over £750M in total to Welsh Local Authorities. The allocation of specific grants remains a key feature of the Welsh Government's annual local government settlements, albeit the WG is committed to reduce this form of hypothecation in the longer term.
- 8.4 Table 15 sets out the main areas of expenditure and services which are funded currently by specific revenue grants.

Table 15

Award Body	Purpose	2016/17 £M	2017/18 £M
<u>Community & Children Services</u>			
Shaw Trust & Working Links	Subsidisation of Employment of Disabled Workers	0.456	0.451
Department for Work & Pensions	Housing Benefit Subsidy Bed & Breakfast Scheme	0.292	0.100
Welsh Government	Communities First Grant	4.937	3.395
	Communities 4 Work	1.108	1.093
	Families First	3.271	3.432
	Flying Start	6.863	6.869
	Language & Play Grant	0.105	0.000
	Social Care Workforce Development Programme	0.556	0.556
	Supporting People Grant	9.056	9.056
	Youth Crime Prevention Grant	0.096	0.426
	Substance Misuse Action Fund	2.686	2.686

	Wales Safer Communities Grant	0.256	0.280
	General Practitioner (GP) Referral Scheme	0.185	0.168
	Intermediate Care Fund (Via LHB)	0.000	2.118
	Environmental & Sustainable Development Single Revenue Grant	0.000	0.051
Youth Justice Board	Youth Justice Provision	0.522	0.400
Police Crime Commissioner	Police and Crime Reduction	0.000	0.064
Sports Council for Wales	Grand/Big Splash	0.279	0.279
	Dragon Sports Scheme	0.098	0.098
	Sports Development	0.239	0.239
Natural Resources Wales	Coed Cymru/Countryside Services	0.053	0.000
Total Community & Childrens Services		31.058	31.761
Education & Lifelong Learning			
Welsh Government	Post-16 Provision in Schools	10.610	10.326
	Education Improvement Grant (EIG) Delegated to Schools	9.428	9.251
	Education Improvement Grant (EIG) Admin	0.019	0.018
	Foundation Phase - EIG	0.108	0.112
	Learning Pathways (14-19) - EIG	0.038	0.000
	Pupil Deprivation Grant	8.041	8.859
	Community Learning	0.178	0.201
	Youth Service Support Grant	0.210	0.270
	Youth Engagement	0.069	0.000
	Ethnic Minority Achievement - EIG	0.128	0.127
	School Uniform Grant Scheme (Estimate)	0.077	0.072
	Education of Gypsy Travellers - EIG	0.029	0.029
	Out of School Childcare Grant	0.165	0.165
	Small and Rural Schools	0.000	0.134
	Inspire 2 Work	0.000	0.378
Ministry of Defence	MOD Education Support Fund	0.057	0.000
Rural Payments Agency	Infant Milk (Estimate)	0.380	0.386
Sports Council for Wales	5x60 (Estimate)	0.311	0.311
Total Education & Lifelong Learning		29.848	30.639
Chief Executives			
Arts Council of Wales	Arts Development	0.150	0.150
Total Chief Executives		0.150	0.150

Corporate & Frontline Services			
Department for Work & Pensions	Housing Benefit Administration Subsidy	1.029	0.926
Welsh Government	NDR Admin Grant	0.372	0.372
	Environment & Sustainable Development	4.252	3.958
	Concessionary Fares	6.789	6.789
	Local Road Safety	0.133	0.133
	Bus Service Support	0.665	0.665
	Tomorrow's Valley Residual Waste	1.189	1.189
	Tomorrow's Valley Food Waste	0.064	0.064
Total Corporate & Frontline Services		14.493	14.096
TOTAL SPECIFIC REVENUE GRANTS		75.549	76.646

8.5 Assumptions are made in the MTFP about future levels of specific grants, in particular where they are effectively funding core services, for example the Environment and Sustainable Development Grant which provides funding for our Recycling services.

