VALE OF GLAMORGAN COUNCIL

MEDIUM TERM FINANCIAL PLAN

2016/17 TO 2019/20

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1. INTRODUCTION AND CONTEXT

Internal Context

1.1 The Council has set out its vision for 2016-2020 in the new 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.

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.

- Involving the population in decisions – The Plan recommends that engagement with residents, customers and partners takes place as part of the budget setting process.

- Working in a collaborative way – The Plan recognises that more can be achieved and better services can be provided by collaboration and it recommends this as a way of working in the future.

- 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 2015/16 the Council has identified savings of around £35m, with further savings being identified for 2016/17 to 2018/19.

1.7 The result of the referendum for the United Kingdom's exit from the European Union in June 2016 provides further uncertainty. The results of the Autumn Spending Review could have a major impact on Local Authority funding. Furthermore, the implications on Wales are unknown, but WG may continue to protect funding for the Health Service and to some extent schools as they have in the past.

1.8 No indication of the level of settlements, from 2017/18 onwards, has been received at this point. In this context, it must be 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 outlook, therefore, has to be for a reduction in public sector funding for the foreseeable future. The failure to prepare for further reductions now could have far greater consequences for service delivery in the future. WG has advised that they will announce their provisional Local Authority funding settlement for 2017/18 in October 2016, with the final settlement being confirmed in December 2016. The outcome of the settlement for the coming year will be addressed as part of the Final Revenue Budget proposals for 2017/18.

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 being 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 11th 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 given by WG to support specific services and developments. For 2016/17, the Council's share of RSG and NNDR was £112.506 million and £37.942 million respectively, giving a total AEF of £150.448 million.

2.4 In recent years Welsh Government 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 funding is provided to allow schemes to be developed by the Cardiff and Vale University Health Board, Cardiff Council and the Vale of Glamorgan Council to deliver the various initiatives. The Council is also the host authority for two collaborative services; the Shared Regulatory Service and the Vale, Valleys and Cardiff Regional Adoption Service.

2.5 The Council can generate income from fees and charges. Over recent years, through the Reshaping Services Programme, the Council has reviewed areas where charges can be made for services, in order to contribute towards its savings targets. Work is on-going in this area.

2.6 The Council also holds reserves and provisions. 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 Fund reserve is held for general purposes and in addition the Council has a range of specific reserves where funding has been earmarked for a specific purpose. As at 1st April 2016 the Council Fund had a balance of £10m with earmarked reserves totalling £68m. A large proportion of these earmarked reserves have a planned use during 2016/17 and beyond whilst £33m will be used for capital expenditure and will not support revenue expenditure. The Council

Fund is planned to reduce by £1.5m in 2016/17. 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 about £10.7m, however, in view of the prudent approach the Council takes with regard to Specific Reserves, £7m is considered a reasonable minimum. The Housing Revenue Account Reserve has a balance of £1.5m as at 1st April 2016 and is ring-fenced to Housing and will be used to fund improvements to the Council's housing stock.

2.7 When determining its Budget Requirement, the Council must, therefore, consider carefully its spending plans in the light of not only its AEF, 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 £62.84m for 2016/17 (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 2016/17 budget and council tax position, a 1% increase in net Council expenditure would equate to just over £2.1 million. In comparison a 1% increase in council tax would raise circa £628k 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 advised what the potential reduction in the level of funding it provides will be for 2017/18 onwards. 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 2017/18 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) than has been predicted would have a major impact upon the ability of the Council to resource its other local priorities.

2.9 WG had indicated that the level of reduction for 2017/18 could be similar to the previous year, which for this Council was 2.14%. However, the Institute for Fiscal Studies has recently predicted that the Welsh Government could face a budget cut of 3.2% in real terms over the next three years and states that the cuts would double if European Union aid was not replaced after Britain's exit from the Union. It also states that a decision not to cut NHS spending would mean other departments facing cuts of 7.4%. It is therefore felt that a prudent approach should be taken and a reduction of 3% is assumed for 2017/18. With regard to future years, with the threat of further reductions being reported, the uncertainty surrounding the economic climate leading up to the exit from the European Union and possible protection for health services, it is considered that further reductions of 3% should be planned for both 2018/19 and 2019/20. 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 table below shows the overall assumed change in Revenue Support Grant and share of the NNDR Pool.

