



VALE of GLAMORGAN COUNCIL  
**MEDIUM TERM  
FINANCIAL PLAN**  
2018/19-2021/22



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## **MEDIUM TERM FINANCIAL PLAN**

**2018/19 TO 2021/22**

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## **1. INTRODUCTION AND CONTEXT**

### **Internal Context**

1.1 The Council has set out its vision for 2016-2020 in its Corporate Plan. This plan outlines the work that the Council will undertake towards achieving the 4 well-being outcomes, which are :

- An Inclusive and Safe Vale
- An Environmentally Responsible and Prosperous Vale
- An Aspirational and Culturally Vibrant Vale
- An Active and Healthy Vale

1.2 Delivery of the Council's priorities is reliant on having robust corporate governance arrangements. These arrangements are set out in the strategic planning framework. The framework describes how strategies, plans and processes work together and how they are monitored and scrutinised. Financial planning is one of the elements of this integrated approach to corporate planning. One of the actions in the Corporate Plan is to review and challenge the Council's approach to financial planning, including the capital programme, to ensure a long term view is balanced with the need to address immediate priorities. CIPFA guidance is requiring authorities to produce a Capital Investment Strategy which brings together information from the Asset Management Plan and the Treasury Management Strategy. This Strategy should cover the longer term and should cover at least the next 10 years.

1.3 The purpose of the Medium Term Financial Plan is to link the Council's strategic planning process with the budget process and to ensure consistency between them. It is a mechanism that attempts to match future predicted resources and expenditure, identify potential shortfalls and provide the financial framework for the next 3 years.

1.4 In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. The Medium Term Financial Plan reflects this new approach to working and this is demonstrated throughout the Plan. The 5 ways of working are :-

- Looking to the long term - The Plan is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- Taking an integrated approach - The Plan highlights and encourages ways of working with partners as well as across service areas within the Council.
- Involving the population in decisions – The Plan recommends that engagement with residents, customers and partners takes place as part of the budget setting process, in addition to the engagement that takes place at a service specific level.
- Working in a collaborative way – The Plan recognises that, in certain cases, more can be achieved and better services can be provided by collaboration and it recommends this as a way of working in the future.

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- Understanding the root cause of issues and preventing them – The Plan is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

1.5 A key element of ensuring the ways of working are embedded is through integrated planning actions contained in the Corporate Plan and delivered by the Council's Insight approach. This brings together all corporate business planning activity as a whole in order to monitor delivery and identify linkages.

### **External Context**

1.6 There are a number of external factors that impact on the Council's financial position going forward. The results of the Westminster Government's 2010 Comprehensive Spending Review heralded a marked reduction in the level of funding to be provided by the Welsh Government (WG) to councils. As a consequence, between 2010/11 and 2017/18 the Council has identified savings of nearly £49m. In June 2018, the Prime Minister announced a five year budget that will lead to an increased £20bn a year for the health service in England by 2023. This will result in WG receiving additional Barnett funding worth £1.2 billion by 2023. WG stated that it would make its own spending decisions and it has not yet confirmed whether any of this additional funding will be directed to local authorities.

1.7 The result of the referendum for the United Kingdom's exit from the European Union in June 2016 provides further uncertainty and the specific implications on Wales are presently unknown.

1.8 As part of the budget proposals for 2018/19, WG provided an indicative settlement figure for 2019/20 which is a reduction of 1%. Despite WG having received additional funding from central government, as no further confirmation has been received as to the level of funding going forward, it is assumed that the current trends in Local Government funding will continue and that the Council should plan for a range of challenging settlements going forward. The projection is therefore for a reduction in public sector funding. Failure to prepare for further reductions now could have far greater consequences for service delivery in the future. The provisional funding settlement from WG for 2019/20 is due in October 2018, with the final settlement being confirmed in December 2018. The outcome of the settlement for the coming year will be addressed as part of the Final Revenue Budget proposals for 2019/20.

1.9 In this financial environment and to meet the requirements of the Well-being of Future Generations Act, it is critical that the Council continues to plan for the future and embrace changes in the way it operates and provides services. It plans to achieve this by building on current knowledge and experience and by building strong relationships with all its partners, customers, local communities and other service providers and to utilise their knowledge and experience.

## **2. REVENUE POSITION**

### **Sources of Funding**

- 2.1 Each year, the Council is required under statute to fix the level of council tax by 11<sup>th</sup> March for the succeeding financial year and, in order to do so, will have to agree a balanced revenue budget by the same date.
- 2.2 The Council's annual revenue budget is determined largely by the Welsh Government. Standard Spending Assessments (SSA) are notional calculations of what each Council needs to spend to provide a standard level of service. These assessments are an important part of the formula for distributing the Revenue Support Grant to local authorities and are calculated to take account of the differing costs of providing services in each authority area because of their different demographic, physical, economic and social characteristics.
- 2.3 The Revenue Support Grant (RSG) together with the Council's share of the National Non Domestic Rate (NNDR) Pool constitutes the Aggregate External Finance (AEF) and are un-hypothecated amounts paid by WG in general support of the services provided by local authorities, therefore these sums are not earmarked for particular services and it is for the Council to determine its own service priorities. The funding is supplemented by specific and special hypothecated grants which are provided by WG to support specific services and developments. For 2018/19, the Council's share of RSG and NNDR was £111.736m and £40.744m respectively, giving a total AEF of £152.48m.
- 2.4 In recent years WG has encouraged collaborative working and has made additional funding available in the form of the Intermediate Care Fund (ICF). This fund is being used to build effective working practices across health, social services and housing, to take forward schemes which demonstrate an effectiveness across community and acute environments and linking out-of-hospital care and social care to strengthen the resilience of the unscheduled care system. The partners in the ICF collaboration are Cardiff and Vale University Health Board, Cardiff Council and the Vale of Glamorgan Council. The Council is also the host authority for three collaborative services; the Shared Regulatory Service, the Internal Audit Shared Service and the Vale, Valleys and Cardiff Regional Adoption Service.
- 2.5 The Council can generate income from fees and charges. Through the Reshaping Services Programme, the Council is continuing to review areas where charges can be made for services, in order to contribute towards its savings targets. In addition, and in line with a national study by Wales Audit Office, it also has an Income Generation Policy.
- 2.6 The Council also holds reserves. Reserves are a way of setting aside funds from budgets in order to provide security against future risks and to allocate funding for future priorities. The Council holds reserves for a range of purposes which can be used to fund either revenue or capital expenditure and can be general or for specific purposes. The Housing Revenue Account Reserve is ring-fenced and will be used to fund improvements to the Council's housing stock.

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2.7 When determining its Budget Requirement, the Council must, therefore, consider carefully its spending plans in the light of not only its AEF but also, grant income generally, income from fees and charges and any contributions from reserves, as any remaining balance will have to be met via the council tax. This is the main source of local taxation available to local authorities and is levied on households within the Vale of Glamorgan by the Council as the billing authority. At £69.573m for 2018/19 (excluding town and community council precepts), the council tax contributes a relatively small proportion of the Council's overall funding. As the whole of any difference between the Council's net budget and its external funding falls on the council tax, even marginal changes in spending can have a significant impact on council tax levels. Based upon both the 2018/19 budget and council tax position, a 1% increase in net Council expenditure would equate to around £2.2m. In comparison a 1% increase in council tax would raise circa £696k and as a consequence an increase in expenditure of 1% is equivalent to just over a 3% increase in council tax.

### **Predicting Resources**

2.8 WG has not yet advised the potential reduction in the level of funding it will provide for 2020/21 onwards and has only provided an indicative figure for 2019/20. Thus, there is considerable uncertainty as to the future level of funding and this situation does not provide any comfort as to the level of resources that the Council will eventually receive for 2019/20 onwards. It is difficult to predict the extent of any reduction as this depends on many factors, including the level of protection provided by WG to various services. Possible decisions by WG to hypothecate (earmark) higher percentage sums to individual services (e.g. Education or Social Services) would have a major impact upon the ability of the Council to resource its other local priorities.

2.9 The level of reduction in AEF for 2018/19 for this Council was 0.41% when taking into account adjustments. However, it is considered that the period of austerity is not over. There is uncertainty surrounding the economic climate leading up to the exit from the European Union and ongoing protection for health services. It is therefore felt that a prudent approach should be taken and it is appropriate to continue to project a reduction of 1% for 2019/20 based on WG's indication and a further 1% reduction per annum for both 2020/21 and 2021/22. It must be emphasised that these are predictions and any deviation from this could have a further significant financial impact as each 1% reduction in WG funding costs the Council approximately £1.5m.

2.10 Similarly, many Council activities are dependent upon grant funding to maintain existing service delivery levels. Aside from the general uncertainty as to whether certain grants will continue in future years or be absorbed into the RSG, there continues to be a real possibility of a significant reduction in the quantum available for distribution. It has been assumed in preparing this Plan that specific grants will either continue or that any decrease will be offset by a corresponding curtailment in the initiatives funded.

2.11 The following table shows the overall assumed change in Revenue Support Grant and share of the NNDR Pool during the period of this Plan.

