

The Vale of Glamorgan Council

Cabinet Meeting: 19th November, 2018

Report of the Leader

Initial Revenue Budget Proposals 2019/20 and Revised Budget 2018/19

Purpose of the Report

1. To gain Cabinet's approval for the amended revenue budget for 2018/19 and to commence consultation on the initial revenue budget proposals for 2019/20.

Recommendations

It is recommended that:

1. The amended revenue budget for 2018/19 as set out in Appendix 1 be approved.
2. The initial revenue budget proposals for 2019/20 be approved for consultation with the relevant Scrutiny Committees and other consultees.
3. The recommendations of Scrutiny Committees are passed to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee in order for their views to be forwarded to Cabinet.
4. A sum of £4m be set aside in the Council Fund, with its use being considered as part of the final budget proposals for 2019/20.

Reasons for the Recommendations

1. To incorporate changes to the 2018/19 budget.
2. In order to gain the views of Scrutiny Committees and other consultees.
3. In order that Cabinet be informed of the recommendations of Scrutiny Committees before making a final proposal on the budget.
4. To gain approval to set aside funding in 2018/19.

Background

2. The Council's budget is determined largely by the Revenue Support Grant (RSG) settlement set by the Welsh Government (WG). The provisional RSG settlement was received from WG on 9th October 2018, with the final settlement due to be received on 19th December 2018.

3. The Council is required under statute to fix the level of council tax for 2019/20 by 11th March 2019 and in order to do so, will have to agree a balanced revenue budget by the same date. To be in a position to meet the statutory deadlines and the requirements for consultation set out in the Council's Constitution, much of the work on quantifying the resource requirements of individual services needs to be carried out before the final RSG settlement is notified to the Council.

Revised Budget 2018/19

4. Appendix 1 to this report sets out the amended budget for 2018/19, together with the necessary adjustments to be made to the original budget.
5. Asset Rents, International Accounting Standard (IAS) 19, Transfers and Recharges - These adjustments have no overall effect on the net budget of the Council. These are accounting adjustments largely outside the control of services. They reflect charges for the use of capital assets, changes to inter-service recharges and transfers and pensions adjustments to comply with accounting standards.
6. Currently the Council Tax Reduction Scheme is included under the Private Housing heading. Due to changes in guidance received from the Wales Audit Office, the Council has been asked to report this scheme under the central Policy heading. A virement of £9.94m is therefore required and this change is included in Appendix 1 which shows the revised budget for 2018/19 and Appendix 5 which shows the base budget for 2019/20.
7. The following table compares the amended budget with the projected outturn for 2018/19. Services are anticipating drawing down from reserves this year with the main areas outlined in the following table.

| Directorate/Service | 2018/19 | 2018/19 | 2018/19 | Variance |
|---|-----------------|-----------------|------------------|----------------------|
| | Original | Amended | Projected | (+)Favourable |
| | Budget £'000 | Budget £'000 | Outturn £'000 | (-) Adverse £'000 |
| Learning and Skills | | | | |
| Schools | 84,458 | 84,458 | 84,458 | 0 |
| Strategy, Culture, Community Learning & Resources | 11,530 | 11,081 | 11,039 | +42 |
| Directors Office | 232 | 232 | 205 | +27 |
| Achievement for All | 4,650 | 4,650 | 5,013 | -363 |
| School Improvement | 1,058 | 1,058 | 1,013 | +45 |
| Unplanned use of reserves to fund overspend | 0 | 0 | (107) | +107 |
| Additional Saving to be Found | 0 | 0 | (142) | +142 |
| Social Services | | | | |
| Children and Young People | 15,235 | 15,477 | 15,977 | -500 |
| Unplanned use of reserves to fund overspend | 0 | 0 | (500) | +500 |
| Adult Services | 46,644 | 46,271 | 46,271 | 0 |

| | | | | |
|------------------------------------|-----|-----|-----|---|
| Resource Management & Safeguarding | 201 | 277 | 277 | 0 |
| Youth Offending Service | 728 | 692 | 692 | 0 |

Environment and Housing

| | | | | |
|---|--------|--------|--------|------|
| Neighbourhood & Transport Services | 26,842 | 26,543 | 26,858 | -315 |
| Unplanned use of reserves to fund overspend | 0 | 0 | (315) | +315 |
| Building Services | 0 | 0 | 0 | 0 |
| Regulatory Services | 2,239 | 2,112 | 2,112 | 0 |
| Council Fund Housing | 1,383 | 1,382 | 1,382 | 0 |

Managing Director & Resources

| | | | | |
|------------------------|----------------|----------------|----------------|----------|
| Resources | 497 | 554 | 554 | 0 |
| Regeneration | 2,075 | 2,065 | 2,065 | 0 |
| Development Management | 1,060 | 1,058 | 1,058 | 0 |
| Private Housing | 11,003 | 1,058 | 1,058 | 0 |
| General Policy | 12,218 | 23,085 | 19,085 | +4,000 |
| Transfer to Reserves | 0 | 0 | 4,000 | -4,000 |
| Total | 222,053 | 222,053 | 222,053 | 0 |

