

The Vale of Glamorgan Council

Cabinet Meeting: 20 November, 2017

Report of the Leader

Initial Revenue Budget Proposals 2018/19

Purpose of the Report

1. To gain Cabinet's approval for the amended revenue budget for 2017/18 and to commence consultation on the initial revenue budget proposals for 2018/19.

Recommendations

It is recommended that:

1. The amended revenue budget for 2017/18 as set out in [Appendix 1](#) be approved.
2. The initial revenue budget proposals for 2018/19 be approved for consultation with the relevant Scrutiny Committees and other consultees.
3. The recommendations of Scrutiny Committees are passed to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee in order for their views to be forwarded to Cabinet.
4. A sum of £2m be set aside in the Schools Investment Strategy reserve, funded by the projected underspend on revenue in 2017/18, with further details in the Initial Capital Programme Proposals 2018/19 report.
5. A sum of £2m be set aside in the Council Fund, with its use being considered as part of the final budget proposals for 2018/19.

Reasons for the Recommendations

1. To incorporate changes to the 2017/18 budget.
2. In order to gain the views of Scrutiny Committees and other consultees.
3. In order that Cabinet be informed of the recommendations of Scrutiny Committees before making a final proposal on the budget.
4. To ensure that reserves are both adequate in purpose and level.
5. To set aside funding to ensure a balanced budget in 2018/19.

Background

2. The Council's budget is determined largely by the Revenue Support Grant (RSG) settlement set by the Welsh Government (WG). The provisional RSG settlement was received from WG on 10th October 2017. The final settlement is likely to be received in December 2017.
3. 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 revenue budget by the same date. To be in a position to meet the statutory deadlines and the requirements for consultation set out in the Council's Constitution, much of the work on quantifying the resource requirements of individual services needs to be carried out before the final RSG settlement is notified to the Council.

Revised Budget 2017/18

4. [Appendix 1](#) to this report sets out the amended budget for 2017/18, together with the necessary adjustments to be made to the original budget.
5. Asset Rents, International Accounting Standard (IAS) 19, Transfers and Recharges - These adjustments have no overall effect on the net budget of the Council. These are accounting adjustments largely outside the control of services. They reflect charges for the use of capital assets, changes to inter-service recharges and transfers and pensions adjustments to comply with accounting standards.
6. The following table compares the amended budget with the projected outturn for 2017/18. Services are anticipating drawing down from reserves this year with the main areas outlined in the table below.

	2017/18 Amended Budget £'000	2017/18 Projected Outturn £'000	Variance (+)Favourable (-) Adverse £'000
Directorate/Service			
Learning and Skills			
Schools	82,957	82,957	0
Strategy, Culture, Community Learning & Resources	11,014	11,004	+10
Strategy and Regulation	235	201	+34
Achievement for All	3,840	4,187	-347
School Improvement	1,102	1,054	+48
Additional Saving to be Found	0	(255)	+255
Social Services			
Children and Young People	15,168	15,168	0
Adult Services	41,838	42,838	-1,000
Resource Management & Safeguarding	270	270	0
Youth Offending Service	697	697	0
Transfer from Reserves	0	(1,000)	+1,000

Environment and Housing

Visible Services	20,211	20,711	-500
Transfer from Reserves	0	(500)	+500
Transportation	4,841	4,841	0
Building Services	0	0	0
Regulatory Services	2,169	2,169	0
Council Fund Housing	1,257	1,257	0

Managing Director & Resources

Resources	1,199	1,199	0
Regeneration	2,059	2,059	0
Development Management	1,012	1,012	0
Private Housing	11,038	10,468	+570
General Policy	15,513	12,083	+3,430
Transfer to Reserves	0	4,000	-4,000
Total	216,420	216,420	0
Met from General Reserve	(700)	(700)	0
Grand Total	215,720	215,720	0

