

The Vale of Glamorgan Council

Cabinet Meeting: 18 September, 2017

Report of the Leader

Medium Term Financial Plan 2017/18 to 2020/21

Purpose of the Report

1. To submit the draft Medium Term Financial Plan 2017/18 to 2020/21 for consideration and approval.

Recommendations

That Cabinet be requested to:

1. Endorse the contents of the draft Medium Term Financial Plan for 2017/18 to 2020/21.
2. Refer the Plan to Corporate Performance and Resources Scrutiny Committee with any comments made by that Committee being taken into account by Cabinet as part of the final budget proposals for 2018/19.

Reasons for the Recommendations

1. To facilitate the integration of medium term financial planning into the corporate planning and budget process.
2. To consider comments of Scrutiny Committee.

Background

2. The Budget Strategy for 2018/19 was approved by Cabinet on 31st July 2017, min no. C45. This established a baseline for services to prepare initial revenue budgets for 2018/19 based on the cost of providing the current level of service and approved policy decisions and including any net savings targets set. It also set out the timetable to be followed and requested Directors to continue to progress the Reshaping Services Programme.
3. The draft Medium Term Financial Plan 2017/18 to 2020/21 is attached at [Appendix 1](#). The purpose of the Medium Term Financial Plan is to link the Council's strategic planning process with the budget process and to ensure consistency between them. It is a mechanism that attempts to match future predicted resources and expenditure, identify potential shortfalls and provide the financial framework for the next 3 years. It

is not the budget setting process that allocates detailed budgets for services. Its purpose is to inform members and to suggest a way of dealing with the future financial pressures facing the Council.

4. Delivery of the Council's priorities is reliant on having robust corporate governance arrangements. These arrangements are set out in the strategic planning framework and financial planning is one of the elements of this integrated approach to corporate planning. The Corporate Plan outlines the work that the Council will undertake towards achieving the 4 well-being outcomes. The budget setting process and this Plan needs to be developed in parallel with the well-being outcomes and will look to align sources of funding to the Council's commitments.
5. In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. The Medium Term Financial Plan reflects this new approach to working and this is demonstrated throughout the Plan.
6. This iteration of the Plan builds upon the work carried out as part of the 2017/18 budget process as detailed in the Final Revenue Budget Proposals report approved by Council on 1st March 2017 (Minute No. 864 refers).
7. This Medium Term Financial Plan, therefore, attempts to:
 - Identify the main financial implications resulting from the increased pressure falling upon Council services, including pay and price inflation, legislative and demographic changes;
 - Estimate the reduced financial resources that will be available to the Council to meet these demands;
 - Match the predicted expenditure and resources and provide a framework to develop a financial strategy towards achieving a balanced budget for the next 3 financial years.

Relevant Issues and Options

8. The draft Medium Term Financial Plan is attached covering the period 2017/18 to 2020/21. Welsh Government has not provided indications of local government funding levels for 2018/19 to 2020/21 and therefore assumptions have had to be made. Due to the considerable uncertainty and the continuation of austerity measures, it is considered prudent that a reduction of 3% is applied for 2018/19. With the continued economic uncertainty as a result of the United Kingdom's exit from the European Union, it is considered prudent that further reductions of 3% for both 2019/20 and 2020/21 should be planned for.
9. It should be noted that the use of the above information does not provide the level of certainty required for forward planning. The basis of these latest assumptions, therefore, can in no way be guaranteed and any changes to the figures used could have a significant financial impact. However, every indication is that restrictions in public sector funding will continue for the foreseeable future and the failure to prepare for further reductions now could have far greater consequences for service delivery in the future.
10. Initial estimates present the following picture showing a projected savings target between 2018/19 and 2020/21 of £20.941m excluding schools, comprising of £9.326m of savings already identified and £11.615m yet to be allocated.

Projected Savings Required	2018/19 £000	2019/20 £000	2020/21 £000
Predicted Shortfall	7,525	7,159	6,257
Identified Savings	(6,726)	(2,600)	0
Additional Shortfall	799	4,559	6,257