Learning and Skills

8. The forecast for Learning and Skills is an overspend of £142k after an anticipated use of reserves, however, the Directorate has been requested to look at ways of mitigating this position to deliver an outturn within budget at year end.
9. Schools - The delegated budget relating to schools is expected to balance as any under/over spend is carried forward by schools.
10. Strategy, Culture, Community Learning & Resources - It is anticipated that this budget will outturn with a favourable variance of £42k. There are favourable variances of £73k on staffing, £43k on Libraries, £10k on independent nursery placement costs, £20k relating to school repairs and £29k on the reversing of a commitment from a historic grant. This will be offset by an overspend of £133k on mainstream transport. This is mainly due to the increased price in certain contracts since a contractor's licence was revoked. These routes had to be retendered and there has been a general increase in prices. There will be a planned transfer from reserves of £552k. £312k will be required from the Schools Rationalisation reserve to fund one off costs in relation to the transformation of secondary schools in Barry, £187k of the Catering reserve will be used to invest in Catering equipment and update the service's ICT infrastructure, £28k will be transferred from the School Deferred Pension reserve to fund in year pension strain costs of early retirement and £25k will be transferred from the Schools Invest to Save reserve to fund redundancy costs in schools.
11. Directors Office - It is anticipated that this budget will outturn with a favourable variance of £27k due to a post being held vacant to partly mitigate the overspend elsewhere in the Directorate.

12. Achievement for All - It is anticipated that this service will overspend by £363k at year end before a transfer of £107k from reserves to fund overspends. The complex needs Out of County placements, independent placements and Looked After Children residential placements budget will overspend in total by £319k. There is an overspend of £135k relating to the resource bases and outreach teams. There is an overspend of £82k on the provision for pupils not educated at schools (EOTAS) and £25k in the Youth service due to one off restructuring costs. Both these overspends totalling £107k will be funded from the Youth Service reserve. This adverse position will be offset by a favourable variance of £120k relating to recoupment income and £78k on staffing due to posts being held vacant to partly mitigate the overspend.
13. School Improvement - It is anticipated that this budget will outturn with a favourable variance of £45k due to a senior post being held vacant to partly mitigate the overspend elsewhere in the Directorate.

Social Services

14. The forecast for Social Services is shown as a balanced budget. However, there will be considerable pressure on this service in the current year and this position may not be achieved and a drawdown from reserves may be required.
15. Children and Young People Services - The major issue concerning this service for the current year is the pressure on the children's placements budget given the complexities of the children currently being supported and the high cost placements some of these children require to meet their needs. Work continues to ensure that children are placed in the most appropriate and cost effective placements, however in the context of the complexity of need and the national challenges in identifying placements, it is currently anticipated that this budget will overspend. It should be noted that due to the potential high cost of each placement, the outturn position could fluctuate with a change in the number of children looked after and/or the complexity of need. The service holds a reserve that could be accessed at year end to fund high cost placements if required, however a drawdown from reserves of £500k is currently being shown.
16. Adult Services - The major issue concerning this service for the coming year will continue to be the pressure on the Community Care Packages budget. This budget is extremely volatile and is influenced by legislative changes such as the National Living Wage. The outturn position is difficult to predict. The service also continues to be affected by the pressures of continued demographic growth, an increase in the cost of service provision and the Community Care Packages budget will have to achieve further savings this year. The service will strive to manage growing demand and will develop savings initiatives which may be funded via regional grants. Welsh Government has continued to provide Intermediate Care Fund (ICF) grant to Cardiff and Vale University Health Board to allow collaborative working between Health and Cardiff and the Vale Councils however the level of grant funding is not guaranteed on an ongoing basis.

Environment and Housing

17. Neighbourhood & Transport Services is currently projected to out-turn on budget, however, there are some areas of concern to highlight and reserves will be utilised.
18. Within the Waste Collection Service there is still pressure on employee and transport budgets due to downtime involved in travelling to Cardiff to dispose of waste. There has recently been a change to the use of a site within Cowbridge for some elements of waste which is anticipated to decrease the level of downtime currently

experienced. £200k had been set aside for 2018/19 within the Neighbourhood Services Reserve with an aim to offset this budget pressure. Due to an increase in treatment charges within the recycling market, primarily as a result of China's decision to reject elements of mixed recycling, there is also a pressure within the recycling treatment budget. Again funding had been set aside in reserves for 2018/19 to cover this pressure however this is only a one-off funding stream and a cost pressure has been submitted for 2019/20.

19. The Reshaping Services savings target for Neighbourhood and Transport Services for 2018/19 is £951k. £375k of this saving relates to the remaining balance to be found from the recent restructure within Neighbourhood Services. The restructure has been effective from 1st April 2018 however due to the timescales and notice periods required, some staff have remained in post longer than anticipated. This may have some effect on the level of savings achievable. It is envisaged that the full £951k saving will not be made in this financial year and a shortfall of £315k is being reported. Plans for the remainder of the savings are currently being developed and will be reported to Cabinet in due course however the Neighbourhood Services Reserve will be required to meet any remaining shortfall in savings at year end.
20. Regulatory Services - The allocation represents the Vale of Glamorgan's budget for its share of the Shared Regulatory Service (SRS). A separate set of accounts is maintained for the SRS and periodically reported to the Shared Regulatory Service Joint Committee. At this stage in the year it is anticipated that the SRS will outturn on target.
21. Council Fund Housing - At this stage of the year, it is anticipated that this budget will outturn on target.