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### Predicted WG Revenue Funding 2019/20 to 2021/22

	£000	£000	£000
Revenue Support Grant	111,736		
NNDR Pool	<u>40,744</u>		
<b>2018/19 Actual</b>		152,480	
<b>2019/20 Assumed Decrease (1%)</b>		150,956	<b>(1,524)</b>
<b>2020/21 Assumed Decrease (1%)</b>		149,447	<b>(1,509)</b>
<b>2021/22 Assumed Decrease (1%)</b>		147,953	<b>(1,494)</b>
<b>Overall Decrease in Cash Terms</b>			<b>(4,527)</b>

- 2.12 In order to calculate any real terms percentage change in funding, it is necessary to adjust for the inflationary elements contained within the Council's existing base budget i.e. pay awards and price increases.
- 2.13 There is increasing pressure on pay budgets. The National Living Wage (NLW) was introduced in April 2016 at £7.20 per hour for workers over the age of 25. The current rate for 2018/19 is £7.83 per hour, with further increases anticipated to April 2020 when the rate could be at least £9 per hour. A two year pay deal has now been agreed for 2018/19 and 2019/20 for staff on NJC terms and conditions. As part of the final budget proposals for 2018/19, an increase of 2% had been included, with a higher % being assumed for staff on scale point 19 and below. However, the new pay deal will result in more scale points receiving a higher than 2% pay award and this has increased the funding required. Increases at this level have also been included for 2020/21 and 2021/22. Indications for the Teachers pay award from 1<sup>st</sup> September 2018 could be 3.5% for all main range pay points and unqualified teachers, with a 2% increase for all upper pay ranges and allowances and 1.5% on all leader pay ranges. It should be noted that these are proposals at this stage and will be consulted upon. No indication for increases from September 2019 have been received and therefore an increase at a similar level has also been assumed for the period covered in this Plan. These assumptions will continue to be reviewed as further information becomes available.
- 2.14 The Consumer Prices Index (CPI) increased by 2.5% in the year to August 2018. It is considered that with the current projected reduction in funding, this level of provision cannot be provided for across all non pay budgets. Not all contracts the Council enters into will have a requirement to be increased year on year by inflation. It is therefore proposed that in line with the budget setting process for 2018/19, a review of the Council's contracts is undertaken and that inflation is only provided where it is a contractual commitment for large contracts. In 2018/19 £405k was provided for and a similar figure per annum has been included in these projections. Other price inflation will need to be managed by services.
- 2.15 Although no final decision will be made on the increase in the level of council tax until the 2019/20 budget is set in March 2019, for the purposes of this Plan, an increase of 2.5% has been included for each year in line with the current level of CPI. This would yield over £1.7 million per annum.
- 2.16 Applying these inflationary increases against the projected cash change in revenue funding from WG, the real term change in resources indicates a decrease for the Council over three years of £12.51m as shown in the following table.

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### Estimated Real Term Change in Council Resources

	2019/20	2020/21	2021/22	TOTAL
	£000	£000	£000	£000
AEF – Projected Decrease	1,524	1,509	1,494	4,527
Pay/Price Inflation	4,334	4,334	4,334	13,002
Adjustment*	330	0	0	330
Assumed Council Tax 2.5%	(1,739)	(1,783)	(1,827)	(5,349)
<b>Decrease in Resources</b>	<b>4,449</b>	<b>4,060</b>	<b>4,001</b>	<b>12,510</b>

\* The adjustment relates to reductions in the use of the Social Services Fund.

### **Predicting Expenditure**

2.17 As part of the forward planning process, it is necessary to make predictions of expenditure to 2021/22.

2.18 The Corporate Plan will both inform and be informed by the budget decision-making process and sets out the activities to be undertaken to ensure the best possible outlook for the Council's citizens and communities. In developing the actions contained in the Corporate Plan, consideration has been given to the ability to fund each commitment. Actions, will in the main, be funded from within existing budgets or where possible through the use of external grant funding or working with external partners. However, the budget setting process and this Plan needs to be developed in parallel with the well-being outcomes and will look to align sources of funding to the Council's commitments. The well-being outcomes are outlined below, with some examples of how they will be delivered from a range of funding sources and which also shows ways of innovative working with partners and the benefits of accessing grant funding.

- An Inclusive and Safe Vale – The Council will be undertaking a wide range of activities to tackle poverty. From its existing resources it will provide information and support to residents affected by Welfare Reform. It will work with partners such as the Creative Rural Communities partnership and the Police and Crime Commissioner to deliver specific initiatives. It will use WG grant funding to help reduce child poverty via and by aligning the Flying Start and Families First programmes.
- An Environmentally Responsible and Prosperous Vale – The Council will work with a range of partners to implement programmes of regeneration, economic growth and employment. Use of existing resources provides support to local businesses. Work to increase the number of visitors to the Vale of Glamorgan is promoted through the implementation of the Tourist Destination Management Plan as well as through an annual programme of events and festivals. Work is also being undertaken in partnership as part of the Cardiff Capital Region City Deal, which has delivered transport improvements from WG Metro funding. Energy management schemes are also supported via Salix funding and the introduction of the Refit programme.
- An Aspirational and Culturally Vibrant Vale – The Council seeks to support the diverse needs of children and young people so that they can reach their full potential. From its existing resources the Council will drive upwards standards



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of achievement for pupils through sharing excellence between schools and targeting of resources. It continues to work with community partners to deliver a sustainable Library Service.

- An Active and Healthy Vale – The Council recognises the importance of prevention and early intervention to improve and maintain well-being and to help tackle health inequalities. From its existing resources it will provide and promote a range of early years services including information and support for parents. It will work in partnership to deliver a range of leisure activities and community facilities and to progress the integration of adult social care and community health services.

2.19 The Council is committed to delivering sustainable, cost-effective, services that meet people's needs and maximise the use of its resources. To enable this, the Corporate Plan identifies a number of actions to improve integrated planning and these actions have been considered as part of this Plan.

2.20 Due to the uncertainty of future levels of funding, the financial viability of actions will be monitored throughout the duration of the Corporate Plan. Future expenditure patterns and the availability of resources to pursue corporate priorities will undoubtedly be heavily influenced by external factors such as those resulting from legislative, demographic or grant related changes.

2.21 In addition to inflationary increases, the major cost pressures affecting services over the period of the plan have been identified to 2021/22. Where possible, service departments are encouraged to mitigate known cost pressures from within their existing budgets.

2.22 In the Chancellor's 2016 Budget, it was announced that there would be a change in the discount rate to be used in the valuations of unfunded public service pension schemes with effect from 2019/20. The Teachers Pensions is classed as such a scheme. This proposed change would increase employers contributions from 16.48% to 18%. Further clarification on this proposal is being sought but it could result in an additional cost to schools of around £650k per annum.

2.23 There are pressures on services across the Council. It is recognised that the increase in an aging population will place significant pressure on Adult Social Care budgets, as clients become frailer and have more complex needs. There are also pressures on the childrens placement budget. The Waste Management Section could also be affected by reduction in grant funding from WG and changes in the prices paid for recycled materials.

2.24 The introduction of the National Living Wage has also had a significant financial impact on the cost of externally commissioned services. The main area affected being Social Services and therefore in negotiating fees going forward, a better understanding of provider's costs and pricing for both state supported packages of care and self-funders and their capacity to absorb the NLW needs to be understood. It is not yet clear what the hourly rate will be for 2019/20 onwards. It is anticipated that there will be some indication in the Autumn Statement and it will be based on advice from the Low Pay Commission. Even with this uncertainty, it is considered prudent to include an estimation of possible additional costs over the coming 3 years for commissioned services, although this will need to be reviewed when further information becomes available.

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2.25 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 total cost of the Deal is estimated to be £210.8 million. The Vale of Glamorgan's share of the estimated total costs is projected to be in the order of £17.9 million and will be funded by unsupported borrowing with a 25 year repayment period. The contribution to be made by the Council will be substantial over the coming years however the specific timing of these contributions are yet to be determined and will depend on the projects that the City Deal Cabinet agrees to fund. The Council is currently holding a reserve of £1.9m to support the implications of the City Deal, however, further funding will need to be identified for future years as the Vale's contribution to the Deal progresses.

2.26 A summary of the major known cost pressures is shown in the following table. Any further cost pressures will need to be managed and mitigated by Services themselves.

### **PREDICTED REVENUE COST PRESSURES**

	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL £000
<b><u>LEARNING &amp; SKILLS</u></b>				
Employers Contribution for Teachers Placements	650 200	0 150	0 0	650 350
<b>DIRECTORATE TOTAL</b>	<b>850</b>	<b>150</b>	<b>0</b>	<b>1,000</b>
<b><u>SOCIAL SERVICES</u></b>				
Adult Services - Demographic Growth and Increase in Cost charged by Providers	1,516	1,069	1,069	3,654
<b>DIRECTORATE TOTAL</b>	<b>1,516</b>	<b>1,069</b>	<b>1,069</b>	<b>3,654</b>
<b><u>ENVIRONMENT AND HOUSING</u></b>				
Waste and Recycling Services	630	0	0	630
<b>DIRECTORATE TOTAL</b>	<b>630</b>	<b>0</b>	<b>0</b>	<b>630</b>
<b><u>GENERAL POLICY &amp; COUNCIL WIDE</u></b>				
Cardiff Capital Region City Deal	100	50	50	200
Cost of Funding Capital Programme	100	100	100	300
<b>TOTAL</b>	<b>200</b>	<b>150</b>	<b>150</b>	<b>500</b>
<b>TOTAL COST PRESSURES</b>	<b>3,196</b>	<b>1,369</b>	<b>1,219</b>	<b>5,784</b>

2.27 Other significant cost pressures are forecast across services, although the impact is not yet known. The major areas are summarised below.

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**The Waste Agenda** - The European Union (EU) Landfill Directive introduced a timetable for reducing the land filling of Biodegradable Municipal Waste (BMW). The Landfill Allowance Scheme (LAS) represents the maximum amount of biodegradable municipal waste that the Council can landfill. Exceeding the allowance will result in potentially significant fines being levied @ £200 per tonne for all waste exceeding the allowance. WG have also introduced the power to levy financial penalties on Local Authorities that fail to reach their statutory recycling targets. These would also be £200 per tonne below the statutory target. In addition to these penalties, landfill tax is due to increase by inflation.