Learning and Skills

7. The forecast position for the Learning and Skills non-school budgets is an overspend of £879k, which will be partially met by drawing down £624k from the directorates reserves. The Directorate is requested to look at ways of mitigating the remaining overspend of £255k in order to deliver an outturn within budget at year end.
8. Schools - The delegated budget relating to schools is expected to balance as any under/over spend is carried forward by schools.
9. Strategy, Culture, Community Learning & Resources - It is projected that the service will outturn at a favourable variance of £10k after drawing down £340k from reserves. There is an adverse variance of £66k relating to the schools long term supply scheme, however, premiums will be increased from April 2018 to ensure the scheme is sustainable in the future. There is an adverse variance of £50k anticipated on education and transport which is managed within the Environment and Housing Directorate. There are also adverse variances of £24k in relation to primary school rates revaluations and £7k relating to legal fees. This is offset by favourable variances of £88k relating to staff vacancies, £34k on ICT SLA income from schools, pension payments of £28k and union backfilling of £7k. The Catering service will draw down £109k from the Catering reserve to outturn at budget to fund urgent gas works required in schools as well as the school holiday enrichment programme. The Schools Invest to Save Reserve will be used to cover the £50k adverse variance in relation to redundancies in schools, which is covered by a statutory requirement to be funded centrally. £107k from the Rationalisation reserve will be used to fund revenue costs in relation to the Barry Secondary school transformation, £22k from the Rationalisation Reserve will be used to fund one off staffing costs at Penarth Learning Community, a further £20k of the Rationalisation Reserve will be used to fund the cost of Welsh immersion for primary pupils transferring from English medium

to Welsh medium schools and £16k will be transferred from the rationalisation reserve to cover amalgamation costs at St Helens Primary school. £16k of the Library reserve will be used to purchase new tills for Libraries.

10. Strategy and Regulation - It is anticipated that this service will outturn with a favourable variance of £34k due to vacancies within the Business Support section.
11. Achievement for All - This service is currently predicted to outturn with an adverse variance of £631k which will be partially met by transfers from reserves of £284k resulting in an adverse variance at year end of £347k. A £403k adverse variance is projected on the recoupment income budget. This budget is set for recouping income from other local authorities that purchase placements at Ysgol Y Deri. The budget has been under pressure for a number of years as a result of a demographic increase in the number of Vale pupils presenting with complex needs which has resulted in less placements being available for other authorities to purchase. In addition, other authorities have developed their own provision and the level of demand has reduced. The adverse variance will be partially offset by a transfer from the School Placement Reserve of £200k. It is anticipated that the Social Inclusion and Wellbeing service will overspend by £122k due to increased pressure on the alternative curriculum budget for pupils that have either been excluded or cannot be educated at school and the costs of the remodelled guidance to engage provision which is a NEETS prevention service. This overspend will be partially offset by a transfer from the Youth reserve of £47k and a transfer from the Excluded Pupil reserve of £37k. A £140k adverse variance is projected for the pupil placements budget. Occasionally the needs of very complex pupils cannot be met within the Vale of Glamorgan resources and placements are purchased from independent schools or other authorities. Unit costs are typically very high and as a result this budget can be volatile as one new pupil can have a dramatic effect on the outturn. The above will be offset by a favourable variance on staffing of £34k.
12. School Improvement - It is anticipated that this service will underspend by £48k due to a part year vacant senior post.
13. Provision has been made within the budget to make unsupported borrowing debt repayments in relation to the Schools Investment Strategy of £598k per annum and any favourable variance on debt repayments will be directed into the Schools Investment Strategy.

Social Services

14. The forecast for Social Services at year end is a potential overspend of around £1m due to pressure on the Community Care budget.
15. Children and Young People Services - The major issue concerning this service is the pressure on the children's placements budget given the complexities of the children currently being supported. Work continues to ensure that children are placed in the most appropriate and cost effective placements. However, it should be noted that due to the potential high cost of each placement, the outturn position could fluctuate with a change in the number of looked after children and/or the complexity of need. This budget will be closely monitored during the year.
16. Adult Services - The major issue concerning this service is the continuing pressure relating to the Community Care Packages budget and it is currently projected that there could be an overspend this year of around £1m. At this stage of the year, the outturn position is difficult to predict with any certainty. This budget is extremely volatile and is under pressure from significant demographic growth, an increase in