Section 9 Summary Spend Requirements and Resource Availability

9.1 The impact of the aforementioned modelling is aggregated into Table 16 below to show the forecast budget position over the next 3 years. The modelling shows a projected budget gap over the 3 year period which needs to be addressed and closed with actions during the period. Whilst modelled over a three year period, the Council must also be mindful of its legal responsibility to set a balanced budget annually and for the forthcoming financial year this has to be completed before the 11th March 2018.

Table 16

SUMMARY OF EXPENDITURE REQUIREMENTS AND RESOURCES AVAILABLE

Summary	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Base	458,940	453,880	450,514
Inflation	6,850	6,593	6,690
Inescapables	6,998	3,231	1,914
Risks	862	3,558	3,051
Net change in Schools Modelling (adjustments net of £1M pa increase)	- 2,616	- 2,077	- 1,119
Authority Wide	1,303	2,551	1,871
Budget Requirement	472,338	467,736	462,922
Resources			
WG Funding (RSG & NDR)	348,338	341,371	334,544
Council Tax	105,542	109,143	112,867
Total Resources Available	453,880	450,514	447,411
Budget Gap	18,458	17,222	15,511
			51,190

9.2 Clearly a significant determinant on the budget gap is the level of funding which the Council receives from Welsh Government. To understand the potential impact of changes in the level of funding, Table 17 below sets out a range of potential settlement levels and the resultant budget gap.

Table 17

Budget Gap - Sensitivity Analysis	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Budget Gap at -2% pa (Base Case)	18,458	35,679	51,190
Budget Gap at 0% pa	11,349	21,604	30,287
Budget Gap at -4% pa	25,567	49,471	71,258
Budget Gap at -1% pa	14,903	28,677	40,844
Budget Gap at 0, -1%, -2%	11,349	25,158	40,880
Budget Gap at -1%, -2%, -2%	14,903	32,196	47,777

Section 10 Reserves Policy

- 10.1 Reserves play an important part of the overall financial management and financial standing of the Council. In this regard the Council holds a minimum of £10M in its General Reserves (that is, unallocated reserves). This level is not set by any formula but is a judgment of the Council's Section 151 Officer taking into account the overall quantum of the budget and the financial risks therein and facing the Council.
- 10.2 The Council also holds Earmarked Reserves which are sums set aside for specific purposes. The full schedule of reserves is attached at Annex 3 (draft Statement of Accounts 2016/17).
- 10.3 All reserves are reviewed at least twice yearly, at budget setting stage and as part of the year end closure of accounts process. In between, changes in risk and potential liabilities are continuously monitored as part of the Council's Financial Management and budgetary control arrangements and changes in reserve levels are actioned, following member approval, as appropriate.
- 10.4 The Council has used reserves prudently as part of supporting its annual budget strategy for a number of years. Whilst reserves can be used to balance the budget, this alone is not a sustainable strategy and more permanent changes / reductions to the base budget must be made. With regard to the budget gap as modelled in Section 9, to balance the budget for the next 3 years using reserves alone would require the use of over £105M of reserves and the Council would still have a need to reduce its base budget by £51M.
- 10.5 The Council will hold reserves for the following purposes :

Capital, Treasury and Insurance Reserves

Reserve	Purpose
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.

Other Revenue Related Reserves

Reserve	Purpose
Revenue Budget Strategy 2017/18	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 Budget Strategy.
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.
Infrastructure / Investment	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.

Section 11 Balancing the Budget

- 11.1 Whilst the budget setting process is necessarily and statutorily an annual process, this Council has moved away from the annual cycle for financial planning purposes and seeks to address the budget gap on an ongoing basis over the medium term period.
- 11.2 Part of this process is the early identification and delivery of base budget reducing measures in-year and therefore before the start of a financial year. This has enabled the Council to deliver financial savings early and to replenish our Medium Term Financial Planning and Service Transformation Reserve which we have used proactively as part of our budget strategy approach for a number of years.
- 11.3 In line with the above, plans are already advanced across a number of areas to balance the projected budget gap for 2018/19 and the medium term. Table 18 below summarises the current position (based on the modelled budget gap set out in Table 16) :

