

## The Vale of Glamorgan Council

### Cabinet Meeting 19<sup>th</sup> February 2018

#### Report of the Leader

#### Final Proposals for the Revenue Budget 2018/19

##### Purpose of the Report

1. The purpose of this report is to set out final proposals for Cabinet members to consider, before making their recommendations to Council, in respect of the final revenue budget for the financial year 2018/19.

##### Recommendations

That Cabinet recommend to Council the following:

1. Fix the budget for 2018/19 at £222.053 million including a provision of £200k for discretionary rate relief to rural shops and post offices and charitable organisations.
2. Approve the budgets for 2018/19 as set out in Appendix C, the totals as follows:

	<b>£000</b>
Schools	84,458
Strategy, Culture, Community Learning & Resources	11,577
Achievement for All	4,662
School Improvement	1,033
Directors Office	232
Children & Young People	15,296
Adult Services	46,719
Resource Mgt & Safeguarding	230
Youth Offending Service	728
Neighbourhood & Transport Services	26,966
Building Services	0
Regulatory Services	2,239
Council Fund Housing	1,392

Resources	572
Regeneration	2,083
Development Management	1,076
Private Housing	11,007
General Policy	11,783
<b>Grand Total</b>	<b>222,053</b>

3. Approve the recommendations regarding Net Growth for 2018/19 as set out in Appendix D and Savings for 2018/19 as set out in Appendix E.
4. Set the Council Tax for 2018/19 for its own purposes (excluding Police and town and community council precepts) at the following levels:

<b>Band</b>	<b>Council Tax £</b>
A	791.28
B	923.16
C	1,055.04
D	1,186.92
E	1,450.68
F	1,714.44
G	1,978.20
H	2,373.84
I	2,769.48

5. The proposed draft report on Education Budget and Indicator Based Assessment (IBA) at [Appendix A](#) be endorsed and the Director of Learning and Skills make arrangements for it to be forwarded to the School Budget Forum.

That Cabinet approve the following:

6. The initial savings targets for 2019/20 and 2020/21 as set out in Appendix F be approved.
7. The Director of Learning and Skills be given delegated powers to determine the amount of money to be allocated to the schools' delegated budgets after consultation with the Schools Budget Forum.
8. The Director of Social Services continues to review the Social Services Budget Plan and takes the necessary actions in order to manage future service demand.
9. The reclassification of reserves as set out at Appendix H be approved.

## Reasons for the Recommendations

1. To set the 2018/19 budget in line with statutory requirements.
2. To allocate budgets to services.
3. To reduce risk to services and balance the budget.
4. To set Council Tax levels for 2018/19.
5. So that the report can be presented to the Schools Budget Forum.
6. To set minimum targets for achieving savings.
7. To set out delegated authority in relation to the allocation of the Education and Schools budget.
8. To ensure that the Social Services Budget Plan is achieved and future demand is managed.
9. To ensure that reserves are both adequate in purpose and level.

## Background

2. The Council is required under statute to fix the level of Council Tax for 2018/19 by 11<sup>th</sup> March 2018. The final decision on the budget cannot be delegated and must be made at a meeting of Council. This is scheduled to be held on 28<sup>th</sup> February 2018.

## Relevant Issues and Options

### Medium Term Financial Plan

3. The Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 was presented to Cabinet on 18<sup>th</sup> September 2017 min no. C74. It assumed a reduction in Welsh Government (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 being identified. There was therefore further savings to be identified of £11.615m over the 3 year period.
4. The latest Plan factored in a managed level of cost pressures, a notional increase in council tax of 2.6% each year, non pay inflation of 0.5% and average annual pay awards of 1.6% each year from 2018/19.

### Anticipated Outturn 2017/18

5. The Initial Revenue Budget Proposals report for 2018/19, presented to Cabinet on 20<sup>th</sup> November 2017 (minute number C140), advised that there would be an underspend of £4m projected for 2017/18.
6. The revenue monitoring report to Cabinet on 22<sup>nd</sup> January 2018 provided a further update on the position for the year and detailed where services would be utilising reserves in the year to cover overspends. £861k will be required for Learning and Skills, £1.4m for Social Services and £725k for Environment and Housing.

## Revenue Settlement 2018/19

7. WG has provided the Council with final figures for next year's settlement and for this Council shows a total Standard Spending Assessment (SSA) of £222.84m, which represents an adjusted increase of £2.473m over 2017/18.
8. Additional funding will be provided through the Revenue Support Grant (RSG) for new responsibilities as follows:
  - Homelessness Prevention : £189k
  - Increasing Capital Limits for Residential Care (from £30k to £40k) : £260k
9. There are transfers into the RSG settlement for 2018/19 as follows :
  - Waste Element of Single Revenue Grant : £1.344m
  - Welsh Independent Living Grant : £691k
  - Social Care Workforce Grant : £704k
  - Looked After Children : £261k
  - Carers' Respite Care Grant : £111k
10. The Council compares its total budget for Education to its IBA (Indicator Based Assessment). This report will need to be made available for consideration by the Council's Schools Budget Forum and full Council. A proposed draft of this report is attached at Appendix A.
11. The Council's final settlement figures from WG are £111.736m for the RSG and £40.744m for Non-Domestic Rates. These amounts together total a final Aggregate External Finance (AEF) of £152.48m for the Council.
12. When taking into account the adjustments above, the effective reduction in AEF for the Council is £634k (0.41%).
13. Final notification of the level of all 2018/19 WG grants has not yet been received. However, the following information has been received.
14. The Council had previously received a Minority Ethnic Achievement Grant (MEAG) which for 2017/18 equated to £239k. This grant will not be received in 2018/19 and WG has advised that funding has been transferred into the RSG via an all Wales formula. This will therefore not target the funding to specific authorities at the same level as previously received via the grant. Grants transferred into the RSG are normally separately identified as part of the settlement documentation, however, on this occasion WG has not provided confirmation of the value included in the formula for each authority.
15. The waste element of the Environment and Sustainable Development Single Revenue Grant has been transferred into the RSG. The grant allocation for 2018/19 has not yet been received however when comparing the level of the grant for 2017/18 to the anticipated grant for 2018/19 plus the amount transferred into the RSG there could be a reduction in funding of around £230k (10%). This grant is used in part to contribute towards the Council's recycling programme.

