

The Vale of Glamorgan Council

Cabinet Meeting: 31 July, 2017

Report of the Leader

Budget Strategy 2018/19

Purpose of the Report

1. To submit the Budget Strategy 2018/19 (including the proposed Budget Process and Timetable) for approval.

Recommendations

That Cabinet:

1. Approve the Budget Strategy for 2018/19, including the requirement for Directors to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance.
2. Request Directors to continue to progress the Reshaping Services Programme.
3. Approve the following timetable for the 2018/19 Budget Process, subject to any amendments being required to meet the statutory deadline, as a result of changes in the timing of Welsh Government settlement announcements.

Timetable for the 2018/19 Budget Process	To be completed no later than
Cabinet consider the initial budget proposals	13th November 2017
Lead Scrutiny Committee responds to consultation and makes recommendations on budget proposals	14th December 2017
Cabinet makes its final proposals on the budget	19th February 2018
Meeting of Council to consider budget and council tax resolution	28th February 2018

Reasons for the Recommendations

- 1-3. To enable the 2018/19 budget process to be commenced.

Background

2. To enable the budget process to commence, on an annual basis Cabinet is required to approve the Budget Strategy for the coming financial year.

Relevant Issues and Options

3. Welsh Government (WG) has not provided any indication as to the level of future year's settlements. The Final Revenue Budget Proposals for 2017/18, therefore, used the indicative figures from the 2016/17 Medium Term Financial Plan (MTFP), which was based upon a cash reduction of 3% in both 2018/19 and in 2019/20.
4. There is no clear indication that austerity measures will cease to continue into the near future, particularly with the uncertainty surrounding Britain's exit from the European Union. The establishment of the national living wage introduced from April 2016 is having a significant impact upon the Council, with further increases proposed over the coming years to a rate of £9.10 per hour by 2020. In addition, the consequence of further welfare reform changes could well have a knock on effect for councils in terms of higher arrears, increased homelessness and greater demand for social services and other intervention.
5. The actual level of reductions in funding for Welsh local government or any protection allowed to particular services by WG is unknown, as is any indication of the level of settlement for 2018/19 or beyond. This uncertainty does not provide any basis for sound forward planning.
6. As part of the Final Revenue Budget Proposals for 2017/18, the level of required savings projected for 2018/19 and 2019/20 were £7.8m and £7.0m respectively. This level of saving will, however, need to be reviewed as part of the next MTFP, which will be presented to Cabinet in September 2017. With the required savings levels being at such a level, it was acknowledged that savings from efficiencies alone are not sufficient and substantial savings would need to be found through the fundamental reshaping of Council services. The Council's Reshaping Services Programme is now well underway.
7. Savings targets had been allocated into 2 tranches, however, the Final Revenue Budget Proposals for 2017/18 proposed savings to be considered under Tranche 3. Directors will however need to consider the potential for further savings to be identified when carrying out the Reshaping Services reviews.
8. Taking into consideration the above financial situation, the Budget Strategy for 2018/19 proposes that in order to establish a baseline, services should prepare initial revenue budgets based on the cost of providing the current level of service and approved policy decisions and including the existing savings targets. This means the cost of price increases and any allowable pay awards should be included as advised by the Head of Finance.
9. Increases to budgets approved during the course of a financial year can restrict the freedom the Council has to allocate its resources to priorities during the following budget cycle when it is aware of all the competing demands. Consequently:
 - Supplementary estimates will only increase the base budget if Council has given specific approval to this effect. Increases met by virement within a year will not be treated as committed growth;
 - Directors should find the cost of increments and staff changes from their base budget unless the relevant specific approval has been given for additional funding;