Managing Director and Resources

22. It is projected that Managing Director and Resources will outturn on target at year end.
23. Resources - A corporate savings target of £700k has been set for the year. Currently savings of £600k have been actioned. There are various small underspends in the division that will be used to ensure the service outturns within budget at year end.
24. Regeneration - This budget covers the Countryside, Economic Development and Tourism & Events functions. Although the forecast is again shown as a balanced budget at year-end, there remains concern over the income targets for car parking charges and commercial opportunities within the Countryside Division, where historic savings targets are unlikely to be achieved this year. Efforts will however be made to maintain a balanced budget by year-end, but the situation will need to be closely monitored.
25. Development Management - Planning application fee income has now fallen well behind target as at 30th September. Application fee income is difficult to forecast as there is no regular trend to track, but in the absence of any major applications being received this year it seems unlikely that the current target can now be achieved. As there are underspends in staff costs and Building Control income remains buoyant, it is still anticipated that the overall position for this Division at year-end will be a breakeven position. The Section is also continuing to pursue the use of Planning Performance Agreements and other income generation initiatives such as pre-planning application advice to help support the regulatory process.
26. Private Housing - The income from Disabled Facility Grants (DFG) fees remains behind profile as at 30th September, due mainly to a reduction in applications coming

through for DFG adaptations, hence capital expenditure has reduced and consequently agency fee income to revenue is also lower. This puts pressure on the revenue budget where fee income targets may not be achieved. There is very little scope to actively reduce expenditure to mitigate this position, however there has recently been an indication of an upturn in demand. As such, should there be an overspend at year-end and the budget for the division cannot be balanced, the shortfall could be funded from reserves.

General Policy

27. The projected outturn for Policy is a favourable variance of £4m when compared to the amended budget.
28. There is a projected underspend on the Council Tax Reduction Scheme of £200k due to a lower than anticipated take up.
29. It is projected that there will be a favourable variance of £2m relating to capital charges and given that the collection of Council Tax continues to be effective, a positive variance of £1.8m is predicted.
30. It is proposed that the sum of £4m is transferred into the Council Fund and its use will be considered by the Budget Working Group when it is taking into account all factors in formulating a balanced revenue and capital budget for the final proposals which will be presented to Cabinet and Council in February 2019.

Savings 2018/19

31. As part of the Final Revenue Budget Proposals for 2018/19, a savings target of £6.298m was set for the Authority. Attached at Appendix 2 is a statement detailing the projected progress against savings targets for 2018/19. It is currently projected that there will be a shortfall against the savings target of £724k.
32. Each savings target has been given a RAG status. Green indicates that it is anticipated that the target will be achieved in full within the year, amber indicates that it is considered that the saving in the year will be within 20% of the target and red indicates that the saving to be achieved in year will be less than 80% of the target.
33. Neighbourhood and Transport Services - There is a savings target this year of £951k however it is currently anticipated that £636k will be achieved leaving a shortfall of £315k to be identified. Work is continuing to identify schemes to close this gap however any shortfall at year end will need to be funded from the Neighbourhood Services reserve.
34. Managing Director and Resources - As previously stated a Corporate Services saving of £700k has been allocated for 2018/19 however £600k has currently been identified for the year. Further work is being undertaken to identify additional savings and this shortfall may reduce by year end. It is anticipated that any shortfall at year end can be funded from savings elsewhere in the Directorate.
35. Council Wide - It is anticipated that the Commercial Opportunities savings target will have a shortfall of £178k this year. Work continues to explore new ways of generating income. Sponsorship of the summer events programme has yielded income for the first time with follow-up interest expressed in other opportunities. The changes to concessions for bulky item collections is forecast to increase income this year, in addition to the work to increase income within registration services, filming and additional website advertising. The Digital Strategy savings target is anticipated to have a £131k shortfall at year end. Work is underway to deliver digital projects focusing on customer and employee systems. Work to enhance the website and its

functionality has commenced in order to shift customers to digital channels. Work is underway within the digital employee project to make efficiencies from digital recruitment and DBS management.

Budget Strategy 2019/20

36. Cabinet approved the Budget Strategy for 2019/20 on the 16th July 2018, min no. C366.
37. The Budget Strategy for 2019/20 outlines that in order to establish a baseline, services should prepare initial revenue budgets based on the cost of providing the current level of service and approved policy decisions and including the existing savings target.
38. 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 2018/19 final budget proposals and Directors are asked to continue work on achieving their Reshaping Services savings targets.
 - It is envisaged that the costs of service development will need to be met from within the respective directorates.
39. Having regard to the above, it is therefore proposed in respect of the 2019/20 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 2018/19 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 2018/19.
 - 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 2018/19 Final Revenue Budget report. Any savings made directly by services over and above individual service targets to count towards future saving targets or to meet unavoidable service cost pressures.
- Directors will continue to draw up Service Plans that set out the aims and objectives for the service and any possible future developments and efficiencies.
- As stated previously, it is expected that the revenue costs of service development will need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids are initially to be made. However, services may still be asked to identify and prioritise any burgeoning revenue cost pressures for consideration.

Medium Term Financial Plan

40. The Medium Term Financial Plan (MTFP) 2018/19 to 2021/22 was presented to Cabinet on 17th September 2018 min no. C411.
41. It assumed a reduction in WG funding of 1% for the years 2019/20, 2020/21 and 2021/22. This resulted in the requirement to find savings of £15.714m over this period, with £3.627m currently having been identified. There was therefore further savings to be identified of £12.087m over the 3 year period.
42. The latest Plan factored in a managed level of cost pressures, a notional increase in council tax of 2.5% each year, projected annual pay awards and limited non pay inflation.