The Council has demonstrated its commitment to the waste agenda by continuing its collaboration with four neighbouring local authorities for a residual waste disposal solution as part of Prosiect Gwyrdd which became fully operational from April 2016. This provides the Council with a sustainable long term solution for responsible waste disposal (Energy Recovery) and has reduced the risks associated with the Landfill Allowance Scheme.

In 2017/18 the Council only landfilled 0.95% of its waste and with a long term solution for final waste this has significantly reduced any risk of fines associated with LAS. Prosiect Gwyrdd will also contribute to our recycling targets as the facility produces bottom ash which is then recycled. This is estimated to be 20% of the total waste that is processed.

There are still some potential risks associated with achieving a recycling rate of 70% by 2024/25 in order to avoid the fines associated with statutory recycling targets. A recycling rate of 65% was achieved for 2015/16 but this has steadily decreased to 63% in 2017/18. This was as a result of less food waste recycling participation when bag replacement charges were introduced and a change to the amount of wood recycling the Council is able to claim due to changes introduced by Natural Resources Wales. A further pressure is the potential future reduction of grant funding by Welsh Government for recycling. The grant sum was reduced for 2016/17 and further similar reductions were introduced in 2017/18 at around £300k.

Article 11 of the Revised Framework Directive also has the potential to increase waste costs for recycling by requiring separate collections of paper, metals, glass and plastics or banning recyclable or compostable wastes from both landfill and Energy from Waste facilities.

The revisions to the EU Waste Framework Directive (WFD) which provides the legislative framework for the collection, transport, recovery and disposal of waste, changed UK legislation through the Waste (England and Wales) (Amendment) Regulations 2012 which were laid before Parliament and WG on 19 July 2012 and came into force on 1 October 2012. The amended regulations relate to these separate collections of waste. From 1 January 2015, waste collection authorities must collect waste paper, metal, plastic and glass separately. It also imposes a duty on waste collection authorities from that date when making arrangements for the collection of such waste to ensure that those arrangements are by way of separate collection. These duties apply to ensure that waste undergoes recovery operations in accordance with the directive and to facilitate or improve recovery where it is technically, environmentally and economically practicable (TEEP). The duties apply to

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waste classified as waste from households and waste that is classified as commercial or industrial waste.

The revised regulations allow the co-mingling of waste if an authority can demonstrate TEEP and where it is not possible in an existing 'high quality' recycling collection system to provide the separate collection of waste paper, metal, plastic and glass separately. This requires a review of collection services to assess this.

As part of our long term strategy, the Council has been working with Waste Resource Action Programme (WRAP) consultants and they have completed a full review of the methods of waste collection within the Council to ascertain whether they comply with the Technically, Environmentally & Economically Practical (TEEP) assessment. These findings were presented to Cabinet on the 16<sup>th</sup> February 2018 and on the 2nd July 2018, Cabinet approved the introduction of a source separated dry recycling collection service that will also see capital funding investment from WG as part of the Collaborative Change Programme (CCP).

A submission to Welsh Government applying for capital support this financial year has been approved and the Council has been awarded £3.5m to implement service changes and provide the necessary infrastructure such as a local Waste Transfer Station that will limit the amount of traveling necessary to discharge loads. This will lower potential risks to the Council of not achieving recycling targets and the capital support will assist with operating within the existing revenue budget.

The first scheduled service change is restricting residual waste to 2 bags per property which is being implemented as of 3<sup>rd</sup> September 2018. This is in preparation for the next statutory recycling target of 64% in 2019/20 where Councils will be subject to fines for failing to achieve the statutory target. The process should increase recycling rates above the required 64%. Thereafter from April 2019, it is proposed to introduce a source separated recycling collection service across the Council over a 12-month period.

**Welfare Reforms** - Parliament enacted the Welfare Reform Act in March 2012. The Act made provision for the introduction of Universal Credit. The Universal Credit will bring together various welfare benefits into a single payment. There are a number of significant issues associated with Welfare Reforms that have and will impact upon the Council and its services. These could include a potential increase in homelessness, poverty, additional pressure on Social Services, a reduction in income levels for the Housing Revenue Account through increased rent arrears and an increase in council tax arrears. There could also be increased costs from implementing the Welfare Reform changes and the potential impact on staff and job losses over the life of the process, as the changes are fully implemented. Universal Credit was introduced in the Vale of Glamorgan for single Job Seekers Allowance (JSA) claimants from February 2016 but was paused from December 2017 which has resulted in some cases going back to Housing Benefits. The number of claimants have dropped off slightly and as of June 2018 remained at around 530 cases. The Vale of Glamorgan is due to start a full service roll out in October 2018 and the number of claimants is expected to then steadily rise with full implementation by 2023. The Government introduced the Welfare Reform and Work Act 2016 which further extended the Welfare Reform regime in April 2017 to exclude 18-21 year

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old claimants from receiving housing costs when qualifying for Universal Credit (with some exceptions) and also reduced the threshold of the Benefit Cap in late 2016. A decision has now been made to reverse the exclusion of 18-21 year olds from housing costs and they will now get support which should alleviate some concerns that this would have an impact on homelessness and in social services. With the slow pace of the roll out of Universal Credit and the subsequent delays since December 2017, it is still too early to fully assess the impact of the Welfare Reforms. However, the potential costs to the Council, particularly post 2018/19 could still be significant. The Council is currently holding a reserve of £756k to support the impact of Welfare Reforms and continues to monitor the impact of implementation across services.

### **Existing Financial Strategy**

- 2.28 The 2018/19 budget setting process reassessed the financial strategies that were established as a result of the budget review which was carried out and approved as part of the 2013/14 final budget proposals. The continued appropriateness of these strategies were reviewed given the significant level of savings that are to be found and the relative size of the Education & Schools and Social Services budgets as a proportion of the Council's net budget requirement.
- 2.29 **Education & Schools Financial Strategy** – The new Welsh Government elected in 2016 no longer require the provision of a Minimum Funding Commitment (MFC) for schools, which had previously been equivalent to 1% above the block grant settlement that WG received from the Treasury. While the Council was committed to providing the MFC for schools, this allocation did not fund all cost pressures and some pressures had to be met by schools themselves. As it is anticipated that the Council's funding from WG will continue to reduce into 2019/20 and onwards, it is inevitable that this position will have to continue and it will not be possible to fund all of the School's cost pressures. The Plan has therefore been based upon Schools meeting their costs pressures to the value of 1% of their current budget for each year of the Plan. This figure is similar to previous years. It is also thought to be reasonable in the context of the remainder of the Council which is projecting a 1% reduction in costs. Changes in pupil numbers are not yet known and will be considered as part of the 2019/20 budget setting process. The Council will however be minded of the current financial strategy which states that changes to Education should at least match the overall percentage shift in the Council's budget as amended for adjustments to the council tax reduction scheme (CTRS) and the council tax base and that it will strive to ensure 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.
- 2.30 **Social Services Financial Strategy** –The Council will also strive to continue the principles which have been applied to Education & Schools for the percentage shift in Council budget and proportion of SSA to also stand for Social Services, however, again this will have to be considered in the light of future settlements.
- 2.31 **All Other Services Financial Strategy** - The financial strategies agreed for Education and Schools and Social Services were not something that could be extended to all services Council-wide. For the remaining services, they will need to continue to manage downwards or meet the bulk of their cost pressures through additional savings as well as taking their share of any budget reductions as a result of reduced funding. The Council is, however, mindful of its corporate priorities.

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Where practical, the Council will strive to maintain those Other Services that also contribute to this corporate agenda.

### Matching Predicted Resources and Expenditure

2.32 As part of the 2018/19 budget setting process it was predicted that there would be a shortfall in funding of £3.5m in 2019/20. This was after the approval of savings of £2.920m. Currently approved savings are shown in Appendix 1.

2.33 The following table provides a summary of the predicted shortfall in funding to 2021/22, taking into account the projected change in resources available and a list of major cost pressures and currently identified savings. It also includes the assumption that not all of the Schools cost pressures will be funded in full, in line with previous years.

### Matching Predicted Resources to Expenditure 2019/20 to 2021/22

	2019/20 £000	2020/21 £000	2021/22 £000
<b>Predicted Change in AEF (Inc.)/Dec.</b>	1,524	1,509	1,494
Add			
Pay & Price inflation – Schools	1,959	1,959	1,959
Cost Pressures - Schools	650	0	0
Less			
Savings To be Achieved by Schools	(845)	(862)	(873)
<b>Net Pressures – Schools</b>	<b>1,764</b>	<b>1,097</b>	<b>1,086</b>
Pay & Price inflation – Other Services	2,375	2,375	2,375
Cost Pressures – Other Services	2,546	1,369	1,219
Less			
Savings Identified	(2,920)	(707)	0
<b>Net Pressures– Other Services</b>	<b>2,001</b>	<b>3,037</b>	<b>3,594</b>
Less			
Notional Council Tax Increase 2.5%	(1,739)	(1,783)	(1,827)
Adjustment for One Off Items	330	0	0
<b>Potential Revenue Shortfall in Year for Services</b>	<b>3,880</b>	<b>3,860</b>	<b>4,347</b>
<b>TOTAL FUNDING SHORTFALL OVER 3 YEAR PERIOD</b>			<b>12,087</b>

2.34 The matching exercise indicates that there remains £12.087m of savings to be identified for the 3 years of the Plan and this is after already planning for £3.627m of savings for the same period. The achievement of the identified savings will be extremely challenging in the context of historical savings already delivered, but failure to deliver this level of savings will significantly impact on the Council achieving its required financial strategy which will now be based on an estimated reduction of £15.714m by 2021/22 excluding schools. Whilst savings from efficiencies will continue to be pursued, realistically, a substantial proportion of the balance will need to be found through the reshaping of Council services, which in

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itself will require a lead in time of at least one year and will require the Council to seek alternative forms of service delivery and consider the long term viability of some functions.