Predicted WG Revenue Funding 2017/18 to 2019/20

	£000	£000	£000
Revenue Support Grant	112,506		
NNDR Pool	37,942		
2016/17 Actual		150,448	
2017/18 Assumed Decrease (3%)		145,935	**(4,513)**
2018/19 Assumed Decrease (3%)		141,557	**(4,378)**
2019/20 Assumed Decrease (3%)		137,310	**(4,247)**
Overall Decrease in Cash Terms			**(13,138)**

2.12 Although no final decision will be made on the level of council tax increase until the 2017/18 budget is set in March 2017, for the purposes of this Medium Term Financial Plan an increase of 2% has been factored in. This would yield around £1.2 million per annum.

2.13 In order to calculate any real terms percentage change in funding, it is first necessary to adjust for the inflationary elements contained within the Council's existing base budget (i.e. pay awards and price increases). Given the current economic climate, a 1% annual pay award from April 2017 onwards (September 2017 for teachers) has been incorporated. Price inflation in the Plan has been assumed at 1% per annum. While the Consumer Prices Index (CPI) increased by 0.6% in the year to August 2016, it is considered that the assumption of 1% would be reasonable. Any future increase above 1% will need to be managed by services. Where specific inflationary pressures are anticipated (e.g. fuel and energy costs), these costs will also need to be managed by services.

2.14 After factoring in an assumed council tax increase of 2% and 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 around £18.4m as shown in the following table.

Estimated Real Term Change in Council Resources

	2017/18	2018/19	2019/20	TOTAL
	£000	**£000**	**£000**	**£000**
AEF – Projected Decrease	4,513	4,378	4,247	13,138
Pay/Price Inflation	2,677	2,704	2,731	8,112
Adjustment*	320	320	330	970
Assumed Council Tax 2%	(1,257)	(1,282)	(1,308)	(3,847)
Decrease in Resources	**6,253**	**6,120**	**6,000**	**18,373**

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

Predicting Expenditure

2.15 As part of the forward planning process, it is necessary to make predictions of expenditure to 2019/20.

2.16 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 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 Flying Start, Families First and the Communities 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 event and festivals. Work is also being undertaken in partnership as part of the Cardiff Capital Region, which will deliver transport improvements from WG Metro funding. Energy management schemes are also supported via Salix funding.

- 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 of achievement for pupils through sharing excellence between schools and targeting of resources. It will 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.

2.17 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.

2.18 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.

2.19 In addition to inflationary increases, the major cost pressures affecting services over the period of the plan have been identified to 2019/20. Where possible, service departments are encouraged to mitigate known cost pressures from within their existing budgets.

2.20 The introduction of the National Living Wage (NLW) of £7.20 per hour from April 2016 for workers over the age of 25 has had a significant financial impact on the cost of externally commissioned services. The main area affected being Social Services and therefore in negotiating prices 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 2017/18 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, although this will need to be reviewed when further information becomes available.

2.21 The Chancellor announced the introduction of the Apprenticeship Levy in the Summer budget 2015 and consultation has been undertaken with employers as to how it could operate. The UK Government's conclusion is that the Levy will be set at 0.5% of the employer's pay bill and will be collected as part of the PAYE system. The Levy will only be payable on pay bills in excess of £3m. The final proposals as to how this system will work in Wales are yet to be concluded however the planned introduction date is 1st April 2017 and the potential impact on the Council could be around £500k. This has therefore been included as a cost pressure for 2017/18. This change could however have the potential to benefit the Council and contribute towards its workforce priorities.