16. The Council has received Flying Start and Families First grants for a number of years. The total grant for 2017/18 was £3.918m. An indicative total grant allocation of £3.847m has been received for 2018/19 which is a £71k (1.8%) reduction. The majority of these grants fund staff and after taking into account the costs associated with the 2018/19 pay award, which will be £92k, this equates to a real term reduction of 4.2%. WG have also confirmed that the cost incurred by the Council relating to the Apprenticeship Levy cannot be claimed against the grant and therefore this is an additional cost which will have to be funded by the Council of around £8k.

### Budget Strategy 2018/19

17. Cabinet approved the Budget Strategy on 31<sup>st</sup> July 2017 (min no. C45). As part of this strategy, Directors were requested to continue to progress the Reshaping Services Programme.
18. The 2018/19 initial revenue budget proposals showed a provisional shortfall against base budget of £3.586m rising to a possible £10.636m if all cost pressures were to be funded. If all assumed savings of £6.726m were achieved, this would leave a shortfall in 2018/19 of £3.91m. Since November 2017, the Budget Working Group (BWG) has undertaken further work to formulate the final revenue budget proposals contained in this report.
19. In particular, the BWG has had regard to the need to achieve a balanced budget both for 2018/19 and in future years. This included:
- The results of consultation with the Schools Budget Forum, scrutiny committees and external stakeholders;
  - Ways in which cost pressures can be reasonably reduced or mitigated;
  - A further review of the proposed savings for 2018/19 onwards;
  - The progression of the Reshaping Services programme;
  - The existing financial strategies in place for Education & Schools, Social Services and Other Services;
  - Possible increases in council tax;
  - The projected funding position for 2019/20 and 2020/21; and
  - The potential to use reserves as part of a defined financial strategy and to allow a more thorough review of options for savings and their implications, alternative methods of service delivery and collaborative ventures.
20. During 2018/19, additional pressure will continue to be placed on staffing budgets. The National Living Wage will provide for a minimum hourly rate of £7.83 for workers aged 25 and above which is an increase of 4.4% from the 2017/18 rate of £7.50. There will be further pressure in future years when the rate continues to increase to at least £9.00 per hour by 2020. This change will have a significant effect on services the Council commissions from external organisations, in particular for Social Services. Since November 2017, further negotiation has taken place regarding the 2018/19 pay award and a larger than anticipated increase is anticipated. An increase of 2% has

been included, with a higher % being assumed for scale point 19 and below. This has required additional funding to be identified from the initial budget proposals.

### Consultation with Scrutiny Committees

21. The 2018/19 Initial Revenue Budget Proposals were considered by Cabinet on 20<sup>th</sup> November 2017 and by each Scrutiny Committee during November and December 2017. In addition to noting the initial revenue proposals, the following recommendations were made by Scrutiny Committees :

- Scrutiny Committee (Environment and Regeneration) – 30<sup>th</sup> November 2017 – Minute Number 498 :

- (1) *T H A T a future meeting of the Committee consider the service area's cost pressures and savings targets with a view to Members considering ideas for savings.*
- (2) *T H A T a report in relation to the provision of public conveniences in and around the Vale and their cost pressures be presented to a future meeting of the Committee.*
- (3) *T H A T Corporate Performance and Resources be appraised of the comments made at the meeting, as outlined above, together with the Committee's recommendations.*

- Scrutiny Committee (Health Living and Social Care) – 4<sup>th</sup> December 2017 – Minute Number 502 :

- (2) *T H A T the comments of the Scrutiny Committee be referred to the Corporate Performance and Resources Scrutiny Committee highlighting the issues facing the Department in reference to the £1m overspend for Adult Services with the request that the Corporate Performance and Resources Scrutiny Committee consider the matter with a degree of urgency.*

- Scrutiny Committee (Learning and Culture) – 11<sup>th</sup> December 2017 – Minute Number 538 :

- (2) *T H A T Cabinet, via a reference to the Corporate Performance and Resources Scrutiny Committee, be requested to give serious consideration to funding all the cost pressures identified for the Learning and Skills Directorate, as detailed in Appendix 3 to the report.*

22. The recommendations of Scrutiny Committees were referred to the Corporate Performance and Resources Scrutiny Committee, which is the lead Scrutiny Committee for the budget. On 14th December 2017 this Committee made the following recommendation, minute number 558:
- (1) T H A T the comments of the Environment and Regeneration Scrutiny Committee be noted and referred to the Cabinet for further consideration*
  - (2) T H A T the comments of the Healthy Living and Social Care Scrutiny Committee be noted and referred to the Cabinet for further consideration.*
  - (3) T H A T the recommendations of the Learning and Culture Scrutiny Committee relating to the funding of all the service's cost pressures be noted and referred to the Cabinet for further consideration.*
  - (4) T H A T the Cabinet be made aware of this Scrutiny Committee's concerns relating to the proposed national pay award and its implications for the Council's pay structure, CPI inflation and its implications for cost pressures on the Council's various services and whether the savings identified within the report were deliverable within the stated timelines.*
  - (5) T H A T taking account of the Committee's concerns raised regarding the proposed national pay award, the Cabinet be requested to write to the National Employers Pay Body raising concerns relating to the proposed national pay settlement on the Council's budget and pay structure.*
23. Corporate Performance and Resources Committee's recommendations were referred to Cabinet on 22<sup>nd</sup> January 2018, minute number C189.
- RESOLVED – T H A T the contents of the report be noted and passed to the Budget Working Group for consideration in concluding the budget proposals for 2018/19.
24. The BWG have had consideration for the recommendations of the Scrutiny Committees when preparing the 2018/19 revenue budget.