- 2.35 There is still uncertainty as to the reliability of available information upon which future resources have been predicted and the assumptions that have had to be made. The results of the matching exercise assume all identified savings options are achieved. It should also be noted that, if anything, cost pressures for years beyond 2020 are likely to be understated because of the sparsity of information available and the as yet unknown changes in legislation.
- 2.36 Such is the sensitivity of the resource predictions that a 1% change in assumed funding for RSG/NNDR would have a significant effect on these figures, reducing or increasing the predicted available revenue resources at the end of each year by an average of around £1.5m. It should be noted that there is no collective consensus as to the levels of future settlements and inflation trends, therefore, the deficit could increase with the consequent need to find further savings.
- 2.37 The effect of increasing council tax by 1% year-on-year over the period of the Plan raises a little over £2 million in total.

### **3. CAPITAL POSITION**

#### **Sources of Funding**

- 3.1 In addition to its day-to-day revenue expenditure, the Council also has a Capital Programme for the acquisition or enhancement of assets such as land, buildings, roads and vehicles/plant. As part of the Council's integrated corporate planning arrangements, the Capital Programme is closely aligned to the Corporate Asset Management Plan which outlines the Council's need to acquire or enhance assets such as land, buildings, roads, vehicles and plant.
- 3.2 WG issues General Capital Funding (GCF) for each authority on an annual basis. Along with the General Capital Grant, the Authority is advised of a level of borrowing that WG is prepared to support via Supported Borrowing. If the Council wishes to borrow in excess of this level to increase its capital expenditure, then it can, however, it will either have to find the additional cost of borrowing through savings in services or increases in council tax (known as unsupported or 'Prudential' Borrowing). Presently, the largest scheme that will be financed by undertaking unsupported borrowing is the 21<sup>st</sup> Century Schools Band B programme and it is estimated that around £6m will be required. In addition, WG also issues capital grants for specific capital projects.
- 3.3 The Council sets funds aside in reserves to fund future capital projects. Currently, around £30m is set aside in specific reserves which are earmarked to fund the capital programme between 2018/19 and 2022/23. The largest reserve of £11.4m being held is the School Investment Strategy reserve and will be used as the Council's contribution towards the 21<sup>st</sup> Century Schools Band B capital investment programme.
- 3.4 The sale of council assets will generate capital receipts which can be used to fund future capital expenditure. When assets are sold, capital receipts are usually held in a general pool, however if approved by Cabinet, receipts from certain sales can be ringfenced for specific purposes.
- 3.5 Other means of financing capital expenditure are available through direct contributions from revenue and grants from other organisations e.g. Lottery. Developer contributions through S106 agreements have also been used and will continue to be used for a variety of capital schemes, either in part or in full.
- 3.6 Resources within the Housing Revenue Account (HRA) are ring fenced and should only be applied for HRA purposes. Any capital receipts from the sale of council houses can be used solely for HRA purposes. However, the Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 gained Royal Assent on 24 January 2018. The provisions in the Act means abolition of the rights will come into force on 26 January 2019. The latest 30 year Housing Business Plan was approved by Council on 28<sup>th</sup> February 2018 (Minute No. 741).



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### Predicting Resources

- 3.7 The General Capital Funding (GCF) for 2018/19 received from WG was £5.505m, which consisted of a General Capital Grant of £2.083m and Supported Borrowing of £3.422m. Overall, this represented a small increase of £100k (1.85%) on the previous year. Due to the Council's capital funding being flatlined for the past three financial years and after reviewing the assumptions adopted by a number of other authorities across Wales, a reduction of 5% year on year was assumed for future years.
- 3.8 Part of the Capital Programme is funded from the Council's capital receipts. Based upon the approved Capital Programme for future years, the table below shows the anticipated change in capital receipts. HRA capital receipts are ring fenced for use within the HRA and are, therefore, not included in the table. In addition, there are also capital receipts which have been specifically ringfenced for Schools and Social Services.

<b>Effect on Useable Capital Receipts 2018/19 to 2020/21</b>	<b>Council Fund</b>
	<b>£000</b>
<b>Balance as at 31st March 2018</b>	<b>8,639</b>
Anticipated Requirements – 2018/19	-6,573
Anticipated Receipts – 2018/19	0
<b>Balance as at 31st March 2019</b>	<b>2,066</b>
Anticipated Requirements – 2019/20	-438
Anticipated Receipts – 2019/20	0
<b>Balance as at 31st March 2020</b>	<b>1,628</b>
Anticipated Requirements – 2020/21	-320
Anticipated Receipts – 2020/21	0
<b>Balance as at 31st March 2021</b>	<b>1,308</b>
Anticipated Requirements – 2021/22	-100
Anticipated Receipts – 2021/22	0
<b>Balance as at 31st March 2022</b>	<b>1,208</b>

### Predicting Expenditure

- 3.9 The capital programme is set on a rolling basis spanning a 5 year period. Underpinning this is the consideration of the direction of travel that the Council wishes to pursue in respect of its Capital Programme over the next 5 years (and beyond) and the objectives that it sets as part of the Corporate Plan.
- 3.10 Clearly, limited resources will allow only those schemes of higher corporate priority and/or risk being pursued over the next 5 years. As part of the annual review of the capital programme, any capital bids that are received are prioritised and only those schemes assessed as corporate priority 1 or higher and medium risk or higher are included. Schemes should also contribute to at least three Wellbeing and Future Generations outcome and the 5 ways of working.
- 3.11 It is also important to maximise grant funding which aligns with corporate priorities to enable the delivery of priority schemes. Some examples of currently approved capital schemes that contribute to the Council's well-being outcomes are highlighted

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in the following table and it can be seen that funding from WG is contributing to their achievement.

Well-Being Outcome	Capital Schemes	WG Funding Available
An Inclusive and Safe Vale	<ul style="list-style-type: none"> <li>- Council Housing Improvement Programme</li> <li>- Building new Council houses</li> </ul>	<ul style="list-style-type: none"> <li>- Yes</li> <li>- No</li> </ul>
An Environmentally Responsible and Prosperous Vale	<ul style="list-style-type: none"> <li>- Five Mile Lane</li> <li>- LED Street Lighting</li> <li>- Flood Alleviation Schemes</li> </ul>	<ul style="list-style-type: none"> <li>- Yes</li> <li>- No</li> <li>- Yes</li> </ul>
An Aspirational and Culturally Vibrant Vale	<ul style="list-style-type: none"> <li>- 21<sup>st</sup> Century School Band B Programme</li> </ul>	<ul style="list-style-type: none"> <li>- Yes</li> </ul>
An Active and Healthy Vale	<ul style="list-style-type: none"> <li>- Upgrading of Leisure Centre changing rooms</li> </ul>	<ul style="list-style-type: none"> <li>- No</li> </ul>

3.12 The most significant scheme listed above is the 21st Century Schools Band B Programme which is the Welsh Government's funding initiative for investment in schools. The first tranche of schemes under Band A is being delivered between 2013/14 and 2018/19. Band B schemes are expected to commence in 2019/20. WG will provide funding for the schemes which will be partly grant funding and partly borrowing, with loan charges being included as part of the Council's RSG. The current total funding envelope is now £142.4m.

### Matching Predicted Resources and Expenditure

3.13 Unlike revenue reductions, where the impact is felt on existing service provision, decreases in capital funding essentially means that capital projects are not commenced or progressed. However, many projects and schemes involve the renewal of existing assets and the importance of maintaining existing infrastructure assets at their current levels must be weighed against other competing demands.

3.14 In assessing the effects of reduced funding on the Capital Programme, regard must be given to the development of the Council's Corporate Asset Management Plan (AMP) for Council property stock and housing and the Capital Investment Strategy. The current Asset Management Plan covers 2015 to 2018 and is in the process of being updated.

3.15 The Capital Investment Strategy outlines the Council's need to acquire or enhance assets such as land, buildings, roads, vehicles and plant and forms the framework from which the Corporate Asset Management Plan is developed. As resources available to meet these needs are limited, the Strategy explains how priorities are set, establishes protocols and outlines ways in which the Council can seek to obtain additional funding. The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code. CIPFA released an updated version of the Prudential Code

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in December 2017. The revised code includes a new requirement for authorities to produce a Capital Investment Strategy. This Strategy will be required to cover a longer period than the existing strategy (at least 10 years) and should also include Treasury Management analysis. The Council's Capital Investment Strategy, complying with this new requirement, will be produced and presented to members during February 2019 as part of the 2019/20 budget setting process and will require approval by Full Council. The Strategy will identify any shortfall in funding over the longer term.

- 3.16 The budget setting process must therefore give consideration as to how the Council could seek to mitigate the deteriorating situation in so far as it is able by :
- Reappraising all schemes and looking to progress only those which are deemed to be a key corporate priority, whilst also seeking to gain assurance that such schemes are delivered on time and within budget;
  - Developing partnerships with the public and private sector, the third sector and communities as a means of unlocking additional resources e.g. Rural Development Partnership;
  - Maximising the receipts and use of S106 financial contributions to deliver a range of smaller scale capital schemes for transport, public open space enhancements, community facilities and contributions towards school investment;
  - Maximising grant-funding opportunities for capital schemes, where such schemes are compatible with Council objectives;
  - Prioritising the identification and sale of surplus land and properties as a means of generating capital receipts to fund capital schemes;
  - Reviewing and strengthening the Council's project management methodology (including appropriate training for project managers and the use of business cases) as a means of ensuring that capital schemes are delivered within prescribed timescales and on budget;
  - Reviewing the options for unsupported borrowing under the Prudential Code in the light of future financial projections on capital funding and expenditure; and
  - Use of the Project Fund, Carbon Management Fund and other reserves as appropriate.
- 3.17 The majority of the above are not one-off actions and will be on-going over the coming years. As such, they will need to be continually monitored and assessed.