2.22 Any other further cost pressures will need to be managed and mitigated by Services themselves. A summary is shown in the following table.

PREDICTED REVENUE COST PRESSURES

	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £000
LEARNING & SKILLS				
Schools (MFC only)	489	492	494	**1,475**
DIRECTORATE TOTAL	**489**	**492**	**494**	**1,475**
SOCIAL SERVICES				
Adult Services - Demographic Growth and Legislative Changes	1,000	600	600	**2,200**
DIRECTORATE TOTAL	**1,000**	**600**	**600**	**2,200**
ENVIRONMENT & HOUSING				
Waste Management	125	500	0	**625**
Highways Big Fill	0	500	500	**1,000**
DIRECTORATE TOTAL	**125**	**1,000**	**500**	**1,625**
GENERAL POLICY & COUNCIL WIDE				
Apprenticeship Levy	500	0	0	**500**
National Living Wage	300	400	500	**1,200**
Cost of Funding Capital Programme	150	150	150	**450**
Reduction in Use of Reserves	1,500	0	0	**1,500**
TOTAL	**2,450**	**550**	**650**	**3,650**
TOTAL COST PRESSURES	**4,064**	**2,642**	**2,244**	**8,950**

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

- **Social Services and Well-Being (Wales) Act 2014 -** These changes came into force in April 2016. There still remains difficulty in assessing the potential cost pressures which could impact on Social Services and other aligned service areas as the result of the introduction of the new Act. This will require further work as the financial implications become clearer. At this point, WG has not indicated any additional long term funding for any changes as a result of the Act, however, it is anticipated that the Delivering Transformation Grant which has been received by the Authority to aid implementation of the Act, will transfer into the RSG in 2017/18, with the indicative allocation for the Council being £213k.

- **Housing (Wales) Act 2014 -** The Act has several elements covering the regulation of Private Rented Housing, reform of Homelessness law including placing a stronger duty on local authorities to prevent homelessness and allowing them to use suitable accommodation in the private sector. It also places a duty on local authorities to provide sites for Gypsies and Travellers where a need has been identified. There are resource implications for the Council in implementing the requirements of the Act and WG has provided transitional grant funding. It is not clear whether this will continue into 2017/18 and beyond and therefore the service will need to ensure that the new processes and procedures required are embedded in order to comply with the new requirements going forward.

- **The Waste Agenda -** The European Union (EU) Landfill Directive proposes a strict timetable for reductions in land filling Biodegradable Municipal Waste (BMW). The Landfill Allowance Scheme (LAS) allowance 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. Since the Council has changed to a co-mingling method of collecting dry recycling, significant increases have been seen in the amount of recycling collected. Prosiect Gwyrdd will also contribute slightly to our recycling targets, however, there could still be significant costs in the future associated with achieving a recycling rate of 70% by 2024/25 in order to avoid the punitive fines mentioned above. A recycling rate of 65% was achieved for 2015/16. 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 reductions are anticipated in future years. 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 from 2016/17 under Chapter 4: Waste Issues of Welsh Government's proposed Environment Bill. Waste Resource Action Programme (WRAP) consultants are currently undertaking a review of the methods of waste collection within the Vale of Glamorgan Council to ascertain whether they comply with the Technically, Environmentally & Economically Practical (TEEP) assessment. WRAP are also assessing alternative forms of waste collection that could be implemented within the Vale of Glamorgan Council. Most of the alternative options would however require the use of a waste transfer station. Funding of £1.5m has been set aside for this purpose however a business case is required prior to approval of the funding. Whilst the waste disposal costs to 2018/19 have been taken into account as part of this Plan, costs past this date have not been included and no costs have been included for potential projects that may be required to increase recycling rates. The requirement to increase recycling rates will however need to be carefully monitored and the on-going financial impact on the Council will be fed into future budget processes.