the complexity of cases, as well as pressure from care providers to increase fees as a result of the National Living Wage. An increase of 1.5% above the 1% inflation provided in the budget will be paid to residential and nursing home providers. Additional funding has recently been announced by Welsh Government through the Social Care Workforce Grant which totalled £30m across Wales and has provided additional funding of £704k to the Council. This funding has been used to increase the fees paid to domiciliary care providers above the 1% provided within the budget. This additional money from Welsh Government was not sufficient to fund any growth either in number or size of care packages. It was entirely used to meet the increasing costs of domiciliary care provided by the private sector. The Community Care Packages budget will also need to achieve savings of £200k this year. The service continues to strive to manage growing demand. It has an excellent track record in this area however this is becoming increasingly difficult to contain. Further savings initiatives will be considered which may be funded via regional grants. Welsh Government has continued to provide Intermediate Care Fund (ICF) grant to Cardiff and Vale University Health Board to allow collaborative working between Health and Cardiff and the Vale Councils however the level of grant funding is not guaranteed on an ongoing basis.

17. It is proposed that up to £1 million is used this year from the Social Services Legislative Changes fund to cover the shortfall. Cabinet will be provided with further details during the course of the year.

Environment and Housing

18. It is currently projected that this service will outturn within target at year end with an anticipated use of reserves.
19. Highways & Engineering – There is currently a favourable variance against the profiled budget. The main reason is due to vacant posts currently within the department, however key posts have recently been filled on a temporary basis by agency staff therefore it is currently projected that the budget will out-turn on target.
20. Waste Management - There is currently an adverse variance to the profiled budget. The variance to date is due to overspends on staffing and transportation costs. The Waste Management budget has been reduced in 2017/18 for further vehicle savings however the department are unlikely to be able to make these in the short term due to the increased distance that has to be travelled as all waste disposal points are now situated in Cardiff. Due to this £200k has been set aside in the Visible Services Reserve from the underspend in 2016/17 to offset any pressures in 2017/18 within Waste Management. It is currently anticipated that the budget will out-turn on target.
21. Leisure – There is currently an adverse variance to the profiled budget. The main reason is due to high costs for vehicles during the summer season. It is anticipated that this will reduce over the winter months and therefore it is currently projected that the overall budget will outturn on target.
22. Transportation - There is currently a favourable variance against the profiled budget. Staffing costs within the division are lower than budgeted to date. There is also a slight underspend within the supported buses budget which is assisting the current favourable position. At this stage of the year it is currently anticipated that this service will outturn within budget.
23. Visible Services Reshaping Services Savings Target - In 2017/18 there is a savings target of £525k allocated to Visible Services from the current Reshaping Services programme. The proposed means of achieving this saving was approved by Cabinet

on 24th April 2017 and is through the introduction of a new target operating model for the service. This savings target has yet to be allocated to specific services and is being held centrally within Visible Services. Staff consultation ended on 31st July 2017 and a number of changes are currently being considered as a result of the consultation. It is anticipated that the structure will start to be populated from late November 2017. It is envisaged that the shortfall in savings for 2017/18 will be met from the Visible Services Reserve.

24. Regulatory Services - The allocation of £2.166m represents the Vale of Glamorgan's budget for its share of the Shared Regulatory Service (SRS). A separate set of accounts is maintained for the SRS and periodically reported to the Shared Regulatory Service Joint Committee. At this stage in the year it is anticipated that the SRS will outturn on target.
25. Council Fund Housing - It is anticipated that this budget will outturn on target, however, this is after a planned transfer from reserves of £85k to fund specific posts and issues arising as a result of the introduction of the Housing Act.