11. The achievement of the identified savings will be extremely challenging in the context of historical savings already delivered, but failure to deliver this level of savings will significantly impact on the Council achieving its required financial strategy which will now be based on an estimated reduction of £20.941m by 2020/21 excluding Schools.
12. It should be noted that in arriving at this shortfall, there will inevitably be additional cost pressures arising between now and 2020/21 which are as yet unknown and little provision has been made for service development. Clearly, although savings will continue to remain a major expectation of future budgets, it is unlikely that the Council will seek to or be able to fund all cost pressures.
13. As a result of the high level of savings required, there will be difficulties in maintaining the quality and quantity of services without exploring opportunities for collaboration and alternative forms of service delivery. The only realistic option facing the Council in future years is the successful delivery of its Reshaping Services programme.
14. To ensure that the budget set for 2018/19 continues to address the priorities of the Vale of Glamorgan residents and the Council's service users, the budget setting process will incorporate engagement with a range of key stakeholders.
15. While the actual shortfall in funding for 2018/19 will not be known until December 2017, it is proposed that the following areas are considered as a means of reducing the projected £799k funding gap if the reduction in funding from WG is 3% as included in this Plan:
 - No provision for prices inflation which equates to £455k;
 - The impact of the change to the Council Tax base; and
 - A further use of the Council Fund to fund any remaining shortfall.
16. Options which are recommended within the Plan for exploration as part of the 2018/19 budget process to close the funding gap in future years are:
 - Considering the results of the budget engagement process in determining priorities for future savings and service delivery;
 - Reviewing the appropriateness of financial strategies for services;
 - Reviewing the feasibility of any change in the use of the Council Fund Reserve and other reserves as part of the financial strategy;
 - A further review of the level of cost pressures with a view to services managing and reducing demand and mitigating pressures;
 - Services funding their own residual cost pressures through reviewing their existing budgets and revised/alternative means of service provision;
 - Services meeting their own pay inflation through reviewing their staffing structure in line with changes to service delivery and workforce planning requirements;

- Further consideration of the level of price inflation provided;
 - Reviewing the priorities for funding statutory and non-statutory services, including establishing minimum levels of service provision;
 - Considering the latest position regarding the Council's Reshaping Services programme and identifying further area for savings;
 - Collaborative working in line with the Welsh Government reform agenda;
 - Develop a strategic approach to income generation;
 - Finalise the MRP review;
 - Reviewing the achievement of the 2017/18 savings targets; and
 - Considering the possibility of a reduction in the level of service and determining what services the Council needs to deliver in the future.
17. It is clear, however, that whatever strategy is taken forward it will involve the use of the Council Fund and other reserves to allow the specific savings required to be developed, consulted upon and implemented. The current strategy has approved the use of £0.7m of the Council Fund in 2017/18. However, this Medium Term Financial Plan has identified a significant increase in the level of savings required. As such, it may be necessary to increase the use of reserves in the short term subject to the Council Fund reserve balance not falling below a figure which the Section 151 Officer deems to be a reasonable minimum.
18. From a Capital Programme perspective, an expected decrease in the Council's General Capital Funding allocation in 2018/19 and specific capital grants from WG, coupled with limited capital receipts, continues to give the Council little room for manoeuvre in progressing its priorities in this area.
19. A Capital Programme has been agreed for the period 2017/18 to 2021/22. Any amendments will be dependent on future funding levels and for the most part are expected to relate to changes in phasing of the existing approved programme.

Resource Implications (Financial and Employment)

20. Although the figures contained within the Medium Term Financial Plan must be treated with caution, particularly due to the uncertainty surrounding the predictions of expected resources, the Plan is currently indicating a significant shortfall of available funding to 2020/21.
21. The savings targets will have an impact on staffing levels, however, the eventual impact on job numbers is not known. It will be important to ensure that appropriate consultation takes place with the trades unions in relation to the staffing implications of this report. The level of consultation may increase over the coming months as the more detailed change proposals within service areas emerge. Such consultation will help to explore ways of reducing any adverse implications for staff.

Sustainability and Climate Change Implications

22. None as a direct consequence of this report.

Legal Implications (to Include Human Rights Implications)

23. The Council is required under statute to fix the level of council tax for 2018/19 by 11th March 2018 and in order to do so will have to agree a balanced budget by the same date.

Crime and Disorder Implications

24. None as a direct consequence of this report.

Equal Opportunities Implications (to include Welsh Language issues)

25. None as a direct consequence of this report.

Corporate/Service Objectives

26. The Medium Term Financial Plan is produced in support of all the Council's objectives as set out in the Corporate Plan.

Policy Framework and Budget

27. This report is a matter for Executive decision by the Cabinet. However, Council must approve the final 2018/19 budget proposals.

Consultation (including Ward Member Consultation)

28. The Medium Term Financial Plan has been drawn up following consultation with all chief officers.

Relevant Scrutiny Committee

29. Corporate Performance and Resources

Background Papers

Corporate Plan 2016 – 2020

Contact Officer

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Officers Consulted

All Chief Officers

Responsible Officer:

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Section 151 Officer