- **Welfare Reforms -** Parliament enacted the Welfare Reform Act in March 2012. The Act made provision for the introduction of the 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. The Government has introduced the Welfare Reform and Work Bill which further extends the Welfare Reform regime including the exclusion of 18-21 year old claimants from Housing Benefit expected in April 2017 and also reducing the threshold for the Benefit Cap expected in late 2016 or early 2017. The Bill also gives further minor amendments to current Welfare Reforms. With the slow pace of the roll out of Universal Credit, it is still too early to fully assess the impact of the Welfare Reforms. However, the potential costs to the Council, particularly post 2016/17 could still be significant.

- **Cardiff Capital Region City Deal** - The 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. Local authorities are set to contribute £120 million, however, at this point it has not been agreed how this contribution will be allocated to individual authorities. The contribution to be made by the Council could therefore be substantial over the coming years however the specific values and the timing of these contributions are yet to be determined and will depend on the final terms of any ‘deal’. It is anticipated that the Council will carry out unsupported borrowing which will require revenue funding to be identified to support these loans.

Existing Financial Strategy

2.23 The 2016/17 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 were 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.

2.24 **Education & Schools Financial Strategy** – In 2011/12, WG established a minimum funding commitment for schools equivalent to 1% above the block grant settlement that WG received from the Treasury. To date, the Council has agreed that it would fund the Minimum Funding Commitment (MFC) for Schools. The Council’s financial strategy further states that changes 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. The Council agreed to strive to ensure that the budget for Education would be the same proportion of the Council’s total budget as the Education SSA is to the total SSA, where it is feasible, however, this would be dependent on future settlements. An indicative projection has not been provided by WG for 2017/18. In 2015/16, the MFC was 0.6% while in 2016/17 it increased to 1.8%. It was considered reasonable to fund this higher level in 2016/17 as there was an increase in employer National Insurance contributions and the Council had set aside funds for non-school staff so the higher rate provided an opportunity to fund schools on a comparable basis. If the Council’s funding from WG reduces by 3% in 2017/18, it would be expected that the MFC would be at a lower level and therefore for this Plan it has been assumed that the MFC would revert back to a similar level as in

2015/16. A 0.6% MFC would result in Council funding of £489k being earmarked to meet schools pay, price and other cost pressures in 2017/18. This is thought to be reasonable in the context of the Council as a whole which is estimating a £4.5m cash reduction in AEF for the same year.

2.25 **Social Services Financial Strategy** – Council agreed that the principles which had been applied to Education & Schools for the percentage shift in Council budget and proportion of SSA should also stand for Social Services.

2.26 **All Other Services Financial Strategy** - The financial strategies agreed for Education and Schools and Social Services is not something that could be extended to all services Council-wide. For the remaining services, they will need 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 and protection to the Education & Schools and Social Services budgets. The Council is, however, mindful of its corporate priorities. Where practical, the Council will strive to maintain those Other Services that also contribute to this corporate agenda.

Matching Predicted Resources and Expenditure

2.27 As part of the 2016/17 budget setting process the Council has already approved identified savings of £7.021m for 2017/18 and £762k for 2018/19. The identified savings for 2018/19 are currently at a lower level as the Reshaping Services Programme is reviewing savings areas for this year during 2016/17.

2.28 The following table provides a summary of the predicted shortfall in funding to 2019/20, taking into account the projected change in resources available and a list of major cost pressures and currently approved savings. It also includes the assumption that the minimum funding commitment for schools, equivalent to 1% above WG's block grant settlement, will be 0.6%.