Managing Director and Resources

26. The projected outturn for the Managing Director and Resources is a favourable variance of £570k.
27. Resources - The service is anticipated to outturn within budget overall, however, it is anticipated that ICT will overspend by £200k. ICT has a savings target of £400k this year however it is anticipated that only £200k will be identified through the staff reorganisation and review of contracts. There are underspends elsewhere in the Finance division from staff vacancies and supplies and services which should offset this position.
28. Regeneration - This budget covers the Countryside, Economic Development and Tourism & Events functions. There is currently an adverse variance against the profiled budget, as income due to be generated from commercial opportunities at Country Parks and car parking at Cosmeston have not yet been implemented. All non-urgent repair works at our Countryside sites are on hold as a consequence in order to mitigate this position.
29. Development Management - There is currently a favourable variance against the profiled budget, due mainly to higher than anticipated building regulation and planning fees to date. The position is levelling off going into the winter period so at this time it is forecast that this service will outturn on target.
30. Private Housing - At present, there is a projected underspend on the Council Tax Reduction Scheme of £570k due to a lower than anticipated take up.

General Policy

31. The projected outturn for Policy is a favourable variance of £3.43m when compared to the amended budget.
32. It is projected that there will be a favourable variance of £1.83m relating to capital charges and given that the collection of Council Tax continues to be effective, a positive variance of £1.6m is predicted. The impact of legislative changes, such as the reduction in the benefits cap, may have an adverse effect which will be difficult to quantify.
33. In total, including the £570k referred to above, it is anticipated that there will be a £4m favourable variance at year end. It is proposed that £2m is transferred into the

Schools Investment Fund reserve to fund Band B 21st Century Schools initiatives and further details are contained in the Initial Capital Programme Proposals 2018/19 report, elsewhere on this agenda. It is also proposed that the remaining sum of £2m is transferred into the Council Fund and its use will be considered by the Budget Working Group when it is taking into account all factors in formulating a balanced revenue and capital budget for the final proposals which will be presented to Cabinet and Council in February 2018.

Savings 2017/18

34. As part of the Final Revenue Budget Proposals for 2017/18, a savings target of £4.017m has been set for the Authority. Attached at [Appendix 2](#) is a statement detailing each savings target with an update of progress. Currently it is projected that there will be a shortfall of £784k in the achievement of this year's target.
35. Each savings target has been given a RAG status. Green indicates that it is anticipated that the target will be achieved in full within the year, amber indicates that it is considered that the saving in the year will be within 20% of the target and red indicates that the saving to be achieved in year will be less than 80% of the target.
36. Social Services - With regard to the Social Services savings targets which relate to the Care Package Budget reductions, while there is significant pressure on this budget and it is anticipated to overspend, schemes have been put in place to deliver savings in this area by transferring domiciliary care clients to direct payments and by establishing a review team and therefore the saving is projected to be achieved in full.
37. Environment and Housing - It is anticipated that the £244k Transport Review saving for Visible Services will not be achieved this year. As detailed earlier in this report, funding has been ringfenced in the Visible Service Fund to cover part of the projected shortfall for this year. Part of this saving will be achieved when the Waste Transfer Station is established however other means of achieving any shortfall will need to be identified within the Reshaping Services programme. Visible Services also has a savings target of £525k under the current Reshaping Services programme which will be achieved by the introduction of a new target operating model. As stated earlier in the report it is anticipated that the structure will start to be populated from late November 2017. It is envisaged that the shortfall in savings for 2017/18 of £300k will be met from the Visible Services Reserve however it is anticipated that the savings target will be achieved in full in 2018/19.
38. Managing Director and Resources - It is anticipated that the £400k saving relating to ICT will not be achieved in full this year. £200k should be identified through the staff reorganisation and review of contracts. Further work will need to be undertaken to identify how this shortfall can be addressed going forward.

Budget Strategy 2018/19

39. Cabinet approved the Budget Strategy for 2018/19 on the 31st July 2017, min no. C45.
40. The Budget Strategy for 2018/19 outlines that in order to establish a baseline, services should prepare initial revenue budgets based on the cost of providing the current level of service and approved policy decisions and including the existing savings target. This means the cost of price increases and any allowable pay awards should be included as advised by the Head of Finance.