### Consultation with External Stakeholders

25. The Future of Council Services 2018/19 budget consultation was undertaken between 8th December 2017 and 19<sup>th</sup> January 2018. The consultation was promoted online and to our key partners and stakeholders. A video explaining the Council's current financial position was published on Youtube, on the Council's website and promoted via social media. In addition to the video, there was a Frequently Asked Questions section on the consultation page which explained the Council's financial position in more detail. Residents, Council staff and other key stakeholders were invited to share their views either by responding to an online survey or in writing to the Council's Engagement Officer. The Council's Engagement Officer also attended the Vale Youth Cabinet. The full results of the consultation process are attached in the report at [Appendix B](#).
26. Respondents felt that significant changes are needed in the way the Council operates in order to make the required savings in the next financial year and supported the

potential for community groups and other organisations to assist in delivering non-statutory services as well as the operation of more shared services with neighbouring authorities.

27. The majority of respondents agreed that the Council should charge for the non-statutory services based on a model of cost recovery. They also supported the increase in charges for antisocial activity. While in the 2017/18 consultation 68% of respondents supported the increase in Council Tax to the Welsh average, as part of this consultation, support had reduced to 48%.
28. The BWG has had regard to the consultation results when formulating the final budget proposals for 2018/19. Proposals in respect of certain of the issues raised are detailed in the appropriate service headings under the Proposed Budget section of this report.

### Proposed Budget 2018/19

29. The proposed budget for 2018/19 has been set in line with the current financial strategy and a summary of the overall position is attached at [Appendix C](#).
30. Asset rentals are accounting adjustments reflecting charges to services for the use of assets. They do not constitute “real” expenditure and are reversed out and replaced by the cost of capital within Policy. Similarly IAS 19 changes are technical accounting adjustments to the costs of pension contributions, which are reversed out in Policy. Neither of these adjustments are therefore a part of the total expenditure of the Council.
31. Recharges/Transfers relate to movements in charges between internal Council Services and the transfer of functions. Overall there is a neutral impact on the budget.
32. Budget Adjustments relate to the £320k reduction in the use of the Social Services Fund in 2018/19.
33. Inflation totals £3.594m of which £3.16m relates to an allowance for pay awards. Excluding Schools, an amount of £405k has been allocated for non pay inflation. Not all contracts the Council enters into will have a requirement to be increased year on year by inflation. In view of this, a review of the Council’s contracts has been undertaken and it is proposed that this sum is allocated specifically to contribute towards funding inflation where it is a contractual commitment for large contracts. It is therefore proposed that £200k is allocated to Neighbourhood Services for commitments under Waste Management contracts and £205k is allocated to Social Services for Community Care packages.
34. The BWG has reviewed and updated the cost pressures. Those which cannot be mitigated or reduced are included within the Net Growth figure of £8.717m. The breakdown of this sum is shown at [Appendix D](#) and also includes transfers into the RSG.
35. The savings have also been reviewed by the BWG. It will not be possible to implement some of the larger Reshaping Services savings in full during 2018/19 as they will require further time to be implemented and therefore the targets for the Visible Services, the Commercial Opportunities, the Establishment Review and the Digital Strategy projects have been reprofiled over a 2 to 3 year period. The 2018/19



savings targets relating to Reshaping Tranche 3 for Commercial Opportunities, Establishment Review and the Digital Strategy are currently shown centrally pending final allocation to individual service areas/projects by 31<sup>st</sup> March 2018. Due to the nature of the savings identified it was felt more appropriate that £350k of the Procurement saving should be transferred to the Establishment Review workstream. An additional £100k has been added to the existing £600k Reshaping Corporate Services savings target bringing its total for 2018/19 to £700k. For 2018/19 proposed savings total £6.298m and details are included at [Appendix E](#).

36. As part of the Initial Revenue Proposals report presented to Cabinet on 20<sup>th</sup> November 2017 it was projected that the outturn for Policy for 2017/18 would be a favourable variance of £4m. Cabinet resolved " THAT 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" and "THAT 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".
37. Options for the use of the £2m funding has been considered by the BWG. On 16<sup>th</sup> January 2018, Mark Drakeford, the Cabinet Secretary for Finance and Local Government, announced an additional £30m of funding across Wales for a capital highways refurbishment scheme. The allocation to the Vale of Glamorgan Council was £1.136m. Further details are contained in the Initial Capital Proposals report elsewhere on this agenda. It is proposed that in order to continue the much needed investment in the Council's roads, an additional £500k will be transferred into the Visible Services reserve and used to carry out additional road and pavement resurfacing works in the coming year.
38. The Cardiff Capital Region City Deal brings together ten local authorities and financial support from Welsh and UK Governments to generate significant economic growth and to improve transport and other infrastructure within the Cardiff Capital Region over the next 20 years. The contribution to be made by the Council will be substantial over the coming years and £1.25m has already been set aside in a reserve. It is anticipated that the Council will need to carry out unsupported borrowing to fund our contribution to the programme which will require revenue funding to be identified to support these loans. It is therefore proposed that the reserve is increase by £500k with further funding being identified in future years.
39. As part of the revenue monitoring report to Cabinet on 22<sup>nd</sup> January 2018, minute number C193, it was agreed that £258k of the projected Learning and Skills overspend would be funded from the £2m set aside in the Council Fund.
40. With the continuation of austerity measures it is becoming increasingly difficult to deliver savings, to balance the budget in future years and to meet any unforeseen cost pressures following agreement of the budget. It is therefore proposed that the remaining balance from the £2m set aside, which is £742k, continues to be held in the Council Fund.