Budget Consultation with Stakeholders

43. To ensure that the budget set for 2019/20 continues to address the priorities of Vale residents and the Council's service users, the budget setting process will take into account the results of the Public Opinion Survey. The Public Opinion Survey is undertaken every two years and captures the views of a representative sample of Vale residents. The survey represents the most accurate information that is held on what our residents think of the work that the Council does. The views of elected members, town and community councils and key partners will also be sought through a separate exercise.

Provisional Settlement 2019/20

44. The Council's provisional settlement was announced by WG on 9th October 2018. The Council is currently in the process of responding to the provisional settlement and a report is being presented to Corporate Performance and Resources Scrutiny Committee which outlines a suggested response, with a reference to Cabinet for consideration on 19 November 2018.
45. WG has advised the Council that its provisional SSA (Standard Spending Assessment) for 2018/19 is £226.748m. SSA represents WG's view of the relative resources needed to provide a standard level of service in each local authority in Wales and its primary use is to allocate RSG to these authorities.
46. The Council will receive from WG Revenue Support Grant of £110.163m and a share of the Non-Domestic Rates (NDR) of £41.76m. Together these figures constitute the Council's provisional Aggregate External Finance (AEF) of £151.923m. This represents a cash reduction of 0.7% (£1.037m) for 2019/20 after taking into account adjustments. This is a slightly smaller reduction than the 1% (£1.524m) projected in

the MTFP, although it does not take into account inflation. Wales as a whole has seen a decrease of 0.3%.

47. There are transfers into the RSG settlement for 2019/20 totalling £479k as follows:
 - Teachers Pay Grant : £354k
 - Free School Meals Grant : £125k
48. As part of the 2018/19 settlement, WG had also provided an indicative figure for the change in AEF for 2019/20 as a further reduction of 1%. No indicative figure has currently been provided for 2020/21.
49. The value of some grant funding to be made available to councils on an all Wales level has been received from WG. Several grants including Flying Start, Families First, Out of School Childcare, St David's Day Fund, Communities First Legacy, Promoting Positive Engagement for Young People at Risk of Offending and Communities for Work Plus will be merged into one Children and Communities grant. Only an all Wales grant figure has been received at this point, however, the funding appears to be £1.2m (0.9%) lower than in 2018/19 and therefore the utilisation of the grant will need to be reviewed within the Council once the grant approval and full implication for the Council is received.
50. Information on grants shows an allocation across Wales of £30m for Social Care. It is not known at this stage the value of the allocation to this Council or whether there are specific terms and conditions attached.
51. It is anticipated that any additional funding required to raise the residential care capital limit will be determined before the final settlement is received.
52. On 29th October 2018, as part of the Chancellor's Autumn Budget, over £550 million of additional funding was confirmed for the Welsh Government through to 2020/21. Details of whether any of this funding will be provided to Local Government and if so when and in what form, is currently unknown.

2019/20 Initial Budget Proposals

53. As part of these initial proposals, it has been necessary to revisit the cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council and an updated list is shown in Appendix 3. These are not shown in any order of priority.
54. One of the larger new cost pressures facing the Council over the next 2 years is the increase in Teachers Pension contributions which is due to increase from 16.48% to 23.6% from 1st September 2019 and could cost the Council around £3.1m. No additional funding has been provided by WG for this cost pressure.
55. From April 2019 the National Living Wage will increase from £7.83 an hour to £8.21. The increase will have a significant effect on the services the Council commissions from external organisations. The main area affected is Social Services and a cost pressure has been included to reflect this.
56. Details of the proposed areas for savings for 2019/20 to 2020/21 are attached at Appendix 4. The savings do not include the cost of any potential redundancies. Further work is ongoing to identify future projects that will realise savings for the Council via the Reshaping Service Tranche 4 process.
57. A summary of the overall base budget for 2019/20 is attached at Appendix 5. This has been derived by adjusting the 2018/19 budget for items such as pay inflation and

unavoidable growth, but does not include identified cost pressures or savings. These are shown as a note to the table and are further detailed in Appendix 3 and 4 respectively. Adjustments shown include the following :

- Asset Rents, International Accounting Standard (IAS) 19 - Relates to accounting items outside the control of services. They reflect charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
 - Recharges/Transfers - Relates to changes in inter-service and inter Directorate recharges. It also includes the transfer of the £9.94m Council Tax Reduction Scheme budget from Private Housing to Policy.
 - Budget Adjustment - There is a £330k increase in budget due to the change in the use of the Social Services Fund in 2019/20.
 - Pay Inflation - This figure relates to pay awards for 2019/20. The projection is based on the preferred option included in the report that was approved by Cabinet on 17th September 2018 and is currently being consulted upon. Any further update will be included as part of the Final Budget Proposals report. A figure has been identified in the settlement for teachers' pay, however this only partially funds the pay settlement as both the UK and Welsh Government have assumed that local authorities will pay the first 1% of the recently agreed pay deal. Currently due to the level of the projected shortfall no non pay inflation has been included for 2019/20.
 - Committed Growth - This totals £479k and relates to the transfers into the RSG for WG grants.
58. Once the base budget for 2019/20 has been established, it must then be compared to the funding available to identify the extent of any shortfall. With a projected AEF of £151.923m and Council Tax at a current level of £69.573m, total available funding would be £221.496m. When compared to a base budget of £226.416m, this would result in a funding deficit for 2019/20 of £4.920m.