41. Increases to budgets approved during the course of a financial year can restrict the freedom the Council has to allocate its resources to priorities during the following budget cycle when it is aware of all the competing demands. Consequently:
- Supplementary estimates will only increase the base budget if Council has given specific approval to this effect. Increases met by virement within a year will not be treated as committed growth.
 - Directors should find the cost of increments and staff changes from their base budget unless the relevant specific approval has been given for additional funding.
 - The effect of replacing grant from outside bodies that has discontinued will not be treated as committed growth. In addition, before any project or initiative that is to be met either wholly or partly by way of grant may proceed, the exit strategy must be approved.
 - Certain items of unavoidable committed growth will continue and these include the effect of interest changes and the financing cost of the capital programme, increases in taxes, increases in levies and precepts charged by outside bodies and changes to housing benefits net expenditure.
 - Services will be expected to achieve savings already approved by Cabinet as part of the 2017/18 final budget proposals and Directors are asked to continue work on achieving their Reshaping Services savings targets.
 - It is envisaged that the costs of service development will need to be met from within the respective directorates.
42. Having regard to the above, it is therefore proposed in respect of the 2018/19 Budget Process that Directors be instructed to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance. Preparation should be on the following basis:
- Capital charges, central accommodation costs and central support costs to be estimated centrally.
 - Services to prepare baseline budgets on current service levels as set out in the 2017/18 Final Revenue Budget report.
 - Budgets to be broken down subjectively and objectively in as much detail as deemed appropriate by the Head of Finance.
 - Budget reports to include revised estimates for 2017/18.
 - Full account to be taken of the revenue costs, other than debt charges, of new capital schemes coming into use.
 - Minimum savings targets to be met initially as detailed in the 2017/18 Final Revenue Budget report. Any savings made directly by services over and above individual service targets to count towards future saving targets or to meet unavoidable service cost pressures.
 - Directors will continue to draw up Service Plans that set out the aims and objectives for the service and any possible future developments and efficiencies.
 - As stated previously, it is expected that the revenue costs of service development will need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids are initially to be made. However, services may still

be asked to identify and prioritise any burgeoning revenue cost pressures for consideration.

Medium Term Financial Plan

43. The Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 was presented to Cabinet on 18th September 2017 min no. C74.
44. It assumed a reduction in WG funding of 3% for the years 2018/19, 2019/20 and 2020/21. This resulted in the requirement to find savings of £20.941m over this period, with £9.326m currently having been identified. There was therefore further savings to be identified of £11.615m over the 3 year period.
45. The latest Plan factored in a managed level of cost pressures, a notional increase in council tax of 2.6% each year, price inflation of 0.5% and annual pay awards of 1.6% each year from 2018/19.

Budget Consultation with Stakeholders

46. To ensure that the budget set for 2018/19 continues to address the priorities of Vale residents and the Council's service users, the budget setting process will take into account the results of the consultation on the Well Being Plan which is currently being undertaken. The use of video and webpages will set the scene and provide background information for the on line survey. The Council's Communications team will also attend events throughout the Vale and will take the opportunity to gather views on the budget.
47. In addition, consultation with Town and Community councils, the voluntary sector and our Public Service Board partners will also take place, in order to inform the final budget proposals.

Provisional Settlement 2018/19

48. The Council's provisional settlement was announced by WG on 10th October 2017.
49. WG has advised the Council that its provisional SSA (Standard Spending Assessment) for 2018/19 is £221.296m. SSA represents WG's view of the relative resources needed to provide a standard level of service in each local authority in Wales and its primary use is to allocate RSG to these authorities.
50. The Council will receive from WG Revenue Support Grant of £111.174m and a share of the Non- Domestic Rates (NDR) of £40.822m. Together these figures constitute the Council's provisional Aggregate External Finance (AEF) of £151.996m. WG reports that this represents a cash reduction of 0.4% (£670k) for 2018/19. However, when taking into account new responsibilities, this actually represents a cash reduction of 0.56% (£859k). This is a smaller reduction than the 3% (£4.486m) projected in the MTFP, although it does not take into account inflation.
51. Additional funding was provided through the RSG for a new responsibility as follows:
 - Homelessness Prevention - £189k
52. There are transfers into the RSG settlement for 2018/19 totalling £3.112m as follows:
 - Waste Element of Single Revenue Grant : £1.344m
 - Welsh Independent Living Grant : £691k
 - Social Care Workforce Grant :£704k
 - Looked After Children : £262k