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### 4 RESERVES

- 4.1 Reserves are a way of setting aside funds from budgets in order to provide security against future risks and to allocate funding for future priorities. The Council holds reserves for a range of purposes which can be used to fund either revenue or capital expenditure. 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.
- 4.2 The Council's strategy for the level and use of its reserves is reviewed and reported to Cabinet throughout the year via the Initial Budget Proposals report in November, the Final Budget Proposals report in February, the Closure of Accounts report in July and as part of the MTFP during September. Each report will examine the reserves to ascertain their strategy for use (i.e. whether the need to hold the fund is still relevant) and their level (i.e. whether the amount held in the fund is sufficient for requirements). These reports also include details of any new transfers into reserves and new commitments for their use. Each individual reserve and their intended use is shown, together with the current balance and the projected movement over the coming years.
- 4.3 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.
- 4.4 The Council Fund reserve is held for general purposes and as at 1st April 2018 had a balance of £9.634m. No further use is currently planned during the period of this Plan. Whilst there is no set requirement for the minimum level of the Council Fund, some commentators use 5% of the net budget as a guide. For the Council this is currently around £11m, however, in view of the prudent approach the Council takes with regard to Specific Reserves, £7m is considered a reasonable minimum.
- 4.5 In addition, the Council has a range of earmarked reserves where funding has been ringfenced for a specific purpose. As at 1<sup>st</sup> April 2018 these earmarked reserves totalled £66m. Around £30m of these earmarked reserves, some of which are not specifically held for capital, will be used to finance the approved capital programme between 2018/19 and 2022/23. The largest reserve is the School Investment Strategy reserve which stood at £11.372m on 1<sup>st</sup> April 2018. It will be used as the Council's contribution towards the 21<sup>st</sup> Century Schools capital investment programme.
- 4.6 The Housing Revenue Account Reserve has a balance of £775k as at 1<sup>st</sup> April 2018 and is ring-fenced for the development and improvement of the Council's housing assets. The level of this reserve is reviewed on an annual basis as part of the updating of the 30 year Housing Business Plan.
- 4.7 The commitments against reserves have been assessed and attached at Appendix 2 is a schedule showing the reserves and the anticipated balances over the period of

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this MTFP, 31st March 2018 to 31<sup>st</sup> March 2022. A summary of the position is set out in the following table.

<b>Summary of Estimated Reserves Projected to 2021/22</b>	<b>Est. Bal. 31/3/2018 £'000</b>	<b>Net Movement £'000</b>	<b>Est. Bal. 31/3/2022 £'000</b>
<b>Council Fund</b>	9,634	0	9,634
<b>Specific Reserves :</b>			
- Insurance Fund	3,452	0	3,452
- Capital Reserves	31,440	(20,742)	10,698
- Other Specific Reserves	31,193	(13,660)	17,533
<b>Total Reserves (exc Schools &amp; Housing Revenue Account)</b>	<b>75,719</b>	<b>(34,402)</b>	<b>41,317</b>

4.8 It is projected that there will be a large fall (45%) in the level of reserves over the period of this Plan as substantial calls on funds are made. The Council Fund is at a reasonable level and is not expected to fall below £7m. As part of this Plan, no specific use of the Council Fund is proposed, however, in light of the projected shortfall in funding for 2019/20, a further use of the fund will need to be considered as part of the budget setting process for 2019/20 once the final settlement figures are received from WG. It is considered that earmarked reserves are adequate to cover future commitments and risks but will need to be carefully monitored in future years.

## **5 RISKS TO PLANNING**

- 5.1 An important factor affecting the Plan is the risks the Council is facing. As part of the Council's integrated planning framework, the Council's Risk Strategy states that effective Risk Management allows the Council to make the most of its opportunities, make the right decisions and achieve its objectives once those decisions are made. The Council's policy is one of embedding risk management in every aspect of the organisation. A knowledge and awareness of risks creates an environment in which continuous improvement can be achieved and where the Council takes informed decisions. Corporate Risks need to be taken into account in judgements about the medium to long-term goals and objectives of the Council.
- 5.2 When deciding how to manage risks, officers will consider the possible costs of relevant options, including the option of maintaining the status quo. The cost of managing risk will be allocated from within existing resources or through revenue cost pressures and capital bids as required.
- 5.3 There are risks inherent in medium to long term planning and these are now outlined with possible mitigations.

### **Resource Risks**

- 5.4 In addition to the uncertainty regarding the percentage reduction to be applied by WG, there is also uncertainty in respect of data changes in the funding formulae and changes to the composition of the formulae themselves. For example, any potential transfer of specific grants into the formula may be at a different level to that which was previously provided via grant.
- 5.5 The pay and price inflation levels for the coming years included in the Plan may vary, however, it is considered that they have been included at a prudent level.
- 5.6 The continuing uncertainty in the economic climate could result in a reduction in income e.g. planning fees and rental income from workshops and other business units.
- 5.7 Capital schemes which are reliant on capital receipts for funding need to be carefully profiled as the timing and value of receipts could vary significantly particularly with the affect that the uncertainty created by the exit from the European Union is having on the development sector.

### **Expenditure Risks**

- 5.8 As part of the 2018/19 budget setting process, Cabinet approved £9.925m of savings between 2018/19 and 2020/21. There is great pressure on services to deliver these existing savings. The additional savings target in this Plan assumes that all existing savings will be achieved and within the required timeframe. Non-achievement of these savings will put additional pressure on services and will make the ability to find the additional level of savings, highlighted in this Plan, increasingly difficult. The £6.298m approved savings for 2018/19 will therefore be closely monitored in-year and the impact of any non-achievement will be assessed as part of the 2019/20 budget setting process and will also impact on future Medium Term Financial Plans.
- 5.9 A further implication of the ongoing level of savings is that there will be a reducing base of staff, tasked to deliver services in an increasingly efficient way. This brings

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with it a significant risk that there may have to be a reduction in the level of service provided.

5.10 There are certain services in the Council that are currently under financial pressure and represent specific risks to the Plan.

- **Education** – There has been increased demand from Vale of Glamorgan pupils requiring placements in Ysgol Y Deri and fewer places are being purchased by other authorities, as they themselves seek to reduce their costs. This brings a resultant reduction in income. Also there has been an increase in the number of pupils with significant needs that are unable to be met at Ysgol Y Deri and therefore have to be placed in independent schools and with other authorities.
- **Social Services** - There are ongoing pressures as a result of the changes in demographics, people are living longer and have more complex needs and the increase in charges from service providers due to the introduction of the National Living Wage. Again the service will need to undertake work to try to mitigate this position.

A proportion of savings to be achieved by Social Services relies on collaborative work with the Health service. Similar to Councils, the Health service faces financial pressure and this could impact detrimentally on the Council either through the passporting of costs to the Council or the possible impact on collaborative work currently being undertaken. In addition, any decision by WG to further top slice funding to support Health's overspend will have a major impact on Local Government.

- **Neighbourhood Services** – Looking to the longer term there are risks associated with the charge for energy. In addition, the waste agenda, despite the commencement of the Prosiect Gwyrdd residual waste facility, is subject to possible legislative changes which could dramatically increase the costs of recycling and disposal and the market for recycled materials across the world.
- **Housing/Council Tax** - The impact of changes to welfare reforms are at present not clear. The changes are at the early stages of implementation and while the Council has not as yet been adversely affected, future implications are difficult to predict.

5.11 There is currently uncertainty over the increases per year following the introduction of the National Living Wage which could be over £9 per hour by 2020. Any other changes in legislation over the coming years could also affect the projections in the Plan.

5.12 Capital schemes can pose risks as projects could outturn at a higher cost than planned and the effect of adverse weather conditions are increasing the cost of maintaining the Council's infrastructure and increasing the risk of natural disasters such as flooding. The Council is also at this time preparing for large scale capital investment in the 21<sup>st</sup> Century Schools Band B projects and also through the Cardiff Capital Region City Deal. These capital schemes will require significant investment and the Council needs to ensure that it allocates and has access to sufficient funding.

5.13 The uncertainty created by the exit from the European Union also brings risk to the cost of future capital schemes as contract prices may change due to staffing issues and the terms of trading with European suppliers. Also any legislative

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changes could affect the procurement of goods and services and also may affect the service provision regulations e.g. waste, environmental issues, which may have an impact on assets.