## Services

### Learning and Skills

	<b>Schools</b>	<b>Strategy, Culture, Comm Learning &amp; Resources</b>	<b>Achievement for All</b>	<b>School Improvement</b>	<b>Directors Office</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget 2017/18	<b>82,437</b>	<b>11,797</b>	<b>4,290</b>	<b>1,122</b>	<b>243</b>	<b>99,889</b>
Recharges/Tfrs	370	75	(468)	(10)	(8)	(41)
Changes in Asset Rentals/IAS 19	0	(316)	(10)	0	0	(326)
Inflation	1,607	77	86	1	5	1,776
Net Growth	868	57	849	0	0	1,774
Savings	(824)	(113)	(85)	(80)	(8)	(1,110)
<b>Budget 2018/19</b>	<b>84,458</b>	<b>11,577</b>	<b>4,662</b>	<b>1,033</b>	<b>232</b>	<b>101,962</b>

41. A breakdown of the net growth is shown in Appendix D. The Education SSA has increased by £2.458m from 2017/18. In light of this and the comments made by the Learning and Culture Scrutiny Committee, additional funding of £1.774m has been allocated to this service, in addition to £1.776m for inflationary pressures.
42. During the year it has been reported that there is pressure on the inter authority recoupment budget and the out of county placements budget with projected overspends of £403k and £200k respectively. Part of this overspend is being offset by budget underspends within the Directorate and as part of the Final Budget Proposals 2017/18, £200k was set aside in a Schools Placements reserve which will be fully utilised during 2017/18. WG has advised that the Minority Ethnic Achievement Grant (MEAG) will not be issued in 2018/19. This grant has been transferred into the RSG on an all Wales formula basis however it is unclear how much of the allocation has been received by the Vale of Glamorgan and how it compares to the £239k grant received in 2017/18. The BWG acknowledges the pressures in this area and has allocated recurring funding of £849k to central Education which is to be allocated to specific areas by the Director of Learning and Skills. It has also allocated funding for demographic growth of £868k to Schools.
43. A breakdown of the savings target is shown in Appendix E. Reshaping savings targets were included in 2018/19, £166k of which were to be identified from Additional Learning Needs. Due to the pressures in this area the savings target has now been reallocated to service areas across the Directorate. A savings target of £824k has been allocated to Schools.
44. It is suggested that the Schools Budget Forum be consulted before any final decision is made on the split of the funding between Central Education and the Schools. It is recommended that delegated authority be given to the Director of Learning & Skills to determine the split in the light of that consultation.
45. After the changes above, the Education budget will be substantially above the IBA.

## Social Services

	<b>Children &amp; Young People</b>	<b>Adult Services</b>	<b>Resource Mgmt. &amp; Safeguarding</b>	<b>YOS</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget 2017/18	<b>15,124</b>	<b>41,910</b>	<b>267</b>	<b>701</b>	<b>58,002</b>
Recharges/Tfr	13	(103)	37	7	(46)
Adjustments	(168)	553	(65)	0	320
Inflation	83	602	25	20	730
Net Growth	294	4,105	0	0	4,399
Savings	(41)	(342)	(35)	(1)	(419)
Changes in Asset Rentals/IAS 19	(9)	(6)	1	1	(13)
<b>Budget 2018/19</b>	<b>15,296</b>	<b>46,719</b>	<b>230</b>	<b>728</b>	<b>62,973</b>

46. The latest projected outturn for Social Services in the current financial year indicates an overspend of £1.4m. There remains continuing pressures on the service, particularly in relation to the cost of adult care packages which could outturn this year up to £1.2m over budget and the full year effect of this year's commitments will further increase this figure. This overspend relates mainly to domiciliary care packages provided for frail elderly clients. There has also been pressure this year on the Childrens Placement budget which is resulting in a projected overspend of £200k for Childrens Services. This is due to the increasing complexities of the children currently being supported, which results in their placement in very high cost units.
47. A breakdown of the net growth is shown in Appendix D. Having regard to the current financial pressures and the comments made as part of the budget consultation and the concerns raised by the Healthy Living and Social Care Scrutiny Committee, the BWG acknowledges that there are significant issues in this area. Not only is there an increase in the population, but clients are increasingly frail with complex needs. There is a 'knock on' effect from pressures within Health and work is ongoing to ensure integration between the two services. Fees paid to residential and domiciliary providers during 2017/18 were increased by above the level of inflation to allow in part for the National Living Wage. Providers have also requested an above inflation increase in 2018/19, due to the continuing impact of the National Living Wage. The Social Services SSA for 2018/19 has increased by £864k from 2017/18. The BWG has taken all these factors into account and it is proposed that an additional £2.334m should be included in the budget for Adult Services. At this point, WG has not announced any change in the maximum weekly charge for non-residential care from the current £70 per week.
48. The Intermediate Care Fund (ICF) grant will continue to be provided to Health by WG and the Service will work with Health to ensure the monies are spent in the most cost effective way.
49. There are a number of grants that were received from WG in 2017/18 that will be transferred into the RSG from 1<sup>st</sup> April 2018 including Independent Living Grant, Social Care Workforce Grant and grants relating to Childrens Services.