- Carers' Respite Care Grant : £111k
53. As part of the settlement, WG has also provided an indicative figure for the change in AEF for 2019/20 which is a further reduction of 1.5%.
54. The value of grant funding to be made available to councils on an all Wales level has been received from WG. The waste element of the Environment and Sustainable Development Single Revenue Grant has been transferred into the RSG. When comparing the level of the grant for 2017/18 to the proposed grant for 2018/19 plus the amount transferred into the RSG there is a reduction in funding of 10%. The Communities First grant will cease but will be replaced with the Communities First Legacy and Communities Work Plus grants which currently show around a 20% reduction.

2018/19 Initial Budget Proposals

55. As part of these initial proposals, it has been necessary to revisit the cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council and an updated list is shown in [Appendix 3](#). These are not shown in any order of priority. The final proposal for the increase in the National Living Wage from 1st April 2018 has yet to be announced. An increase will have a significant affect on services the Council commissions from external organisations. The main area affected is Social Services and a cost pressure has been included to reflect this.
56. Details of the proposed areas for savings for 2018/19 to 2019/20 are attached at [Appendix 4](#). The savings do not include the cost of any potential redundancies. Further work is ongoing to identify future projects that will realise savings for the Council.
57. A summary of the overall base budget for 2018/19 is attached at [Appendix 5](#). This has been derived by adjusting the 2017/18 budget for items such as inflation and unavoidable growth, but does not include identified cost pressures or savings. These are shown as a note to the table and are further detailed in [Appendix 3](#) and [4](#) respectively. Adjustments shown include the following:
- Asset Rents, International Accounting Standard (IAS) 19 - Relates to accounting items outside the control of services. They reflect charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
 - Recharges/Transfers - Relates to changes in inter-service and inter Directorate recharges. The budget transfers that relate to the reorganisation of the Environment and Housing Directorate are shown in a separate column.
 - Budget Adjustment - There is a £320k increase in budget due to the change in the use of the Social Services Fund in 2018/19.
 - Inflation - The total figure for inflation of £1.707m relates to general price increases at 0.5% (£426k) and for pay awards (£1.281m). At present the final proposals for pay awards for 2018/19 have yet to be agreed and therefore the figures have been included at the same level as those included in the MTFP, which is an average of 1.6%. Inflation is yet to be allocated to services pending the final agreement of pay inflation and the level and approach for allocating general price inflation. These figures do not include schools inflation which is included in [Appendix 3](#) as a cost pressure.

- Committed Growth - This totals £4.001m and relates to the £700k reduction in use of the Council Fund. It also includes the transfers into the RSG of £3.112m and WG funding provided for new responsibilities of £189k as previously detailed.
58. Once the base budget for 2018/19 has been established, it must then be compared to the funding available to identify the extent of any shortfall. With a projected AEF of £151.996m and Council Tax at a current level of £66.166m, total available funding would be £218.162m. When compared to a base budget of £221.748m, this would result in a funding deficit for 2018/19 of £3.586m.
59. If all identified cost pressures were funded, this would increase the shortfall to £10.636m. If all proposed savings were achieved, the shortfall would be reduced to £3.910m. As WG has provided an indicative reduction for 2019/20 of 1.5% the impact of this is also shown in the table below.

Projected Budget Shortfall	2018/19	2019/20
	£000	£000
Funding Available		
Provisional AEF	151,996	149,716
Council Tax (Assumes no increase) *	66,166	66,166
Projected Funding Available	218,162	215,882
Base Budget	221,748	220,201
Projected Shortfall Against Base Budget	3,586	4,319
Assume all Cost Pressures Funded	7,050	4,483
Projected Shortfall with Cost Pressures funded	10,636	8,802
Assume all Savings Achieved	(6,726)	(2,600)
Projected Shortfall	3,910	6,202

* This assumes no increase in Council Tax at this stage.