Table 18

Budget Gap Annual	18,458	17,222	15,511
Budget Reduction Measures			
General Efficiencies	- 6,000	- 6,000	- 6,000
Remaining Budget Gap	12,458	11,222	9,511

- 11.4 To close the remaining budget gap as shown above, particularly in respect of 2018/19, additional measures are currently under review, including: :
 - a. Council agreed in December 2015 to voluntarily terminate our PFI arrangement at Garth Olwg Lifelong Learning Centre. The contract formally terminated in January 2017. The final financial implications of the termination process are still being negotiated with the former contractor and can be taken into account once the process has been concluded.
 - b. Over the last 2 financial years we have continued to see a reduction in demand for Council Tax Reduction Scheme support which has resulted in underspends in this area. We have already reduced this budget for 2017/18 but we will closely monitor demand

as we progress through this financial year with a view to reflecting this into next years budget.

- c. We will continue to review our base budget requirements and modelling around key service pressures including inflationary requirements and contractual arrangements.
- d. We have also identified a number of themes to focus and prioritise our efforts over the medium term to identify and deliver a transformation agenda across all of our services. These are :
 - Digitalisation – taking the opportunity new technology provides to deliver better services for residents, visitors, businesses and how we operate internally.
 - Commercialism – utilising our scale and expertise to deliver services for other organisations and customers and thereby generate income.
 - Property Rationalisation – reducing property costs linked to new ways of working, for example through agile working.
 - Early Intervention and Prevention – investing in preventative services to deliver savings in the medium term.
 - Independence – reshaping our services for vulnerable residents to ensure that we promote independence and deliver first class care services.
 - Efficient and Effective Organisation – challenging our ongoing service delivery and driving out further efficiencies through for example, a reduction in administration costs.

11.5 The remaining budget gap at alternative planning scenarios outlined in Section 2 is shown below in Table 19. Note the remaining budget gap is AFTER the delivery of £6M of efficiencies across services each year, which in itself is becoming ever more challenging. However we remain focussed and committed to becoming an increasingly efficient organisation where frontline services are protected as far as possible.

Table 19

	2018/19	2019/20	2020/21
Remaining Budget Gap at 0% per annum	5,349	4,255	2,684
Remaining Budget Gap at -4% per annum	19,567	17,904	15,787

Section 12 Capital Programme

- 12.1 The Council's 3 year capital programme, 2017/18 to 2019/20 was agreed by Council on the 1st March 2017.
- 12.2 The three year Capital Programme is a key component of the overall Medium Term Financial Planning and Resources Strategy for this Council. Targeted capital investment can make a significant impact on service delivery and used effectively, is able to underpin the Council's Corporate Plan Priorities, where relevant.
- 12.3 The three year programme amounted to £172.5M and includes further additional investment of £7.514M in priorities aligned to the Council's Corporate Plan.
- 12.4 The rolling 3 year programme is reviewed and determined annually (in March of each year) and provides service managers with the opportunity to plan investment in our infrastructure and assets over the medium term.
- 12.5 A summary of the current 3 year programme is provided in Table 20.

Table 20 : THREE YEAR SUMMARY CAPITAL PROGRAMME

GROUP	BUDGET		
	2017/18	2018/19	2019/20
	£M	£M	£M
Community & Children's Services			
General Programme	0.550	0.550	0.550
Private Sector Housing	7.398	5.659	5.368
Public Health & Protection	1.798	0.550	0.550
Education & Lifelong Learning			
Schools	63.067	23.459	0.146
Supplementary Capital Programme	7.900	4.900	4.900
Chief Executive's Division			
Regeneration & Planning	4.264	0.740	0.740
Cabinet Office & Public Relations	0.020	0.020	0.020
Corporate & Frontline Services			
Corporate Estates	0.200	0.200	0.200
Financial Services	0.700	0.700	0.700
Highways Technical Services	9.895	1.785	1.835
Strategic Projects	4.382	2.385	0.325
Waste	0.300	0.000	0.000
Fleet	5.641	0.481	6.593
Buildings	0.100	0.100	0.100
Corporate Budgets			
Corporate Initiatives	1.030	0.850	0.850
TOTAL CAPITAL BUDGET	107.245	42.379	22.877