If all identified cost pressures were funded, this would increase the shortfall to £14.164m. If all proposed savings were achieved, the shortfall would be reduced to £10.420m.

| Projected Budget Shortfall | 2019/20 £000 |
|---|-------------------------|
| Funding Available | |
| Provisional AEF | 151,923 |
| Council Tax (Assumes no increase) * | 69,573 |
| Projected Funding Available | 221,496 |
| Base Budget | 226,416 |
| Projected Shortfall Against Base Budget | 4,920 |
| Assume all Cost Pressures Funded | 9,244 |
| Projected Shortfall with Cost Pressures Funded | 14,164 |

| | |
|---|---------------|
| Assume all Savings Achieved (including Schools) | (3,744) |
| Projected Shortfall | 10,420 |

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

59. This shortfall above does not include any increase in Council Tax. A 1% increase in Council Tax equates to £696k. The following table shows the funding that could be raised from a range of Council Tax increases. The level of increase in Council Tax will need to be carefully considered in parallel with the other options available to the Council in order to reduce the funding gap and to consider the impact on the residents of the Vale.

| Examples of Council Tax Increase % | Additional Funding Raised £000 |
|------------------------------------|--------------------------------|
| 2.5% | 1,740 |
| 3% | 2,088 |
| 3.5% | 2,436 |
| 4% | 2,784 |
| 4.5% | 3,132 |
| 5% | 3,480 |
| 5.5% | 3,828 |
| 6.0% | 4,176 |

60. The shortfall above is also based on the assumption that the savings target of £3.744m set for 2019/20 will be achieved in full. However, a high proportion of these savings relate to Reshaping Services schemes which reflect a new way of working and therefore require a lengthy period of time to implement. While all services are working towards achieving their 2019/20 targets, not all savings will be achieved in full for 2018/19. The potential for re-profiling savings will need to be assessed when setting the budget for 2019/20.
61. Further work will be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2019/20. This will include a review of the use of reserves, a possible increase in council tax, a review of all cost pressures, possible changes to the approved saving targets, a review of the inflation assumptions and the current financial strategies. In order to provide options for balancing the 2019/20 budget, a sum of £4m from the projected underspend in 2018/19 will be transferred into the Council Fund, the use of which will be considered as part of the final budget proposals but may in part be used to balance the 2019/20 budget.
62. The BWG will consider the results of the budget engagement process in determining priorities for future savings and service delivery.
63. The BWG will also ensure that budget proposals consider the requirements of the Well-being of Future Generations Act and the Council's 4 well-being outcomes as detailed in the Corporate Plan. They will also ensure that the budget proposals reflect the 5 ways of working which are:-

- Looking to the long term: The budget proposals are a means of planning for the future and should take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- Taking an integrated approach: The budget proposals should consider and encourage ways of working with partners.
- Involving the population in decisions : As part of the budget proposal process there will be engagement with residents, customers and partners.
- Working in a collaborative way: The budget proposals should recognise that more can be achieved and better services can be provided by collaboration and this way of working in the future should be encouraged.
- Understanding the root cause of issues and preventing them: The budget process is proactive and will allow an understanding of the financial position so that issues can be tackled at the source during the process.

Next Steps

64. The next stage is for the estimates to be submitted to Scrutiny Committees for consultation. Committees are asked to review the level of cost pressures with a view to suggesting ways in which these could be managed downwards and/or mitigated and to consider proposals for savings. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Revenue Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committee must be made no later than the 13th December 2018.
65. The BWG will hold a series of meetings in November 2018 with the relevant Cabinet Members and officers to consider the budget proposals and they will submit their recommendations so that the Cabinet may make its final budget proposal. Before making its recommendation, the BWG will consider the comments made by Scrutiny, together with the results of consultation. The final proposals to Cabinet will include a review of the financial strategies required to achieve a balanced budget, which is sustainable in future years. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 18th February 2019 and that Cabinet's final budget proposals will be considered by Council at a meeting to be held on 27th February 2019 to enable the Council Tax to be set by 11th March 2019.

Resource Implications (Financial and Employment)

66. Based on the assumption that all cost pressures will be funded in full, the estimated funding shortfall for 2019/20 will be £14.164m assuming no increase in Council Tax.
67. WG has not issued details regarding the level of funding post 2019/20, however, it is anticipated that there will be further reductions in funding for Local Government going forward. It is therefore important that Directors achieve approved savings and look to mitigate further cost pressures through alternative means of service delivery and collaborative ventures.
68. Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. Funds no longer required may be transferred to the Council Fund and then set aside for other purposes or used to reduce council tax.