### Mitigation of Risks

- 5.14 An inevitable consequence of these levels of savings is that there will be a reduction in staff numbers. The Council has set aside funds to cover potential early retirement and redundancy costs. These funds are considered to be sufficient so the risk of meeting severance costs has been mitigated. The Council's Workforce Plans should also help to mitigate the risk by ensuring that it anticipates and plans for the workforce needs of the future in order to meet changing services requirements.
- 5.15 In the past, the Council has taken a prudent view with regard to unsupported borrowing. It is therefore considered that the Council will be able to maintain the currently approved levels of borrowing which serves to mitigate this risk.
- 5.16 The Reshaping Services Programme is a proactive change programme which seeks to mitigate financial risks by fundamentally reviewing services which includes the use of technology to drive change.
- 5.17 Savings will need to be closely monitored and scrutinised to ensure they are delivered on target and within the approved timeframe.
- 5.18 The Council holds a reasonable level of reserves and this funding source could be used on a one off basis or could be used as a support while further plans are developed and implemented.
- 5.19 The Council continues to implement energy efficiency schemes which helps to reduce energy usage.
- 5.20 In mitigating risks, it is necessary to identify both the likelihood and impact on Council services, which result from external pressures and decisions to reduce local government funding. However, the sparsity of information on which to base these decisions and in particularly those impacting on local government funding, do not in any way assist the risk management process. As such, it will be necessary to revisit the assumptions made in the light of changing and evolving circumstances as part of the 2019/20 budget setting process.
- 5.21 If capital projects overspend then this will mean that the capital programme will be reviewed to identify other schemes that could be postponed or cancelled until further funding is identified. It is therefore important the capital projects are adequately planned and are effectively project managed and the Council needs to prudently reflect the future capital funding that will be available.



## **6 THE STRATEGY**

- 6.1 In considering the position, it should be noted that, the rolling nature of the Medium Term Financial Plan will necessitate it changing and developing as a budgeting and forward planning tool as the factors upon which it is based become clearer and more certain. In particular, predictions of likely future pay and price inflation funding and annual revenue settlements from WG are still extremely uncertain. The Council's Corporate Plan contains actions aligned to well-being outcomes which are to be delivered through a range of funding sources which are also subject to change and therefore could be affected by future reductions in funding. One of the Council's ways of working is to understand the root cause of issues. Through projecting and understanding the financial position of the Council, issues can be identified and the necessary actions required can be taken in a timely manner. Key to ensuring that the financial position is monitored in the context of other corporate planning activities is the establishment of the Insight Board, which has streamlined arrangements and amalgamated existing groups into one Board. A priority of the Insight Board is to review corporate plans and strategies.
- 6.2 As the strategy contained within this Section is based upon projected inflation and cash changes in WG funding of RSG/NNDR (based upon the assumed settlement figures), even a small percentage change could have a significant impact.
- 6.3 Involving the population in decisions is embedded in the way the Council works. To ensure that the budget set for 2019/20 and for future years continues to address the priorities of Vale residents and the Council's service users, the budget setting process will incorporate engagement with a range of stakeholders. This engagement will be facilitated by Council officers and conducted in line with the corporate standards set out in the Vale of Glamorgan Council Public Engagement Framework. To ensure that all stakeholders are able to make a meaningful contribution to the process, they will be provided with sufficient information to enable them to make informed comments. Also the Council will work with the Public Service Board to link their well-being priorities and this will have an impact on the way in which the Council's funding is used and will inform future collaborative arrangements.
- 6.4 There will be a programme of engagement with elected members of the Vale of Glamorgan Council through the scrutiny process. The input of elected members will provide another channel through which residents can have an input into the budget setting process.

### **Projected Shortfall**

- 6.5 Based upon the revised projected funding reductions, this Plan indicates total savings of £15.714m excluding Schools over the 3 years from 2019/20 to 2021/22. It is therefore imperative that savings already identified are achieved, as there still remains an estimated revenue shortfall of some £12.087m to be identified by 2021/22. This is shown by year in the table below.

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**Shortfall in Revenue Funding 2019/20 to 2021/22 (Excluding Schools)**

<b><u>Additional Savings Targets</u></b>	<b>Total Savings</b>	<b>Identified Savings</b>	<b>Shortfall</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Predicted Shortfall 2019/20	6,800	2,920	<b>3,880</b>
Predicted Shortfall 2020/21	4,567	707	<b>3,860</b>
Predicted Shortfall 2021/22	4,347	0	<b>4,347</b>
<b>Total Predicted Shortfall</b>	<b>15,714</b>	<b>3,627</b>	<b>12,087</b>

6.6 It should be noted that in arriving at the calculated £12.087m shortfall, certain assumptions have had to be made and there will inevitably be additional cost pressures arising from 2019/20 onwards which are as yet unknown and no provision has been made for service development. Any targets set will be extremely challenging for services, as they are also required to meet other growth items from existing resources, e.g. staff increments.

6.7 With such a high level of savings already allocated as part of the 2018/19 budget setting process, careful consideration must be given to how additional savings are allocated to service areas, while there are areas of the Council where there are fixed costs that cannot change e.g. debt costs. The following issues will be considered.

**Transformational Change**

6.8 The scale of the challenge that now faces the Council means that a "business as usual" approach, however well managed will not be enough. The challenge is therefore to consider alternative delivery models for services across the Council. In November 2014, Cabinet agreed a Reshaping Services strategy and change programme. The aim of the strategy is to reshape the Council to enable it to meet the future needs of citizens of the Vale of Glamorgan within the context of unprecedented financial challenges. Savings identified in Tranche 1 and 2 of the programme are nearing completion. An example of such a change is the introduction of a new target operating model for service delivery for Visible Services which was approved by Cabinet on 24<sup>th</sup> April 2017 and was implemented in April 2018.

6.9 As part of the 2016/17 budget setting process it was recommended that Tranche 3 of the programme should commence and the 2017/18 Final Revenue Proposals provided targets for Tranche 3 savings totalling £4m over the period 2018/19 to 2019/20. Further projects are currently being considered for Tranche 4.

6.10 Services are asked to prioritise the consideration of alternative and collaborative methods of service delivery as opposed to a reduction in service level even though service reduction in the future could now be inevitable. Actions to support such new approaches include collaborative working and such initiatives are already included in the Corporate Plan and support one of the Council's ways of working, namely to work in a collaborative way. Some examples include working with the Police and Crime Commissioner to pilot a new approach to supporting victims of domestic abuse and implementation of a single integrated IT system and integrated budgets across the Cardiff and Vale region for social care and health.

6.11 Another way of delivering savings is to charge for certain services and facilities. As part of Reshaping Services programme, opportunities for charging are being considered and a target of £1.050m over the 2 years commencing 2018/19 has been

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set. This will include extending current service provision and recovering the costs through income. Opportunities relating to advertising, filming and the recoupment of finance charges have been the focus of work to date and it is considered that the potential for income generation should be pursued further. A corporate policy on charging and income has been produced.

- 6.12 Services may also be able to identify additional sources of income from grant funding from Welsh Government and other grant making bodies as well as contributions from partner organisations for the delivery of initiatives. Grant funding is already being used to help achieve the Wellbeing Outcomes set as part of the Council's Corporate Plan. It is considered that grant funding from a variety of sources should be pursued and that the use of grant is reviewed to ensure that it is efficiently used.
- 6.13 The Council sees ICT and digital technology as a key means of reshaping services and a savings target of £750k has been set for the 2 years commencing 2018/19. The Council's Digital Strategy 2017-2020 was approved by Cabinet on 31<sup>st</sup> July 2017. The strategy identifies 4 themes which will enable the Council to achieve its vision. They are Digital Customer Service, Digital Workforce, Digital Place and Digital Collaboration.

### **Traditional Savings**

- 6.14 In addition to undertaking transformational change, the Council will also need to review and assess its expenditure to ensure efficiencies can be achieved through more traditional methods. The Council can drive out savings through the procurement process. It is essential that the Council ensures value for money from the contracts it enters into. It is therefore important that services continue to renegotiate contracts to deliver increased flexibility and efficiency gains and therefore controlling price inflation and maximising the use of collaborative arrangements such as through the National Procurement Service where it is advantageous to do so. As part of the Reshaping Services programme, savings through more efficient procurement has been set a target of £1.2m over the 2 years commencing 2018/19.

### **Reserves**

- 6.15 Whatever initiatives are put in place to deliver the required savings it may still be necessary to use reserves to support the future delivery of key priority actions. As such, a key part of the Budget Process has and will continue to be the re-examination, redefinition and reclassification of all earmarked reserves in order to ensure a sustainable level of Council Fund reserve is maintained. No further use of the Council Fund is currently approved. The reserve will not fall below a level considered to be a reasonable minimum by the Section 151 Officer. This position will be reviewed by the Budget Working Group as part of the future financial strategy from 2019/20. However, it must be emphasised that the use of reserves to fund recurring expenditure can only be considered as part of a specific strategy to achieve a balanced budget in future years. The consequence of such actions will be to increase the level of savings required in future years.

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### **Council Tax**

6.16 For 2018/19, the Council's net budget requirement, after adjusting for discretionary rate relief is some £987k below its SSA of £222.84m. When comparing the Council's current Band D council tax with that of the other Welsh local authorities, the Vale of Glamorgan has the 9<sup>th</sup> (out of 22) lowest Band D charge in Wales at £1,186.92 and is 2.6% below the Welsh average. Based upon the Welsh average of £1,219.07 and an estimated Band D equivalent of 58,616 Council properties for 2018/19, a move to the Welsh average could provide an annual increase in base budget resources for the Council of around £1.9m. A 1% rise in council tax would have the potential to generate approximately £696k per annum. While this Plan is based on a 2.5% increase in council tax, in order to reduce the funding shortfall a higher percentage increase in council tax could be considered.

### **Current Service Pressures**

6.17 The Council needs to continually review its estimation of all existing pressures, especially inflation, key demographic demands and levels of contingency to minimise any unexpected impacts. Currently the major areas of financial pressure for the Council are in Social Service from the Adults Services Community Care packages, in Learning and Skills from the Additional Learning Needs service and in Environment and Housing from the Waste Management service. Further work will need to be conducted by the directorates in assessing the future needs for the services and options for addressing the demand.