- The effect of replacing grant from outside bodies that has discontinued will not be treated as committed growth. In addition, before any project or initiative that is to be met either wholly or partly by way of grant may proceed, the exit strategy must be approved;
 - Certain items of unavoidable committed growth will continue and these include the effect of interest changes and the financing cost of the capital programme, increases in taxes, increases in levies and precepts charged by outside bodies and changes to housing benefits net expenditure;
 - Services will be expected to achieve savings already approved by Cabinet as part of the 2017/18 final budget proposals and Directors are asked to continue work on achieving their Reshaping Services savings targets; and
 - It is envisaged that the costs of service development will need to be met from within the respective directorates.
10. Having regard to the above, it is therefore proposed in respect of the 2018/19 Budget Process that Directors be instructed to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance. Preparation should be on the following basis :
- Capital charges, central accommodation costs and central support costs to be estimated centrally;
 - Services to prepare baseline budgets on current service levels as set out in the 2017/18 Final Revenue Budget report;
 - Budgets to be broken down subjectively and objectively in as much detail as deemed appropriate by the Head of Finance;
 - Budget reports to include revised estimates for 2017/18;
 - Full account to be taken of the revenue costs, other than debt charges of new capital schemes coming into use;
 - Minimum savings targets to be met initially as detailed in the 2017/18 Final Revenue Budget report. Any savings made directly by services over and above individual service targets to count towards future saving targets or to meet unavoidable service cost pressures;
 - Directors will continue to draw up Service Plans that set out the aims and objectives for the service and any possible future developments and efficiencies;
 - As part of the Final Capital Budget Proposals for 2017/18 to 2021/22, a 5-year programme was set for the Council. This will, however, have to be reviewed and formal bids must be made for all capital schemes, irrespective of whether they may be present in the current Capital Programme. It will be the responsibility of each Director to co-ordinate capital bids for their services and to ensure that, in view of the limited resources that will be available, only the highest priority bids are submitted in the approved format in accordance with the Council's approved project management methodology (including business plans where applicable). To this end the principles of the Well-being of Future Generations Act, including sustainable development and better carbon management will be incorporated and evaluated; and
 - As stated previously, it is expected that the revenue costs of service development will need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids are initially to be made. However, services may still

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

11. The proposed timetable for the 2018/19 Budget is for Cabinet to make its initial revenue and capital budget proposals in November 2017. The capital bids considered and prioritised will include those recommended by the Insight Board. Each Scrutiny Committee will be consulted and will receive the relevant initial proposals of the Cabinet in December 2017.
 - Scrutiny Committees will be asked to make recommendations on the proposals. Corporate Performance and Resources Scrutiny Committee will act as the lead scrutiny committee in this respect;
 - The budget will then be considered by the Budget Working Group, which will submit its recommendations to Cabinet by February 2018. Cabinet will formulate its final proposals and submit them to a meeting of Full Council to be held in February 2018, having first taken any response from the lead Scrutiny Committee into account. At this stage, it is not anticipated that WG will change announcement dates from the normal timeframes, however, it may be necessary for Scrutiny Committees, Cabinet and Council to hold special meetings in order to ensure that the budget may be approved within the statutory deadline; and
 - Membership of the Budget Working Group will consist of the Leader, Deputy Leader, Managing Director and Head of Finance.
12. The budget process will need to ensure that it demonstrates the Council's commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need. Even with reductions in funding, where practical, the Council will strive to maintain services which contribute to this agenda.
13. The budget setting process will reflect the 5 ways of working approach undertaken by the Council.
 - Looking to the long term - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
 - Taking an integrated approach - The budget proposals highlight and encourages ways of working with partners.
 - Involving the population in decisions – As part of the budget proposal process there will be engagement with residents, customers and partners.
 - Working in a collaborative way – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
 - Understanding the root cause of issues and preventing them – The budget process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

Resource Implications (Financial and Employment)

14. As part of the Final Revenue Budget Proposals for 2017/18, the projected level of required savings for 2018/19 and 2019/20 totalled £14.8m, which includes savings targets set as part of the Reshaping Services programme.
15. There is still considerable uncertainty surrounding the predictions of expected resources and anticipated reductions in public sector funding. The current MTFP is based on a reduction of 3% in both 2018/19 and 2019/20. Every 1% reduction in Aggregate External Finance (the funding received from WG through Revenue Support grant and the Non Domestic Rates Pool) reduces funding by approximately £1.5m for the Vale of Glamorgan Council. This clearly has major implications for the Council.
16. It will be important to ensure that appropriate consultation takes place with the Trade Unions in relation to the staffing implications of the budget process. The level of consultation will increase over the coming months.

Sustainability and Climate Change Implications

17. The budget process will have regard to the well-being of future generations when allocating scarce resources.

Legal Implications (to Include Human Rights Implications)

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

Crime and Disorder Implications

19. There are no crime and disorder implications.

Equal Opportunities Implications (to include Welsh Language issues)

20. There are no equal opportunity implications.

Corporate/Service Objectives

21. The budget strategy is produced in support of all the Council's objectives as set out in the Corporate Plan.

Policy Framework and Budget

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

Consultation (including Ward Member Consultation)

23. The Budget Strategy has been drawn up following detailed consultation with all chief officers.

Relevant Scrutiny Committee

24. Corporate Performance and Resources

Background Papers

Medium Term Financial Plan 2016/17 to 2019/20

Contact Officer

Carys Lord

Officers Consulted

Corporate Management Team

Responsible Officer:

Carys Lord
Section 151 Officer