60. This shortfall is based on the assumption that the savings target of £6.726m set for 2018/19 will be achieved in full. However, a high proportion of these savings relate to Reshaping Services schemes which reflect a new way of working and therefore require a lengthy period of time to implement. While all services are working towards achieving their 2018/19 targets, not all savings may be achieved in full from 1st April 2018 and therefore the potential for reprofiling savings will need to be assessed when setting the budget for 2018/19.
61. The above projections include an assumed pay award for 2018/19 and the possible impact of the National Living Wage which averages an increase of 1.6%. The current assumptions will be assessed as part of the Final Budget Proposals report when further information is available.
62. Further work will be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2018/19. This will include a review of the use of reserves, a possible increase in council tax, a review of all cost pressures, possible changes to the approved saving targets, a review of the inflation assumptions and the current financial strategies. In order to provide options for balancing the 2018/19 budget, a sum of £2m will be transferred into the Council

Fund, from the projected underspend in 2017/18, the use of which will be considered as part of the final budget proposals.

63. The BWG will consider the results of the budget engagement process in determining priorities for future savings and service delivery.
64. The BWG will also ensure that budget proposals consider the requirements of the Well-being of Future Generations Act and the Council's 4 well-being outcomes as detailed in the Corporate Plan. They will also ensure that the budget proposals reflect the 5 ways of working which are:-
 - Looking to the long term: The budget proposals are a means of planning for the future and should take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
 - Taking an integrated approach: The budget proposals should consider and encourage ways of working with partners.
 - Involving the population in decisions : As part of the budget proposal process there will be engagement with residents, customers and partners.
 - Working in a collaborative way: The budget proposals should recognise that more can be achieved and better services can be provided by collaboration and this way of working in the future should be encouraged.
 - Understanding the root cause of issues and preventing them: The budget process is proactive and will allow an understanding of the financial position so that issues can be tackled at the source during the process.

Next Steps

65. The next stage is for the estimates to be submitted to Scrutiny Committees for consultation. Committees are asked to review the level of cost pressures with a view to suggesting ways in which these could be managed downwards and/or mitigated and to consider proposals for savings. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Revenue Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committee must be made no later than the 14th December 2017.
66. The BWG will hold a series of meetings in November 2017 with the relevant Cabinet Members and officers to consider the budget proposals and they will submit their recommendations so that the Cabinet may make its final budget proposal. Before making its recommendation, the BWG will consider the comments made by Scrutiny, together with the results of consultation. The final proposals to Cabinet will include a review of the financial strategies required to achieve a balanced budget, which is sustainable in future years. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 19th February 2018 and that Cabinet's final budget proposals will be considered by Council at a meeting to be held on 28th February 2018 to enable the Council Tax to be set by 11th March 2018.

Resource Implications (Financial and Employment)

67. Based on the assumption that all cost pressures will be funded in full, the estimated funding shortfall for 2018/19 will be £3.910m and £6.202m in 2019/20, assuming no increase in Council Tax.