### **Capital**

6.18 There is an expected decrease in the Council's General Capital Funding allocation from WG. This coupled with limited capital receipts, gives the Council little room for manoeuvre in progressing its priorities in this area and little funding to cover overspends.

6.19 As such the Council will have to look to mitigate this situation in so far as it is able and will have to focus its limited resources on its well-being outcomes as detailed in the Corporate Plan. These include the instigation of a new council house building programme and the development of a new school modernisation programme which will be funded partly by WG grant and Council funding which has been set aside over several years.

6.20 The strategy adopted by the Council must also be to maximise the resources available to it from other sources and use available grant funding to meet its corporate priorities. The Council has been successful in achieving this in the past and must continue to pursue grant funding as a means of funding priority capital schemes. The Council is also pursuing the effective and efficient use of Section 106 funding.

6.21 The Council must also rationalise its assets as both a means of raising capital funding and reducing costs. One of the Council's ways of working is taking an integrated approach. The Council recognises the value of the contribution of the Town and Community Councils and its other partners and as part of the Reshaping Services programme is developing these relationships through specific projects such as community asset transfers.

## **7 CONCLUSION AND RECOMMENDATIONS**

7.1 This Medium Term Financial Plan has illustrated the continued reliance that the Council has to place upon WG and other government-linked organisations for its funding, not only in terms of RSG and NNDR, but also in respect of the special and specific grant funding and subsidy it receives. Given the latest indications of continued reduction in funding levels for local government, it is now even more difficult to perceive how the amounts forthcoming would be sufficient to match the aspirations of the Council.

7.2 It must be emphasised that the savings targets and options identified will not be easy to achieve particularly after already having several years of large scale reductions in funding, however, it is imperative that they are achieved. The Plan has identified the need to find £15.7m of savings over the next 3 years, excluding schools, of which £6.8m relates to 2019/20. Furthermore there are inherent risks associated with many of these savings which could be adversely affected by changes in economic circumstances. It will therefore be necessary to ensure that there is a close system of monitoring and scrutiny of the savings to ensure their delivery. Details of individual savings targets and an assessment of their progress is reported to Cabinet and Scrutiny Committee on a quarterly basis.

7.3 Looking to the long term is one of the Council's ways of working. The provision by WG of a year by year funding allocation with no firm indication of funding changes in future years does not help the planning process, not only in the long term but even in the short term. A 1% change in the reduction of predicted WG funding equates to around £1.5m and this can significantly alter the level of savings required. The level of savings identified in this Plan is therefore only an indication. Action will need to be taken now as the way in which services will deliver savings in the future, through alternative service delivery, will require a long lead in time in order to be able to assess the best way of delivering the service and also to allow for the consultation process.

7.4 While the actual shortfall in funding for 2019/20 will not be known until December 2018, it is proposed that the following areas are considered as a means of reducing the projected £3.88m funding gap if the reduction in funding from WG is 1% as included in this Plan:-

- Implementation of Tranche 4 Reshaping Services;
- The impact of the change to the Council Tax base; and
- A further use of the Council Fund to fund any remaining shortfall.

7.5 In view of the shortfall identified across the 3 years, actions need to be taken to prepare for future reductions in funding. It is proposed that once the 2019/20 indicative allocations are received from WG and as part of the budget setting process for 2019/20, the Budget Working Group will consider the options for funding the shortfall as outlined in this Plan and identify further savings targets for future years, while ensuring that the limited resources focus on priorities as outlined in the Corporate Plan. At that stage the assumptions made in this Plan will also need to be reviewed for their appropriateness. The options to be considered should at least include the following :-

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- Considering the results of the budget engagement process in determining priorities for future savings and service delivery;
- Reviewing the appropriateness of financial strategies for services;
- Reviewing the feasibility of any change in the use of the Council Fund Reserve and other reserves as part of the financial strategy;
- A further review of the level of cost pressures with a view to services managing and reducing demand and mitigating pressures;
- Services funding their own residual cost pressures through reviewing their existing budgets and revised/alternative means of service provision;
- Services meeting their own pay inflation through reviewing their staffing structure in line with changes to service delivery and workforce planning requirements;
- Further consideration of the level of price inflation provided;
- Reviewing the priorities for funding statutory and non-statutory services, including establishing minimum levels of services provision;
- Considering the latest position regarding the Council's Reshaping Services programme and identifying further area for savings;
- Collaborative working in line with the Welsh Government reform agenda;
- Review the strategic approach to income generation;
- Consider the increase in Council Tax;
- Reviewing the achievement of the 2018/19 savings targets; and
- Considering the possibility of a reduction in the level of service and determining what services the Council needs to deliver in the future.

Title of Saving	Description of Saving	2019/20 £000	2020/21 £000
<b>SOCIAL SERVICES</b>			
<b><u>Adult Services</u></b>			
Reshaping Services	Review of management of adult care packages and day services to be realised through a variety of delivery options	330	0
<b>Total Adult Services</b>		<b>330</b>	<b>0</b>
<b>TOTAL SOCIAL SERVICES</b>		<b>330</b>	<b>0</b>
<b>ENVIRONMENT AND HOUSING</b>			
<b><u>Neighbourhood Services</u></b>			
Reshaping Services	To be realised through a range of initiatives	600	0
<b>Total Neighbourhood Services</b>		<b>600</b>	<b>0</b>
<b>TOTAL ENVIRONMENT AND HOUSING</b>		<b>600</b>	<b>0</b>
<b>MANAGING DIRECTOR &amp; RESOURCES</b>			
<b><u>Financial Services</u></b>			
Restructure/ Rationalisation of Financial Services Division	The merger of certain functions and the transfer of Housing Benefit function to DWP. Further review of working practices and staffing to be undertaken	0	207
<b>Total Financial Services</b>		<b>0</b>	<b>207</b>
<b>TOTAL MANAGING DIRECTOR AND RESOURCES</b>		<b>0</b>	<b>207</b>
<b><u>GENERAL POLICY AND COUNCIL WIDE</u></b>			
Reshaping Tranche 3 - Procurement	More efficient and effective procurement of goods and services to include review of contracting and authorisation procedures	1,000	0
Reshaping Tranche 3 - Commercial Opportunities	Savings resulting from a review of charging and income management. Income Generation and Commercial Opportunities Strategy 2017 - 2020 was presented to Cabinet on 23rd October 2017	275	500
Reshaping Tranche 3 - Digital Strategy	Implementation of savings as a result of the Digital Strategy approved by Cabinet in July 2017	550	0
Reshaping Tranche 3 - Establishment Review	Review of various payments to staff and efficient utilisation of staff	165	0
<b>TOTAL GENERAL POLICY/COUNCIL WIDE</b>		<b>1,990</b>	<b>500</b>
<b>COUNCIL TOTAL</b>		<b>2,920</b>	<b>707</b>

**ANALYSIS OF RESERVES**

<b>Name</b>	<b>Bal</b>	<b>In</b>	<b>Out</b>	<b>Est</b>	<b>Comments</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>
	<b>31/03/18</b>			<b>Bal</b>		<b>Bal</b>	<b>Bal</b>	<b>Bal</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b><u>Housing Revenue Account</u></b>	<b>775</b>	<b>76</b>	<b>0</b>	<b>851</b>	The fund is ring fenced by statute for use by the Housing Revenue Account (HRA). As well as acting as a working balance for the HRA, it is also used to fund repairs and the capital programme.	873	891	908
<b><u>General Reserves</u></b>								
Council Fund	<b>9,634</b>	0	0	<b>9,634</b>	The working balance of the Authority can be used to support Council Fund expenditure or to reduce the Council Tax. The current financial strategy assumes no use of the fund to support the revenue budget after 2017/18. The minimum recommended level in the view of the S151 Officer is £7m.	9,634	9,634	9,634
<b><u>Specific Reserves</u></b>								
<b><u>Learning and Skills</u></b>								
School Invest to Save	<b>25</b>	0	-25	<b>0</b>	The reserve is used to support costs of staffing restructures and redundancies in schools.	0	0	0
Schools Rationalisation and Improvements	<b>763</b>	0	-312	<b>451</b>	This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities including the transition of Barry Secondary schools. Transfers in also include reimbursement from schools for the capital loan scheme.	242	145	0
School Deferred Pensions	<b>252</b>	0	-28	<b>224</b>	To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years	200	200	200
Sports Facilities	<b>31</b>	0	0	<b>31</b>	Funding transferred from Pen y Garth Primary School in order to provide a budget to fund ad hoc repairs and maintenance required to sports hall.	31	31	31
Library Fund	<b>151</b>	0	0	<b>151</b>	To finance the improvement of Library services.	0	0	0
Adult Community Learning	<b>89</b>	0	0	<b>89</b>	To finance initial reshaping costs as a result of the anticipated changes in the way adult learning is funded across Wales.	0	0	0
Youth Service	<b>149</b>	0	-78	<b>71</b>	To assist with the implementation of the Youth Engagement & Provision Framework in schools as well as initial costs in relation to the reshaping of the Youth service.	0	0	0
Repairs and Renewals Catering	<b>187</b>	0	-187	<b>0</b>	The primary use is to fund enhancements to premises and the replacement of Catering equipment, ensuring Environmental Health Officer requirements and Health & Safety obligations within school Catering premises are met.	0	0	0