Section 13 Consultation and Scrutiny

- 13.1 Following consideration of this MTFP by Cabinet, the document and the planning assumptions will be available to all stakeholders as part of the consultation on the draft 2018/19 budget strategy.
- 13.2 The MTFP will be used as a basis of planning for our 2018/19 budget strategy consultation processes, updated as appropriate to reflect the implications of the provisional local government settlement which is due to be received in October 2017.

Section 14 Other Relevant Documents

Below are links to other documents which are relevant to the Medium Term Financial Plan.

Budget Book 2017/18

<http://www.rctcbc.gov.uk/EN/Council/PerformanceBudgetsandSpending/RelatedDocuments/BudgetBook201718/BudgetBook2017to2018.pdf>

Statement of Accounts 2015/16

<http://www.rctcbc.gov.uk/EN/Council/PerformanceBudgetsandSpending/RelatedDocuments/AnnualAccounts/StatementofAccounts2015to2016.pdf>

Treasury Management Strategy, Investment Strategy and Prudential Indicators

<http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2017/03/15/Reports/AgendaItem8TreasuryManagementStrategy.pdf>

Council Performance Report, Quarter 3 2016/17

<http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2017/03/09/Reports/AgendaItem13Q3PerformanceReport.pdf>

Corporate Plan

<http://www.rctcbc.gov.uk/EN/Council/PerformanceBudgetsandSpending/Councilperformance/RelatedDocuments/CorporatePlan201620/CorporatePlan201620.pdf>

Council 3 Year Capital Programme 2017/18 to 2019/20

<http://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2017/03/01/Reports/AgendaItem83YearCapitalProgrammeReportandAppendices.pdf>

ANNEX 1

GENERAL FUND REVENUE : SERVICES PROVIDED

2016/17 Budget		2017/18 Budget
£M		£M
	<u>Community & Children's Services</u>	
70.786	Adult Services	73.850
44.883	Children's Services	44.987
2.762	Transformation	3.170
15.114	Public Health & Protection	16.069
133.545		138.076
	<u>Education & Lifelong Learning</u>	
20.264	School & Community	20.187
10.501	Access, Engagement & Inclusion	10.718
144.945	Delegated Schools	146.950
175.710		177.855
	<u>Chief Executive's Division</u>	
0.402	Chief Executive	0.410
2.319	Cabinet Office & Public Relations	2.523
3.557	Human Resources	3.571
3.371	Legal & Democratic Services	3.286
2.059	Regeneration & Planning	2.119
11.708		11.909
	<u>Corporate & Frontline Services</u>	
43.447	Frontline Services	44.807
5.487	Financial Services	5.307
3.761	ICT	3.854
2.224	Customer Care	2.065
5.264	Corporate Estates Management & Procurement	4.935
0.151	Group Management	0.155
60.334		61.123
381.297	Total Group Budgets	388.963
	<u>Authority Wide Budgets</u>	
22.977	Capital Financing	19.557
11.382	Levies	11.649
14.825	Miscellaneous	14.864
0.400	NDR Relief	0.400
23.954	Council Tax Reduction Scheme	23.507
73.538	Total Authority Wide Budgets	69.977
454.835	TOTAL REVENUE BUDGET	458.940