50. A breakdown of the savings target is shown in Appendix E.
51. During 2012/13, the Social Services Budget Programme was established which outlined a series of savings for future years and provided the required funding for the managed reduction of the budget, via the setting up of the Social Service Fund which had an initial value of £6.209m. The savings programme has continued since that date and during 2018/19 the final £330k from the fund will be utilised.
52. The Director of Social Services should continue to review the Social Services Budget Plan and take the necessary action to achieve the level of savings required and where possible mitigate the effects of increasing demands on the service.

### Environment and Housing

	<b>Neighbour -hood and Transport</b>	<b>Building</b>	<b>Regulatory</b>	<b>Council Fund Housing</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget 2017/18	<b>24,755</b>	<b>0</b>	<b>2,166</b>	<b>1,126</b>	<b>28,047</b>
Recharges/Tfr	140	(22)	70	66	254
Adjustments					
Inflation	562	22	0	14	598
Net Growth	1,581	0	0	189	1,770
Savings	(827)	0	0	(12)	(839)
Changes in Asset Rentals/IAS 19	755	0	3	9	767
<b>Budget 2018/19</b>	<b>26,966</b>	<b>0</b>	<b>2,239</b>	<b>1,392</b>	<b>30,597</b>

53. A breakdown of the net growth is shown in Appendix D. During 2018/19 there will be a further reduction in the funding received from WG for Waste Collection and Recycling services. With increasing costs in this sector, pressure is being placed on this service. The BWG therefore thought it appropriate to fund the projected reduction in grant from WG of £230k.
54. A breakdown of the savings target is shown in Appendix E. A Reshaping Services savings target of £1.375m had been included for 2018/19, which includes the full year effect of the 2017/18 reorganisation saving. It is acknowledged that this is a high target which will be made up of a number of options and will be difficult to achieve in 1 year. This saving has therefore been reprofiled over a 2 year period so that £775k is allocated to 2018/19 with the remaining £600k allocated to 2019/20. Due to the pressures in the Waste Management service it is proposed that the Waste Collection savings of £62k for 2018/19 and £63k for 2019/20 are removed from the programme. The Environment and Regeneration Scrutiny Committee requested that a report is produced on the Public Conveniences across the Vale and therefore the saving of £50k for 2018/19 has been removed, at this time, pending a further assessment of the service.

## Managing Director & Resources

	<b>Resources</b>	<b>Regen</b>	<b>Develop Mgt</b>	<b>Private Hsing</b>	<b>General Policy</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget 2017/18	<b>728</b>	<b>2,091</b>	<b>968</b>	<b>11,003</b>	<b>15,692</b>	<b>30,482</b>
Recharges/Tfr	464	(33)	70	(3)	(665)	(167)
Inflation	393	50	37	10	0	490
Net Growth	35	0	0	0	39	74
Savings	(1,151)	(44)	(10)	(3)	(2,722)	(3,930)
Changes in Asset Rentals/IAS 19	103	19	11	0	(561)	(428)
<b>Budget 2018/19</b>	<b>572</b>	<b>2,083</b>	<b>1,076</b>	<b>11,007</b>	<b>11,783</b>	<b>26,521</b>

55. A breakdown of the net growth is shown in Appendix D. The implementation of the Cardiff Capital Region City Deal is beginning to progress. A sum of £39k has been included in the 2018/19 budget to contribute towards regional working in this area. A revised funding requirement of £10k has also been included to contribute towards additional costs of the Coroners service which is run on a regional basis and hosted by Rhondda Cynon Taff.
56. A breakdown of the savings target is shown in Appendix E. As part of the Initial Revenue proposals a target of £150k had been included for ICT. However, with the development of the Digital Strategy and the level of savings to be achieved from its introduction it was decided that this was not the appropriate time to reduce the ICT departmental resources as they will be key to the delivery of the Strategy. An additional savings of £100k has been allocated to the Corporate Reshaping Services target for 2018/19 which was originally £600k and has now been increased to £700k.

### Delivering Well Being

57. In setting the revenue budget, the Council needs to consider its corporate priorities as set out in the Corporate Plan 2016-2020 through the 4 well-being outcomes which are shown below with examples of how the Council is providing support through the 2018/19 revenue budget.
- An Inclusive and Safe Vale – There has been a transfer into the RSG to support homelessness prevention;
  - An Environmentally Responsible and Prosperous Vale - Funding has been allocated for the Cardiff Capital Region City Deal which will maximise opportunities for economic development and job creation and through the provision of additional funding for waste recycling;
  - An Aspirational and Culturally Vibrant Vale – Funding has been provided for schools; and

- An Active and Health Vale – Funding has been provided to support Social Services and collaborative work will continue with Health as part of the ICF grant funding.
58. These outcomes demonstrate the Council’s commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need. Even with reductions in funding, where practical, the Council will strive to maintain services which contribute to this agenda.
59. In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. These budget proposals reflect this new approach to working. The 5 ways of working are:-
- Looking to the long term - The budget proposals are a means of planning for the future and 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 highlight and encourages ways of working with partners.
  - Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
  - Working in a collaborative way – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
  - Understanding the root cause of issues and preventing them – The budget process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