69. 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. Neighbourhood Services and in particular the Capital Programme, e.g. School Investment Strategy Reserve, Project Fund. This is important as the Council has limited capacity to realise sufficient sums from the sale of assets for capital investment. Sums have also been set aside to assist in budget management, e.g. Early Retirement Fund. The Housing Revenue Account Reserve is ring-fenced to Housing and will be used to fund improvements to the Council's housing stock.
70. The Council Fund Reserve as at 31st March 2019 is projected to stand at £13.634m, after the £4m transfer in, with no further reduction approved. The possible use of this reserve will be considered by the BWG when setting the 2019/20 budget, however, use of this reserve to balance the revenue budget will result in a higher level of savings being required in future years. The Section 151 Officer currently believes that the minimum balance on the Council Fund Reserve should be no less than £7m. This is considered sufficient to cover unforeseen expenditure whilst, in the short term, maintaining a working balance. Unforeseen expenditure can be substantial and several instances can occur in a year. Whilst there is no set requirement for the minimum level for the Council Fund Reserve, some commentators use 5% of the net budget as a guide. For the Vale this is about £11m. However, in view of the prudent approach the Council takes with regard to specific reserves, £7m is considered a reasonable minimum.
71. The Council presently benefits from a reasonable level of reserves, however, they are not inexhaustible and have taken years of careful financial management to develop to their current level. As part of the usual Budget process, an examination of the level of reserves is undertaken to ascertain their adequacy and strategy for use. A view to their level (i.e. whether the amount held in the fund is sufficient to requirements) and purpose (i.e. whether the need to hold the fund is still relevant) has been taken. The requirement for each specific reserve has also been considered in light of the Council's priorities and at this stage of the budget process no transfers between reserves are proposed.
72. Appendix 6 sets out the Authority's actual reserves as at 31st March 2018 and shows the estimated reserves balance for each year up to 31st March 2022. The Council is forecasting the use of general and specific reserves, excluding HRA and schools, totalling around £31m from 1st April 2018 onwards, which represents approximately 41% of the balance as at 31st March 2018. These levels of reserves are still deemed to be adequate as known risks are largely covered and the Council Fund Reserve does not fall below £7m.
73. The Council is planning to use a considerable amount of its specific reserves over the coming years, however, as reserves are a non-recurring means of funding, they can only be used as part of a specific financial strategy. The use of all reserves will be reviewed further, by the BWG, as part of the final budget setting process.
74. Not all the savings required to meet the shortfall in funding will result in a reduction in staffing. Although the impact on individuals is likely to be mitigated as a result of natural wastage and the deletion of vacant posts, it is, nevertheless, expected that there will be a number of redundancies. The trade unions will be consulted on the details of any possible redundancies once known. Staffing implications relating to budget pressures within schools, will need to be considered by individual governing bodies.

Sustainability and Climate Change Implications

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

Legal Implications (to Include Human Rights Implications)

76. The Council is required under statute to fix its council tax by 11th March 2019 and in order to do so will have to agree a balanced revenue budget by the same date.

Crime and Disorder Implications

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

Equal Opportunities Implications (to include Welsh Language issues)

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

Corporate/Service Objectives

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

Policy Framework and Budget

80. This report is following the procedure laid down in the Constitution for the making of the budget and so does not need to be referred to Council at the proposal stage. However, the final 2019/20 budget will require the approval of full Council.

Consultation (including Ward Member Consultation)

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

Relevant Scrutiny Committee

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

Background Papers

Medium Term Financial Plan 2018/19 to 2021/22
Budget Strategy 2019/20

Contact Officer

Carolyn Michael
Operational Manager - Accountancy

Officers Consulted

Corporate Management Team

Responsible Officer:

Carys Lord
Section 151 Officer

| | 2018/19 ORIGINAL AMENDED BUDGET | ASSET RENTS, IAS19, TRANSFERS & RECHARGES | 2018/19 AMENDED BUDGET |
|---|--|--|------------------------------|
| | | | £,000 |
| Learning and Skills | | | |
| Schools | 84,458 | 0 | 84,458 |
| Strategy, Culture, Community Learning & Resources | 11,530 | (449) | 11,081 |
| Directors Office | 232 | 0 | 232 |
| Achievement for All | 4,650 | 0 | 4,650 |
| School Improvement | 1,058 | 0 | 1,058 |
| Social Services | | | |
| Children and Young People | 15,235 | 242 | 15,477 |
| Adult Services | 46,644 | (373) | 46,271 |
| Resource Management & Safeguarding | 201 | 76 | 277 |
| Youth Offending Service | 728 | (36) | 692 |
| Environment & Housing | | | |
| Neighbourhood and Transport Services | 26,842 | (299) | 26,543 |
| Building Services | 0 | 0 | 0 |
| Regulatory Services | 2,239 | (127) | 2,112 |
| Council Fund Housing | 1,383 | (1) | 1,382 |
| Managing Director & Resources | | | |
| Resources | 497 | 57 | 554 |
| Regeneration | 2,075 | (10) | 2,065 |
| Development Management | 1,060 | (2) | 1,058 |
| Private Housing | 11,003 | (9,945) | 1,058 |
| General Policy | 12,218 | 10,867 | 23,085 |
| TOTAL BUDGET 2018/19 | 222,053 | 0 | 222,053 |

| Title of Saving | Description of Saving | Target Saving £000 | Projected Saving | RAG Status | Update Comments, Issues & Actions | Relevant Scrutiny Committee | Project Manager |
|--|---|--------------------|------------------|--------------|--|-----------------------------|-----------------|
| LEARNING AND SKILLS | | | | | | | |
| Schools | | | | | | | |
| Schools | General saving across all schools | 824 | 824 | Green | Allocated to schools via funding formula | Learning & Culture | Trevor Baker |
| Total Schools | | 824 | 824 | Green | 100% | | |
| Strategy, Culture, Community | | | | | | | |
| Learning & Resources | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 37 | 37 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Reshaping Services - Tranche 2 | General saving across division | 50 | 50 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Reshaping Services - Tranche 1 | Additional Learning Needs saving reallocated to general service savings | 26 | 26 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 22 | 22 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Total Strategy, Culture, Community Learning and Resources | | 135 | 135 | Green | 100% | | |
| School Improvement | | | | | | | |
| Reshaping Services - Tranche 1 | Additional Learning Needs saving reallocated to general service savings | 77 | 77 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 3 | 3 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Total School Improvement | | 80 | 80 | Green | 100% | | |
| Directors Office | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 8 | 8 | Green | Savings allocated and will be achieved in-year | Learning & Culture | Trevor Baker |
| Total Directors Office | | 8 | 8 | Green | 100% | | |