ANNEX 2

<u>COUNCIL REVENUE BUDGET - BY PRIORITY AREA</u>		
Budget 2016/17	Priority Area	Budget 2017/18
£'000		£'000
	<u>PEOPLE</u>	
45,224	Children's Services	45,782
74,259	Adult Services	77,513
119,483		123,295
	<u>PLACE</u>	
11,278	Parks / Leisure (including physical participation) / Libraries / Heritage Sites	11,919
301	Anti-Social Behaviour / Domestic Violence / Substance Misuse	313
774	Crime Reduction (inc hate crime)	721
3,269	Highway cleanliness	3,238
14,342	Waste / Recycling	14,631
8,293	Highways Infrastructure / Road maintenance / condition	9,923
392	Homelessness prevention	377
38,649		41,122
	<u>ECONOMY</u>	
25,262	Economically active people / Job Seekers Allowance Claimants / Job Creation / Not in Education, Employment or Training (NEET)	25,504
182,967	School Attainment	185,800
482	Business start ups / closures	523
836	Town Centre	579
400	Town Centre Vacancy Rates (businesses)	400
570	Housing / affordable housing delivered	405
210,518		213,211
	<u>LIVING WITHIN OUR MEANS</u>	
1,816	Customer Care	1,648
6,271	Office Accommodation/Buildings	6,065
8,088		7,713
376,737	TOTAL SPEND ON COUNCIL PRIORITIES	385,341
4,540	REGULATORY PUBLIC SERVICES	4,515
2,241	OTHER SERVICES TO THE PUBLIC	2,337
49,184	AUTHORITY WIDE COSTS	46,070
22,132	CORE SUPPORT	20,677
454,835	TOTAL REVENUE COUNCIL BUDGET	458,940

ANNEX 4**COUNCIL CAPITAL PROGRAMME - BY PRIORITY AREA**

Priority/Scheme	3 Year Capital Programme 2017 - 2020			
	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total 3 Year Budget
	£M	£M	£M	£M
People				
Adult Services	5.648	5.365	5.779	16.792
Children's Services	0.599	0.553	0.553	1.705
Total - People	6.247	5.918	6.332	18.497
Place				
Parks, Leisure, Culture & Heritage and Open Spaces	2.190	0.360	0.889	3.439
Crime Reduction	0.075	0.075	0.075	0.225
Highways Cleanliness	0.766	0.010	0.582	1.358
Highways Infrastructure	15.930	4.451	2.596	22.977
Waste Strategy	2.527	0.074	4.580	7.181
Total - Place	21.488	4.970	8.722	35.180
Economy				
School Attainment	70.967	28.359	5.116	104.442
Business Support	0.500	0.500	0.500	1.500
Town Centres	3.764	0.240	0.240	4.244
Housing (including Empty Property Grant)	2.210	0.291	-	2.501
Total - Economy	77.441	29.390	5.856	112.687
Living Within Our Means				
Management and rationalisation of service accommodation	1.110	1.050	1.070	3.230
Customer Care	0.022	-	0.027	0.049
Total - Living Within Our Means	1.132	1.050	1.097	3.279
Total Capital Budget Allocated to Council Priorities	106.308	41.328	22.007	169.643
Regulatory Public Services (Cemeteries)	0.146	0.351	0.135	0.632
Authority Wide Costs (Vehicle related)	0.091	-	0.035	0.126
Core ICT Systems Support	0.700	0.700	0.700	2.100
Total Capital Budget	107.245	42.379	22.877	172.501

ANNEX 4**COUNCIL EARMARKED RESERVES****Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at 31/03/16 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/17 £'000
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	41,080	(17,168)	23,094	47,006
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	6,400	(3,974)	26	2,452
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	12,388	(1,539)	2,471	13,320
Total		59,868	(22,681)	25,591	62,778

Other Revenue Related Reserves

Reserve	Purpose	Balance at 31/03/16 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/17 £'000
Revenue Budget Strategy 2016/17	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2016/17 budget.	2,147	(2,147)	0	0
Revenue Budget Strategy 2017/18	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 budget.	0	0	1,433	1,433
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest, and are consolidated within the Statement of Accounts.	1,620	(1,504)	5	121
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	5,532	(5,532)	2,515	2,515
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	30,313	(6,477)	10,683	34,519
Investment / Infrastructure	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	0	0	3,628	3,628
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	13,604	(6,839)	5,362	12,127
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	4,901	(1,433)	2,016	5,484
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	2,387	(627)	1,566	3,326
Total		60,504	(24,559)	27,208	63,153
Total Earmarked Reserves		120,372	(47,240)	52,799	125,931