## **Financial Strategy for 2019/20 to 2020/21**

60. The 2014/15 final budget proposals were informed by a budget review exercise that included the reappraisal of the Council’s financial strategy. Consequently, separate strategies were put in place for Education & Schools, Social Services and all Other Services.
61. The BWG has continued to have regard to the continued appropriateness of these strategies given the significant level of savings that now have to be found, the relative size of the Education & Schools and Social Services budgets as a proportion of the Council’s net budget requirement and the pressures on the services.
62. The Council will strive to ensure that the Education & Schools increases should match the overall percentage change in the Council’s budget as amended for adjustments to the council tax reduction scheme (CTRS) and the council tax base and that the budget for Education will be the same proportion of the Council’s total budget as the Education SSA is to the total SSA where it is feasible to do so. However, this will be dependent on future settlements and will become increasingly difficult as austerity measures continue to be anticipated in future years.
63. The BWG considers that the principles applied above to Education & Schools also continue to apply to Social Services. It is proposed that the financial strategy for all

Other Services will need to continue. This will require services to manage downwards or meet the bulk of their cost pressures through additional savings. For the purpose of these projections, it has been assumed that the financial strategies set out in this report for Education & Schools and Social Services will continue to be applied.

64. WG has provided the Council with indicative settlement figures for 2019/20 which is a reduction of 1%. There is no indication of changes to the settlement past that year. The MTFP was based upon a cash reduction of 3% in both 2019/20 and 2020/21. Each 1% change in AEF affects the Council by approximately £1.5m. It is assumed that the WG indicative reduction of 1% is used for the projections in this report.
65. Pay and price inflation (excluding schools) is estimated at £3.98m over the two years based upon a 0.5% per annum uplift for non pay inflation and a similar pay award in 2019/20 as for 2018/19. This assumption will be reviewed again when the next iteration of the MTFP is produced.
66. In November 2014, Cabinet agreed to commence a Reshaping Services strategy and change programme. This programme is the Council's proactive response to central government's austerity drive that has created a period of unprecedented financial pressure in the public sector. The savings targets set as part of this programme are large and challenging, and require substantial input for their achievement. As detailed by service area above, some of the targets have been reprofiled over a number of years to ensure their successful and considered implementation.
67. Cabinet as part of the initial budget setting process for 2016/17 agreed to the commencement of Tranche 3 of its Reshaping Services programme. [Appendix F](#) includes the proposed savings for 2019/20 and 2020/21, including the Tranche 3 Reshaping Services programme.
68. Cost pressures for future years have been considered and assessed by the BWG and total £8.3m for 2019/20 and 2020/21. Details are attached at [Appendix G](#). This includes a possible level of funding for schools which is estimated at £2.6m over the 2 years and potential pressures on Social Services as a result of increased demographic growth and further increases in the National Living Wage. Any further cost pressures will need to be managed down or mitigated by Services in order to avoid further savings targets being required.
69. There are currently no plans to use the Council Fund reserve in 2018/19 and onwards to support the revenue budget. After the use of the fund as details above, the balance as at 31st March 2019 will be £9.351m. However, there is considerable uncertainty on the effects of Britain's exit from the Europe Union and inflation has started to increase during this year. In addition, after achieving savings over the past years it is becoming increasingly difficult to achieve savings in the short term and they will need a longer lead in time to implement. That being the case, it must be assumed that the Council Fund could be used to support the budget in the coming years, while at the same time, being mindful that the Section 151 Officer requires a balance of £7m to be maintained as a minimum balance for this particular fund.
70. Assuming a council tax increase in each of the two years of 3%, based on CPI for December 2017 and adjustments for 'one-off' items flowing from the 2018/19 budget, the table below shows the projected shortfall for the period. It must however be emphasised that these projections are based upon information available at the current time and they will be subject to change e.g. changes in AEF. The projection is also

based upon the assumed achievement of a high level of savings. The position will be reassessed as part of the MTFP and options for achieving the shortfall in savings will be addressed further.

<b>Financial Projections to 2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Assumed Decrease in AEF (1% and 1%)	1,525	1,510	3,035
Cost Pressures (inc Schools)	4,673	3,654	8,327
Pay and Price Inflation (excl. schools)	1,989	1,991	3,980
Net Savings Targets	(2,920)	(707)	(3,627)
Assumed 3% Gross Council Tax Increase	(2,087)	(2,150)	(4,237)
Adjustment for 'One Off' Items *	330	0	330
<b>(Surplus)/Shortfall in Savings Required</b>	<b>3,510</b>	<b>4,298</b>	<b>7,808</b>

\* "One off" items relate to the change in the use of the Social Services fund

## Reserves

71. 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.
72. 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 Reserve, Project Fund, Building 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. The Housing Revenue Account Reserve is ring-fenced to Housing and the majority will be used to fund improvements to the Council's housing stock.
73. 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 position. After several years of real term reductions in funding and with the continuation of austerity measures into the foreseeable future, there is reducing contingency in the normal operational council budgets and the management and use of reserves will become increasingly important to be able to continue to provide services and to mitigate risks, while still trying to deliver corporate priorities.
74. The level of reserves must be considered in the context of the financial risk facing the Council over the coming years.
75. One of the main risks to the Council's financial planning is the uncertainty as to the level of funding to be received from WG in future years. WG has indicated a reduction of 1% in 2019/20 with no indication for 2020/21. Projections have therefore been based on the assumed cash reduction in AEF of 1% in both 2019/20 and 2020/21. Each 1% change in AEF affects the Council by approximately £1.5m.
76. Projecting forward on this basis, there is a gap in funding in the coming years that will need to be identified. Excluding Schools, savings of £16.909m needs to be achieved over the next 3 years, of which £9.101m have been identified. This figure is extremely



challenging and there is significant pressure on services to deliver these existing savings in full and on time. There is a risk of non-achievement of these savings and the ability to identify and implement further savings given the already high level of savings previously delivered by services. Reserves have been set up where possible to facilitate this process e.g. Early Retirement Fund, Reshaping Services Fund.