Matching Predicted Resources to Expenditure 2017/18 to 2019/20

	2017/18 £000 Exc Schools		2018/19 £000 Exc Schools		2019/20 £000 Exc Schools	
Predicted Change in AEF (Inc.)/Dec.		**4,513**		**4,378**		**4,247**
Add						
Pay & Price inflation – Schools	1,048		1,059		1,070	
Cost Pressures - Schools	641		647		653	
Less						
Costs to be met within Schools	(1,200)		(1,214)		(1,229)	
Net Pressures – Schools		**489**		**492**		**494**
Pay & Price inflation – Other Services	1,629		1,645		1,661	
Cost Pressures – Other Services	3,575		2,150		1,750	
Less						
Savings Identified	(7,021)		(762)		0	
Net Pressures– Other Services		**(1,817)**		**3.033**		**3,411**
Less						
Notional Council Tax Increase 2%		**(1,257)**		**(1,282)**		**(1,308)**
Adjustment for One Off Items		**320**		**320**		**330**
Potential Revenue Shortfall in Year for Services		**2,248**		**6,941**		**7,174**

2.29 The matching exercise indicates that there remains £16.3m of savings to be identified for the 3 years of the Plan and this is after already planning for £7.8m of savings for the same period. The achievement of the identified savings is by no means guaranteed, 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 £24.1m by 2019/20. 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 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.

2.30 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 2018 are likely to be understated because of the sparsity of information available to services on which to base their assumptions.

2.31 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. Similarly a 1% shift in pay and price inflation, excluding schools, approximates to £1.6m each year. 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.

2.32 The effect of increasing council tax by 1% year-on-year over the period of the Plan raises a little over £1.9 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 21st Century Schools programme and it is estimated that £4.6m will be required. In addition, WG also issues capital grants for specific capital projects.

3.3 £33m of the Council's specific reserves are earmarked for capital purposes. The largest reserve of £11.1m is being held in the School Investment Strategy reserve and will be used as the Council's contribution to the 21st Century Schools capital investment programme.

3.4 The sale of council assets will generate capital receipts which can be used to part 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. The latest Housing Business Plan was approved by Cabinet on 22nd February 2016 (Minute No. C3090).

Predicting Resources

3.7 The General Capital Funding (GCF) for 2016/17 received from WG was £5.419m, which consisted of a General Capital Grant of £2.05m and Supported Borrowing of £3.369m. Overall, this represented a small reduction of £47k (0.86%) on the previous year. Due to predictions for a continuing period of austerity, current budgets assume a reduction of 10% in 2017/18 and for each year thereafter.

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.

Effect on Useable Capital Receipts 2016/17 to 2018/19	**Council Fund**
	£000
Balance as at 31st March 2016	14,598
Anticipated Requirements – 2016/17	-10,067
Anticipated Receipts – 2016/17	0
Balance as at 31st March 2017	4,531
Anticipated Requirements – 2017/18	0
Anticipated Receipts – 2017/18	0
Balance as at 31st March 2018	4,531
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
Balance as at 31st March 2019	4,531

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. It is therefore 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 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	- Vibrant & Viable Places - Council Housing Improvement Programme - Castleland Renewal Area	- Yes - Yes - Yes
An Environmentally Responsible and Prosperous Vale	- Metro Transport Improvements - Five Mile Lane - LED Street Lighting - Flood Alleviation Schemes	- Yes - Yes - No - Yes
An Aspirational and Culturally Vibrant Vale	- 21st Century School Programme	- Yes
An Active and Healthy Vale	- 2 Step Down Units at Longmeadow Court	- Yes

3.11 The most significant scheme listed above is the 21st Century Schools 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 and the funding from WG for this tranche is confirmed. 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 part of the Council's RSG. The level of WG funding for Band B is yet to be confirmed. The current total funding envelope is now £30.848m.

Matching Predicted Resources and Expenditure

3.12 Unlike revenue cuts, where the impact is felt on existing service provision, reductions 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.

3.13 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, highways and housing and the Capital Investment Strategy. The current plan covers 2015 to 2018. 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.

3.14 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 as contained in the Medium Term Financial Plan; and
- Use of the Project Fund and Carbon Management Fund.

3.15 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.

4. <u>RISKS TO PLANNING</u>

4.1 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.

4.2 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.

4.3 There are risks associated with the Medium Term Financial Plan and these are outlined below with possible mitigations.