| Title of Saving | Description of Saving | Target Saving £'000 | Projected Saving | RAG Status | Update Comments, Issues & Actions | Relevant Scrutiny Committee | Project Manager |
|---|--|---------------------|------------------|--------------|--|-----------------------------|-----------------|
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 35 | 35 | Green | Savings allocated and will be achieved in-year | Health Living & Social Care | Amanda Phillips |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 29 | 29 | Green | Savings allocated and will be achieved in-year | Health Living & Social Care | Amanda Phillips |
| Total Resource Management & Safeguarding | | 64 | 64 | Green | 100% | | |
| Youth Offending Service | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 1 | 1 | Green | Savings allocated and will be achieved in-year | Homes and Safe Communities | Rachel Evans |
| Total Youth Offending Service | | 1 | 1 | Green | 100% | | |
| TOTAL SOCIAL SERVICES | | 584 | 584 | Green | 100% | | |
| ENVIRONMENT AND HOUSING | | | | | | | |
| Neighbourhood and Transport | | | | | | | |
| Reshaping Services | Completion of the implementation of the new target operating model for service delivery for Visible Services and other service initiatives | 775 | 522 | Red | £375k of this saving is the balance of the recent restructure. There is a £147k saving from Regulatory Services. Further savings are in progress however it is unlikely that they will be achieved in 2018/19. | Environment & Regeneration | Emma Reed |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 52 | 52 | Green | Saving pro-rated across all areas | Environment & Regeneration | Emma Reed |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 124 | 62 | Red | Recent restructure within Neighbourhood & Transportation has limited the potential to make additional staff savings. | Environment & Regeneration | Emma Reed |
| Total Neighbourhood and Transport | | 951 | 636 | Red | 67% | | |

| Title of Saving | Description of Saving | Target Saving £000 | Projected Saving | RAG Status | Update Comments, Issues & Actions | Relevant Scrutiny Committee | Project Manager |
|--|--|--------------------|------------------|--------------|--|-----------------------------|--------------------|
| Council Fund Housing | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 12 | 12 | Green | Savings allocated and will be achieved in-year | Homes and Safe Communities | Mike Ingram |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 9 | 9 | Green | Savings allocated and will be achieved in-year | Homes and Safe Communities | Mike Ingram |
| Total Council Fund Housing | | 21 | 21 | Green | 100% | | |
| TOTAL ENVIRONMENT AND HOUSING | | 972 | 657 | Red | 68% | | |
| MANAGING DIRECTOR & RESOURCES | | | | | | | |
| Regeneration | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 44 | 44 | Green | Savings allocated and will be achieved in-year | Environment & Regeneration | Marcus Goldsworthy |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 8 | 8 | Green | Savings allocated and will be achieved in-year | Environment & Regeneration | Marcus Goldsworthy |
| Total Regeneration | | 52 | 52 | Green | 100% | | |
| Development Management | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 10 | 10 | Green | Savings allocated and will be achieved in-year | Environment & Regeneration | Marcus Goldsworthy |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 16 | 16 | Green | Savings allocated and will be achieved in-year | Environment & Regeneration | Marcus Goldsworthy |
| Total Development Management | | 26 | 26 | Green | 100% | | |

| Title of Saving | Description of Saving | Target Saving £'000 | Projected Saving | RAG Status | Update Comments, Issues & Actions | Relevant Scrutiny Committee | Project Manager |
|--|--|---------------------|--------------------|---|-----------------------------------|-----------------------------|-----------------|
| <u>Private Housing</u> | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 3 | 3 Green | Savings allocated and will be achieved in-year | Homes and Safe Communities | Marcus Goldsworthy | |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 4 | 4 Green | Savings allocated and will be achieved in-year | Environment & Regeneration | Marcus Goldsworthy | |
| Total Private Housing | | 7 | 7 Green | 100% | | | |
| <u>Resources</u> | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 113 | 113 Green | Savings allocated and will be achieved in-year | Corporate Performance & Resources | Carys Lord | |
| Property Costs | Savings to be achieved through the Space Project, which is currently underway and due for completion in early 2018 | 303 | 303 Green | Provincial House lease surrender in November 2017 and full year saving to be achieved this year | Corporate Performance & Resources | Carys Lord | |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 62 | 62 Green | Savings allocated and will be achieved in-year | Corporate Performance & Resources | Carys Lord | |
| Total Resources | | 478 | 478 Green | 100% | | | |
| <u>Performance and Development</u> | | | | | | | |
| Reshaping Tranche 3 - Procurement | More efficient and effective procurement of goods and services | 35 | 35 Green | Savings allocated and will be achieved in-year | Corporate Performance & Resources | Carys Lord | |
| Reshaping Tranche 3 - Establishment Review | Review of various payments to staff and efficient utilisation of staff | 13 | 13 Green | Savings allocated and will be achieved in-year | Corporate Performance & Resources | Carys Lord | |
| Total Performance and Development | | 48 | 48 Green | 100% | | | |
| Reshaping Services - Tranche 2 | General savings across Corporate Services | 700 | 600 Amber | Range of initiatives implemented however work is ongoing to finalise the remaining savings required | Corporate Performance & Resources | Carys Lord | |
| TOTAL MANAGING DIRECTOR AND RESOURCES | | 1,311 | 1,211 Amber | 92% | | | |