77. There are risks in the budget and the most significant of these are set out in this report. Social Services care packages budget is currently overspending. Even though additional funding has been proposed for 2018/19, further action will need to be undertaken by the Director of Social Services to achieve a balanced budget.
78. Pay and price inflation is a further risk. From 2019/20 onwards, provision has been made in the budget at a similar rate to 2018/19 for pay, with a targeted approach to allocating non pay inflation. The Consumer Price Index has been gradually increasing and for the 12 months to December 2017 rose by 3%. Services will need to manage spending as costs rises.
79. Details of all specific grants have not yet been finalised and there is a risk that should grants be cut and it is not possible to reduce expenditure correspondingly, the Council could overspend. This risk should be mitigated by the fact that Services should have in place “exit” plans for any specific grant ceasing and are usually aware of likely developments in the level of grant. In the first place each Service would be expected to fund any shortfall from its revenue budget. There are however some reserves held to cover future grant reductions but these can only be seen as a contingency in the short term e.g. Adult Community Learning and Youth Offending reserves. The payment of redundancy costs, when a grant ceases, is not normally allowed as eligible expenditure to be set against the grant and therefore it is for the Council to set aside funds to cover this eventuality. A Grant Exit Strategy reserve is being held under the Social Services heading to fund such costs if they arise and in the main relates to the Flying Start grant.
80. Legislative changes provide a major risk to the Council. The increase in the National Living Wage will put further pressure on staffing budgets. There is uncertainty for future recycling costs as a result of Article 11 of the Revised Framework Directive which are yet to be confirmed. In addition, the impact of changes to welfare reforms are at present not clear and a reserve is held for this purpose.
81. There are risks associated with climate change, in particular energy costs and the Council holds an Energy Fund to implement energy saving initiatives. The effect of adverse weather conditions increase the cost of running and maintaining the Council’s infrastructure and provision needs to continue to be set aside to fund works over and above that held in the normal operational revenue budget, as covered for instance by the Bad Weather reserve.
82. Whilst covered by a separate report on the agenda, it is important to point out that a large proportion of the reserves are held for capital expenditure as well as for revenue purposes. There is a large commitment required for the future development of local schools and for the risks in maintaining aging premises. Also, the Council relies heavily on its IT infrastructure and the Wales Audit Office has recommended that a corporate technology development fund should be held.
83. The Council also holds funds to enable it to fulfil its priorities set out in the Corporate Plan through the 4 well-being outcomes. The Council must demonstrate its commitment to the Well-being of Future Generations Act and ensure that the needs of

the present are met without compromising the ability of future generations to meet their own need, thus ensuring that funding is available in the long term through sound financial planning.

84. As part of the usual Budget process, an examination of the level of reserves was undertaken to ascertain their adequacy and strategy for use. The reserves were examined with 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). The requirement for each specific reserve has also been considered in light of the Council's priorities
85. There is only 1 proposed transfer between reserves. The Employment Training reserve was set up to assist with costs associated with the ending of the Employment and Training Services contract (Work Programme). This service will come to an end on 31<sup>st</sup> March 2018. Part of the reserve will be used this year, however, it is proposed that any remaining balance is transferred into the Regeneration Fund.
86. The estimated level of the Council Fund Reserve at 1st April 2018 is £9.351m with no future use proposed for 2018/19 and onwards.
87. The Section 151 Officer's view is that the minimum level for the Council Fund Reserve is £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 of Glamorgan this is currently about £11.1m. However, in view of the prudent approach the Council takes with regard to Specific Reserves, £7m is considered a reasonable minimum.
88. The Schools Balances are unspent budgets delegated to individual schools. It is projected that the aggregate nursery, primary and secondary balances will be around £1.7m in surplus at 31st March 2018.
89. Attached at [Appendix H](#) is a schedule showing the reserves and the anticipated balances at the 31st March 2018, 2019, 2020 and 2021. The Appendix sets out the title of the reserve together with its purpose. A summary of the position is set out below and excludes Schools balances and the Housing Revenue Account (HRA):

<b>Summary of Estimated Reserves Projected to 2020/21</b>	<b>Est. Bal. 31/3/2018 £000</b>	<b>Net Movement £000</b>	<b>Est. Bal. 31/3/2021 £000</b>
General Reserves	9,351	0	9,351
Specific Reserves :			
- Insurance Fund	2,545	0	2,545
- Capital Reserves	28,281	(17,778)	10,503
- Other Specific Reserves	24,170	(11,145)	13,025
<b>Total Council Fund Reserves(excl. Schools and HRA)</b>	<b>64,347</b>	<b>(28,923)</b>	<b>35,424</b>

90. It is projected that there will be a large fall (45%) in the level of reserves over the 3 year period as substantial calls on funds are made. However, these are still deemed to

be adequate as known risks are largely covered and the Council Fund Reserve is at a reasonable level, not expected to fall below £7m.