Resource Risks

4.4 In addition to the uncertainly 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.

4.5 Assumptions have been made in the plan for both pay and price inflation levels for the coming years, which have been included in the plan as 1% and 1% respectively. Excluding schools, a 1% difference from the pay assumption included in the plan would result in a change of £600k and a 1% difference in price inflation would result in a change of £1m.

4.6 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

4.7 As part of the 2016/17 budget setting process, Cabinet approved £17.1m of savings; £9.3m in 2016/17, £7m in 2017/18 and £800k in 2018/19. There is great pressure on services to deliver these existing savings, some of which are not fully identified and not yet implemented. 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 £9.3m approved savings for 2016/17 will therefore be closely monitored in-year and the impact of any non-achievement will be assessed as part of the 2017/18 budget setting process and will also impact on future Medium Term Financial Plans.

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

4.9 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 for Vale of Glamorgan pupils requiring placements in Ysgol Y Deri and fewer places are therefore 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. This budget is currently projected to overspend this financial year. As a result a review of the service is being undertaken in an attempt to mitigate this position.

- **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. All these issues have culminated in the service projecting an overspend this financial year. 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.

- **Visible 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.

- **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.

4.10 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.

4.11 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.

Mitigation of Risks

4.12 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.

4.13 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.

4.14 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.

4.15 Savings will need to be closely monitored and scrutinised to ensure they are delivered on target and within the approved timeframe.

4.16 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.

4.17 The Council continues to implement energy efficiency schemes which helps to reduce energy usage.

4.18 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 2017/18 budget setting process.

4.19 If capital projects overspend then this will mean that the capital programme would have to 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.

4 THE STRATEGY

5.1 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 will streamline current arrangements and amalgamate existing groups into one Board. A priority of the Insight Board will be to review corporate plans and strategies.

5.2 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.

5.3 Involving the population in decisions is embedded in the way the Council works. To ensure that the budget set for 2017/18 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.

5.4 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

5.5 The 2016/17 Final Revenue Budget Proposals set savings targets for 2017/18 and 2018/19 of £7.8m. Based upon the revised projected funding reductions from WG, this Plan indicates total savings of £24.1m being required between 2017/18 and 2019/20. It is therefore imperative that savings already identified are achieved, as there still remains an estimated revenue shortfall of some £16.3m to be identified by 2019/20. This is shown by year in the table below.

Shortfall in Revenue Funding 2017/18 to 2019/20

Additional Savings Targets	Total Savings	Identified Savings	Shortfall
	£000	£000	£000
Predicted Shortfall 2017/18	9,269	7,021	**2,248**
Predicted Shortfall 2018/19	7,703	762	**6,941**
Predicted Shortfall 2019/20	7,174	0	**7,174**
Total Predicted Shortfall	**24,146**	**7,783**	**16,363**

5.6 It should be noted that in arriving at the calculated £16.3m shortfall, certain assumptions have had to be made and there will inevitably be additional cost pressures arising from 2017/18 onwards which are as yet unknown and little 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.

5.7 With such a high level of savings already allocated as part of the 2016/17 budget setting process, careful consideration must be given to how additional savings are allocated to service areas. WG have previously advised that a level of protection should be given to Schools, in line with the MFC. Furthermore, previous protection has been given to Social Services and the continuing trend of increases in Community Care packages further restricts opportunities for savings in these areas. The appropriateness of continuing with the existing financial strategies and in particular the protection afforded to Education and Social Services will need to be continually reviewed if this level of savings is to be achieved.

5.8 In addition, there are also areas of the Council where there are fixed costs that cannot change e.g. debt costs. This could result in the full burden of additional savings falling with other services.

Transformational Change

5.9 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 in the process of being implemented and will generate savings of £3.1m in 2016/17 and £6.1m in 2017/18 and are included as part of the savings target identified above.