68. WG has not issued details regarding the level of funding post 2019/20, however, it is anticipated that there will be further reductions in funding for Local Government going forward. It is therefore important that Directors achieve approved savings and look to mitigate further cost pressures through alternative means of service delivery and collaborative ventures.
69. Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. Funds no longer required may be transferred to the Council Fund and then set aside for other purposes or used to reduce council tax.
70. The Council has always taken a prudent approach with regard to specific reserves and uses them to mitigate known risks (financial and service) and contingent items, e.g. Insurance Fund. Other reserves have been established to fund Council priorities, e.g. Visible Services and in particular the Capital Programme, e.g. School Investment Strategy Reserve, Project Fund. This is important as the Council has limited capacity to realise sufficient sums from the sale of assets for capital investment. Sums have also been set aside to assist in budget management, e.g. Early Retirement Fund. The Housing Revenue Account Reserve is ring-fenced to Housing and will be used to fund improvements to the Council's housing stock.
71. The Council Fund Reserve as at 31st March 2018 is projected to stand at £10.609m, after the £2m transfer in, with no further reduction approved. The Section 151 Officer currently believes that the minimum balance on the Council Fund Reserve should be no less than £7m. This is considered sufficient to cover unforeseen expenditure whilst, in the short term, maintaining a working balance. Unforeseen expenditure can be substantial and several instances can occur in a year. Whilst there is no set requirement for the minimum level for the Council Fund Reserve, some commentators use 5% of the net budget as a guide. For the Vale this is about £10.9m. However, in view of the prudent approach the Council takes with regard to specific reserves, £7m is considered a reasonable minimum.
72. The Council presently benefits from a reasonable level of reserves, however, they are not inexhaustible and have taken years of careful financial management to develop to their current level. As part of the usual Budget process, an examination of the level of reserves is undertaken to ascertain their adequacy and strategy for use. A view to their level (i.e. whether the amount held in the fund is sufficient to requirements) and purpose (i.e. whether the need to hold the fund is still relevant) has been taken. The requirement for each specific reserve has also been considered in light of the Council's priorities and at this stage of the budget process no transfers between reserves are proposed.
73. [Appendix 6](#) sets out the Authority's actual reserves as at 31st March 2017 and shows the estimated reserves balance for each year up to 31st March 2021. The Council is forecasting the use of general and specific reserves, excluding HRA and schools, totalling around £36.718m from 1st April 2017 onwards, which represents approximately 50% of the balance as at 31st March 2017. These levels of reserves are still deemed to be adequate as known risks are largely covered and the Council Fund Reserve does not fall below £7m.
74. The Council is planning to use a considerable amount of its specific reserves over the coming years, however, as reserves are a non-recurring means of funding, they can only be used as part of a specific financial strategy. The use of all reserves will be reviewed further, by the BWG, as part of the final budget setting process.

75. Not all the identified savings relate to staffing, however, the impact on staffing levels could be a potential reduction of up to 100 Full Time Equivalents (FTE). Although the impact on individuals is likely to be mitigated as a result of natural wastage and the deletion of vacant posts, it is, nevertheless, expected that there will be a number of redundancies. The trade unions will be consulted on the details of any possible redundancies once known. This figure does not include the staffing implications relating to budget pressures within schools, as details need to be considered by individual governing bodies.

Sustainability and Climate Change Implications

76. The promotion of sustainability and action to arrest climate change is central to the work of the Council and a key consideration when allocating scarce resources to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Legal Implications (to Include Human Rights Implications)

77. The Council is required under statute to fix its council tax by 11th March 2018 and in order to do so will have to agree a balanced revenue budget by the same date.

Crime and Disorder Implications

78. The obligations of the Council with regard to Section 17 of the Crime and Disorder Act 1998 needs to be fully considered in the budget decision making process.

Equal Opportunities Implications (to include Welsh Language issues)

79. These initial budget proposals have due regard to the requirements of the Council's Strategic Equality Plan including the Equalities Act 2010 and Public Sector Equality Duty for Wales. The subsequent development of individual strategies for achieving savings will require the completion of Equality Impact Assessments. This involves systematically assessing the likely (or actual) effects of policies on individuals who have a range of protected characteristics under the Act.

Corporate/Service Objectives

80. Funds allocated in the budget contribute to the wide range of Corporate/Service Objectives as set out in the Corporate Plan.

Policy Framework and Budget

81. This report is following the procedure laid down in the Constitution for the making of the budget and so does not need to be referred to Council. However, the final 2018/19 budget will require the approval of full Council.

Consultation (including Ward Member Consultation)

82. The Corporate Management Team has been consulted on this report. The initial budget proposals will be the subject of consultation with Scrutiny Committees. The Trade Unions and Schools forum will also be consulted.

Relevant Scrutiny Committee

83. The lead Scrutiny Committee is Corporate Performance and Resources.

Background Papers

Medium Term Financial Plan 2017/18 to 2020/21
Budget Strategy 2018/19

Contact Officer

Carolyn Michael
Operational Manager - Accountancy

Officers Consulted

Corporate Management Team

Responsible Officer:

Carys Lord
Section 151 Officer