### **Resource Implications (Financial and Employment)**

91. The total budget shown at Appendix C is £222.053m. After adjusting for discretionary rate relief of £200k, it is £987k below the Council's SSA of £222.84m. The 2017/18 budget was £1.287m below the SSA.
92. The Council's SSA (IBA) is an indication of the relative resources needed to provide a standard level of service. It is based on statistical data and formulae, any of which can be flawed in assessing need. It is used primarily as a method of distributing AEF. It is not an absolute indicator of a required spending level for a particular service in a particular area. It is for local councils to best determine their own spending priorities in light of local circumstances.
93. If the Council decides to budget at £222.053m, deducting from this Revenue Support Grant of £111.736m, redistributed non-domestic rates of £40.744m produces a requirement of £69.573m to be met from council tax. Dividing this by the council tax base of 58,616, gives a level of council tax for this Council's purposes (excluding police and community council precepts) for Band D properties of £1,186.92. This is an increase over the current year of £44.55 or 3.9%.
94. The average of the Council Tax set by councils in Wales for 2017/18 at Band D was £1,162, whilst the Vale of Glamorgan's was £1,142. The BWG's view is that the proposed increase in Council Tax at 3.9% is a reasonable compromise between the pressure on services, particularly in light of the reduction in AEF and consequent level of savings required and the financial pressures facing council taxpayers.
95. The 2017/18 MTFP projected a shortfall in funding over the next 3 years of £11.615m even after the identification of £9.326m of savings, thus resulting in the potential requirement for £20.941m of savings. This £11.615m shortfall in funding has now been reduced to £7.808m over the next 3 years through various sources, including a lower than anticipated reduction in the WG settlement of £9.391m, an increase in Council Tax above the assumed figure of 2.6% plus a change in the Council Tax base totalling £2.348m, a review of cost pressures resulting in an increase of £7.707m (including changes to one off adjustments and pay awards), a reduction in identified savings of £225k. The savings target for the next three years is now £16.909m.
96. In order for the Council not to be exposed to unacceptable risk it is essential that all Services maintain their expenditure within budget and that this is a major priority for Directors, Heads of Service and all Managers. Any further cost pressures will need to be managed down or mitigated by Services.
97. The budget proposals will have implications for the Council's employees and there will be a loss of jobs. The reduction for 2018/19, excluding schools, is estimated to be around 70 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.
98. The above figures do not include the staffing implications relating to budget pressures within schools as the details need to be considered by individual Governing Bodies and supported by the Director of Learning & Skills. Individual schools will also be

impacted by whether they have growing or falling pupil numbers. There are, however, likely to be staff reductions and redundancies depending on each school's circumstances. The Director of Learning & Skills will need to establish the impact of the budget on employees in schools.

99. The Council has an Avoiding Redundancy Procedure that will be followed and includes a requirement for the Council to search for suitable alternative employment. The numbers of employees referred to are those impacted in the budget. There could be further staff implications from other restructuring exercises during the year.
100. The trades unions will continue to be consulted on the details of any potential redundancies once known.
101. In light of the staffing implications it is essential to ensure that consultation with the trades unions is carried out in accordance with the Council's Avoiding Redundancy Policy and related legal requirements. A Change Forum meets regularly with the trade unions to help co-ordinate the consultation process and deal with cross- directorate issues.

#### Statement of Section 151 Officer on Robustness of Estimates

102. The Local Government Act 2003 requires that the Section 151 Officer (currently the Head of Finance) must report on the robustness of the estimates, which are to be approved by Council. This Section constitutes that assurance.
103. In view of the uncertainties of the current and future economic climate there is increased risk facing the Council's financial position and, as a consequence, the delivery of services. This has been recognised and referenced within this report, where relevant, together with actions that can be taken to manage that risk.
104. Savings are regarded as extremely challenging but achievable and have been carefully examined with risk and measures to mitigate them identified. It is important to stress the importance of the mitigating actions being implemented and the need to consider equality impact assessments.
105. Estimates in the budget report are robust subject to any reservations/ qualification or other commentary contained in the report. All services' expenditures are under pressure and there is always a risk that a service may overspend, particularly in light of unforeseen circumstances.
106. A measure to guard against this will be to monitor the budget during the year and to identify problems as they arise and put in place remedial action. Key to this will be the delivery of savings including those required under the Reshaping Services programme. Cabinet, Scrutiny and managers continue to have a key role in reviewing and maintaining budgetary performance.
107. Reserves have been again reviewed and are considered adequate to cover contingencies and the risks stated in the report.

#### **Sustainability and Climate Change Implications**

108. 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)**

109. The Council is required under statute to fix its 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.

### **Crime and Disorder Implications**

110. Provision within the budget for Community Safety and other expenditures could have a beneficial effect on the reduction of crime.

### **Equal Opportunities Implications (to include Welsh Language issues)**

111. Councils are required to comply with the Equalities Act 2010 and in particular the Public Sector Equality Duty for Wales.

112. The Council has an existing process for undertaking equality impact assessments and the Equality Impact Assessment (EIA) for the overall budget set out in this report is included at [Appendix I](#). Carrying out an EIA involves systematically assessing the likely (or actual) effects of policies on people in respect of disability, gender, sexuality (including gender identity), age, Welsh language and racial equality.

113. EIA assessments will be undertaken for each of the approved individual savings for 2018/19 and, where relevant, full assessments will be completed and appropriate consultation undertaken before the savings are implemented.

### **Corporate/Service Objectives**

114. 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**

115. This report is following the procedure laid down in the Constitution for the making of the budget and needs to be referred to Council to make the final decision.

### **Consultation (including Ward Member Consultation)**

116. Scrutiny Committees and Corporate Management Team have been consulted on the initial budget proposals. Trade Unions have been consulted informally on the potential implications of the proposals. External stakeholders were also consulted on the budget priorities.

### **Relevant Scrutiny Committee**

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

### **Background Papers**

Local Government Final Revenue Settlement letter dated 20<sup>th</sup> December 2017.

**Contact Officer**

Carys Lord  
Section 151 Officer

**Officers Consulted**

Corporate Management Team

**Responsible Officer:**

Carys Lord Section 151 Officer