5.10 As part of the 2016/17 budget setting process it was recommended that Tranche 3 of the programme should commence. A process is to be run in order to identify future projects and the Council is currently developing proposals for how this will work. When identifying areas of savings, the Council will need to take into consideration the level of savings that has been identified as part of this Plan in individual services areas and give consideration to corporate/cross-cutting opportunities to generate savings.

5.11 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 cannot be ruled out in the future. 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 exploring the options for a single integrated IT system and integrated budgets across the Cardiff and Vale region for social care.

5.12 Another way of making up budget shortfalls is to charge for certain services and facilities. As part of Reshaping Services programme, opportunities for charging that are being considered 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 will be produced, this being in line with recent recommendations from the Wales Audit Office.

5.13 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.

Traditional Savings

5.14 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 maximise the use of collaborative arrangements such as through the National Procurement Service where it is advantageous to do so.

Reserves

5.15 Whatever initiatives are put in place to deliver the required savings it will 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. The 2016/17 final budget proposals assumed a £1.5m use of the Council Fund Reserve in that year with no further use of the reserve 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 2017/18. 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.

Council Tax

5.16 For 2016/17, the Council's net budget requirement, after adjusting for discretionary rate relief and Council Tax Support Grant, is some £0.79 million below its SSA of £213.878 million. The Council's longer-term strategy is to increase spending to be in line with its SSA whilst progressing incremental increases in council tax towards the Welsh average. When comparing the Council's current Band D council tax with that of the other Welsh local authorities, the Vale of Glamorgan has the 10th (out of 22) lowest Band D charge in Wales at £1,111.23 and is 1.4% below the Welsh average. Based upon the Welsh average of £1,127 and an estimated Band D equivalent of 56,550 Council properties for 2016/17, a move to the Welsh average could provide an annual increase in base budget resources for the Council of around £900k. A 1% rise in council tax would have the potential to generate approximately £628k per annum. Set against this backdrop, on the face of it, there may be an opportunity to generate more income through council tax increases. It should however be noted that the potential to increase council tax may be limited given WG's ability to cap rises.

Current Service Pressures

5.17 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 and in Learning and Skills from the Additional Learning Needs 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

5.18 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.

5.19 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 completion of the Council House Improvement Programme and 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.

5.20 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.

5.21 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.

Conclusion and Recommendations

5.22 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 low future funding levels for local government, it is now even more difficult to perceive how the amounts forthcoming would in any way be sufficient to match the aspirations of the Council and expectations of the WG in terms of future service delivery.

5.23 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 £24.1m of savings over the next 3 years, of which £9.3m relates to 2017/18 alone. 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. As reported to Cabinet on 5th September 2016, monitoring of the 2016/17 savings targets is showing that of the approved savings of £9.3m, a shortfall of £600k is currently being projected for the year. Part of this shortfall is due to the delayed implementation of schemes and a full year saving will be made in 2017/18. There are however some savings that are not being delivered and while they may be funded in the short term from other areas, plans need to be made for their delivery in the longer term or alternative proposals for making the savings need to be identified.

5.24 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 £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.

5.25 In view of the shortfall identified, action needs to be taken to prepare for future reductions in funding and it is proposed that once the 2017/18 indicative allocations are received from WG and as part of the budget setting process for 2017/18, the Budget Working Group will consider the options for funding the shortfall as outlined in this Plan while ensuring that the limited resources focus on priorities as outlined in the Corporate Plan. These options include, but are not restricted to :-

- Considering the results of the budget engagement process in determining priorities for future savings and service delivery;
- Reviewing the appropriateness of the current financial strategies for Education and Schools, Social Services and Other Services;
- Reviewing the feasibility of any change in the use of the Council Fund Reserve 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;

- Considering the level of price inflation provided which could be restricted to covering the contractual commitments on larger contracts;
- 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 the results of the process in order to identifying further area for savings;
- Reviewing the achievement of the 2016/17 savings targets; and
- Considering the possibility of a reduction in the level of service.