**ANALYSIS OF RESERVES**

<b>Name</b>	<b>Bal 31/03/18 £000</b>	<b>In £000</b>	<b>Out £000</b>	<b>Est Bal 31/03/19 £000</b>	<b>Comments</b>	<b>Est Bal 31/03/20 £,000</b>	<b>Est Bal 31/03/21 £,000</b>	<b>Est Bal 31/03/22 £,000</b>
<b>Social Services</b>								
Legislative Changes	4,831	0	0	4,831	To cover additional burdens on the authority due to changes in legislation eg Social Services and Well-being (Wales) Act 2014 , Deprivation of Liberties Standards.	4,831	4,831	4,831
Social Services Plan	980	0	-330	650	To support the approved Social Services Budget Reduction Programme.	650	650	650
Social Services Pressures	1,913	0	0	1,913	To cover short term childrens placements which have a high cost e.g. remand, that cannot be accommodated within the current operational budget.	1,913	1,913	1,913
Social Services Development	350	0	0	350	To cover costs of implementing service development and contingency for premises maintenance	350	350	350
Grant Exit Strategy	630	0	0	630	To pay potential redundancy costs if Welsh Government grants were discontinued.	630	630	630
Youth Offending Service	174	0	0	174	To assist with potential reductions in grant funding in future years and to carry out works at YOS building	174	174	174
<b>Environment and Housing</b>								
Visible Services	7,200	0	-5,245	1,955	To be used for initiatives to improve Visible Services, including Parks and Highway services plus any potential costs of waste disposal initiatives.	576	196	0
Waste Transfer Station	1,500	0	0	1,500	Establishment of a Waste Transfer Station.	0	0	0
Winter Maintenance	423	0	-127	296	To fund necessary works during periods of severe weather conditions.	150	0	0
Building Services Improvement	249	0	-144	105	Monies set aside for improvements to the Building Services department.	0	0	0
Rural Housing Needs	56	0	-12	44	To be used to fund Rural Enabler post.	32	20	8
Homelessness and Housing	522	0	0	522	This sum will be used to support homelessness prevention work.	465	423	381
Community Safety	37	0	0	37	To fund community safety initiatives, transferred from Homelessness reserve	37	37	37
Gypsy Traveller	1,059	0	0	1,059	Provision of Gypsy/Traveller site and Gypsy Liaison Officer.	1,059	1,059	1,059
Regulatory Improvements	282	0	-20	262	Monies set aside for Regulatory Services issues and to be used for any future issues arising from the shared services collaboration.	262	262	262

**ANALYSIS OF RESERVES**

<b>Name</b>	<b>Bal 31/03/18 £000</b>	<b>In £000</b>	<b>Out £000</b>	<b>Est Bal 31/03/19 £000</b>	<b>Comments</b>	<b>Est Bal 31/03/20 £,000</b>	<b>Est Bal 31/03/21 £,000</b>	<b>Est Bal 31/03/22 £,000</b>
<b>Managing Director and Resources</b>								
<b>Regeneration and Planning</b>								
Disabled Facilities	31	0	-31	0	To fund an Occupational Therapist within Disabled Facilities Grant team.	0	0	0
Temporary Empty Homes Officer	2	0	-2	0	To be used to fund an Empty Homes Officer.	0	0	0
Private Sector Housing	284	0	-65	219	To fund initiatives for Private Sector Housing, including an Occupational Therapist within the DFG team.	134	49	0
Local Development Plan	178	40	0	218	Set aside for costs relating to the production of the Local Development Plan.	243	243	143
Regeneration & Planning	796	0	-260	536	Monies set aside to cover various commitments within the service.	267	199	163
Planning Fees	100	0	0	100	To provide for reduction in planning fees income.	100	100	100
Building Control	296	0	0	296	Reserve set aside to fund future deficits on the ringfenced Building Control Trading Account.	246	196	146
Donations	24	12	-15	21	Income received from visitors which is used to fund general projects and to match-fund expenditure incurred by the Friends of the Heritage Coast.	21	18	15
<b>Resources</b>								
Welfare Reforms	756	0	0	756	To fund pressures on the Authority resulting from changes to the Welfare Benefit System. The balance required in this reserve will be assessed when more information becomes available. This reserve could be used to finance any Department for Work and Pensions projects.	756	756	756
Legal	657	0	-65	592	To provide in house legal capacity on major projects, fund increased in house capacity which assists with income generation.	512	427	347
Trainee Appointments	680	0	-30	650	To fund the appointment of trainees and interns to support services and the Reshaping Service programme.	620	590	560
Legal Claims	1,920	0	0	1,920	To fund future legal cases and judicial reviews.	1,920	1,920	1,920
Human Resources	141	0	-30	111	To fund transitional costs associated with the move to the new HR operating model/HR service centre, for spend to save projects i.e. reduce recruitment spend, reduce sickness absence etc and for a part time temporary post for work associated with the 16-24 agenda.	61	11	0
Performance and Development	343	0	-50	293	To fund the purchase of hardware, software and equipment and to fund the appointment of trainees and interns to support the service.	193	143	93

**ANALYSIS OF RESERVES**

<b>Name</b>	<b>Bal</b>	<b>In</b>	<b>Out</b>	<b>Est</b>	<b>Comments</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>
	<b>31/03/18</b>			<b>Bal</b>		<b>Bal</b>	<b>Bal</b>	<b>Bal</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>31/03/19</b>		<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/22</b>
				<b>£000</b>		<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Democratic & Freedom of Information	48	0	-48	0	To be used to fund IT and other equipment required to support department.	0	0	0
<b>Corporate</b>								
Election Expenses	216	0	40	256	Set aside for the Council and other elections costs.	266	256	251
Corporate Governance	338	0	0	338	This reserve has been set aside in respect of local government governance and development issues e.g. collaboration, mergers. The fund is also a useful contingency provision for improvements required urgently e.g. as a result of an inspection report.	338	338	338
Early Retirement/Redundancy	973	0	0	973	Used to finance the cost of early retirement and redundancy as a result of restructuring, budget savings and the Reshaping Service Programme.	973	973	973
Events	340	0	-148	192	To provide funds to promote the Vale of Glamorgan particularly in respect of tourism and economic development.	44	0	0
Insurance Fund	3,452	0	0	3,452	To fund potential future claims on the Authority based upon historical evidence. This is reviewed annually. No prediction for future use has been included at present and claims can have a long lead time.	3,452	3,452	3,452
Energy Management Fund	318	119	-277	160	Energy saving schemes initially funded from this reserve and transfers in relate to the repayments to the fund from services once savings are achieved.	259	333	393
Reshaping Services	569	0	0	569	To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services programme.	569	569	569
Interpretation Services for Asylum Seekers	98	0	0	98	To provide support and interpretation services for asylum seekers.	98	98	98
Stronger Communities Fund	232	0	0	232	To enable community groups, the voluntary sector and town and community councils to apply for revenue and capital funding that promotes initiatives within the Vale of Glamorgan consistent with the Council's vision of "Strong communities with a bright future".	202	172	142

**ANALYSIS OF RESERVES**

<b>Name</b>	<b>Bal</b>	<b>In</b>	<b>Out</b>	<b>Est</b>	<b>Comments</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>
	<b>31/03/18</b>			<b>Bal</b>		<b>Bal</b>	<b>Bal</b>	<b>Bal</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>31/03/19</b>		<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/22</b>
				<b>£000</b>		<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Capital</b>								
City Deal	<b>1,898</b>	0	0	<b>1,898</b>	To be used to contribute towards the City Deal which will generate significant economic growth and to improve transport and other infrastructure within the Cardiff Capital Region.	1,898	1,898	1,898
Coastal Works	<b>570</b>	0	-110	<b>460</b>	To assist in funding the ongoing liabilities that will arise following the coastal developments in the Vale, maintaining the impact of the significant investment made.	350	240	130
Computer Renewal Fund	<b>3,952</b>	105	-674	<b>3,383</b>	Set aside to meet the costs of replacement and renewal of computer hardware and software, telecommunication systems and infrastructure. Transfers in include the repayment back into the fund from schools and other services relating to IT loans.	3,419	2,379	2,120
Capital Scheme Commitments	<b>92</b>	0	-55	<b>37</b>	Set aside to top up Barry Regeneration schemes.	37	37	37
School Investment Strategy	<b>11,372</b>	37	-2,769	<b>8,640</b>	To be used to fund schemes identified as part of the Schools Investment Programme. The Fund is expected to be fully utilised after consideration of Band B 21st Century School schemes after 2019/20.	1,757	1,099	239
Capital Fund	<b>3</b>	0	0	<b>3</b>	To assist in funding future capital commitments. £139k transfer to Capital Scheme Commitments to merge funds	3	3	3
Project Fund	<b>3,180</b>	0	-716	<b>2,464</b>	This fund is to be used to finance capital and revenue projects, with repayment of such advances being credited back to the fund where appropriate.	2,402	2,252	2,252
Regeneration Fund	<b>312</b>	0	-32	<b>280</b>	To fund various regeneration schemes in the Vale, including committed capital schemes.	22	22	22
Council Building Fund	<b>6,582</b>	0	-2,785	<b>3,797</b>	The fund is available in respect of repairs and maintenance of Council Buildings.	2,346	1,992	1,992
Repairs and Renewals Vehicle	<b>2,414</b>	900	-2,590	<b>724</b>	This fund is primarily for the replacement of plant and vehicles. Vehicles are purchased from the fund and the transfer in represents the equivalent "rental" amount reimbursing the fund.	940	940	940
Social Services Buildings	<b>500</b>	0	0	<b>500</b>	To fund the update of Social Services premises to meet the future demands of the service.	500	500	500
Telecare	<b>565</b>	0	0	<b>565</b>	Replacement fund for Telecare equipment and other service costs.	565	565	565
<b>TOTAL SPECIFIC RESERVES (excl HRA)</b>	<b>66,085</b>	<b>1,213</b>	<b>-17,220</b>	<b>50,078</b>		<b>37,115</b>	<b>33,691</b>	<b>31,683</b>