COUNCIL TOTAL Green = on target to achieve in full

Green = on target to achieve in full
Amber = forecast within 20% of target

Amber = forecast within 20% of target
Red = forecast less than 80% of target

| No. | Service | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|------------------|------------------|------------------|
| Directorate: Learning and Skills | | | | |
| | Schools | | | |
| L1 | Demographic increase in mainstream schools | 1,001 | 1,000 | 1,000 |
| L2 | Teachers Superannuation increase 16.48% to 23.6% from 1st September 2019 | 1,808 | 1,292 | 0 |
| | Total Schools | 2,809 | 2,292 | 1,000 |
| | Achievement for All | | | |
| L3 | Demographic increase in special school Ysgol Y Deri - There is a demographic increase in the number of pupils requiring specialist school placements at Ysgol Y Deri. The demographic make up of the school has shifted with higher pupil numbers in the lower year groups which will eventually work through the school leaving large groups at all ages. The Y Deri pupils have a much higher unit cost than mainstream pupils costing £25k each on average. If pupils cannot be placed at Ysgol Y Deri, they will require a placement in an independent provision or another authority which will result in increased costs to the council. | 575 | 625 | 420 |
| L4 | Complex Needs Placements in Out of County provision or independent schools - There is a requirement to purchase places from provision outside of the county or in specialist high cost provision for an increasing number of children and young people who are presenting with complex needs. | 400 | 90 | 100 |
| L5 | Educated Other Than At School (EOTAS) Provision for ALN pupils with severe social and emotional behavioural needs - There has been significant growth in numbers of secondary pupils with very complex behavioural issues whose needs cannot be met at the Pupil Referral Unit. These pupils have been placed in specialist provisions with other agencies which has incurred additional cost to the Achievement for All budget. There has also been a significant growth in younger learners displaying very complex social, emotional and behavioural difficulties. In addition to the increase in complexity, the growth in numbers of pupils with these difficulties will require the development of an additional specialist resource base for foundation phase pupils. This will require additional funding but if this provision is not developed there will be a need to access specialist provision from other providers. | 150 | 0 | 0 |
| L6 | Ethnic Minority Achievement Service (EMAS) and Minority Ethnic Achievement Grant (MEAG) - The grants were removed from the Education Improvement grant in April 2018. Funding was later made available to the Council of £181k in 2018/19. Welsh Government indicated that it was their intention to make more funding available to local authorities in 2019/20, although this has not yet been confirmed. No funding has been identified from April 2020 onwards. | 0 | 180 | 0 |
| | Total Achievement for All | 1,125 | 895 | 520 |
| | Strategy, Culture, Community Learning and Resources | | | |
| L7 | Education Transport - Due to stagnate operator costs (no inflationary increase applied in the past three years) when all school transport services are tendered in 2019 costs are anticipated to rise. The intention is to tender services for a longer period of time which will give operators better financial stability and allow them to submit competitive prices. In addition, catchment problem school transport is rising year on year as local schools are at capacity in certain year groups and the needs of pupils with additional learning is becoming more complex with individual and specialist taxis required. | 150 | 0 | 0 |
| | Total Strategy, Culture, Community Learning and Resources | 150 | 0 | 0 |
| | TOTAL LEARNING AND SKILLS | 4,084 | 3,187 | 1,520 |

| No. | Service | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|------------------|------------------|------------------|
| Directorate: Social Services | | | | |
| | Children & Young People | | | |
| S1 | External Placements: This is the area of greatest pressure with a continuing increase in the numbers and complexity of need within our children looked after population. This creates associated pressures on placement availability in-house and increasing reliance on externally commissioned placements, both independent fostering placements and residential care. Projected full year pressure for 2019/20 based on current spend and the known need to place an additional two children in residential care this year, with no realistic prospects for reducing the current cohort of children placed externally. Further increases are probable over the next three years given increasing demand and complexity, and limited placement provision nationally. The projected costs could be higher if the number of external placements required is greater than the forecast, and if the individual costs of those placements is higher given complexity of need. | 931 | 276 | 276 |
| S2 | Legal Costs: Continuing increase in the number and complexity of care proceedings, including the requirement to instruct Counsel. Projected full year pressure for 2019/20 based on current and projected spend. Pressure in the following two years reflects a similar rise to that between last year and this year, with this year's trend indicating a similar increase. | 95 | 20 | 20 |
| S3 | National Minimum Allowance (NMA) for Foster Carers - Kinship: Continuing increase in the number of kinship carers. This is positive in promoting the numbers of children able to live within their families, but creates budgetary pressure associated with the cost of supporting these placements. | 277 | 53 | 53 |
| | Total for Children & Young People | 1,303 | 349 | 349 |
| | Adults Services | | | |
| S4 | Demographic changes - Ongoing increase in the number of people over 65 who will be eligible to receive services. Accessing at a later stage, requiring complex care at higher cost, ongoing issue regarding the impact of the Welsh Government introduction of the £80 cap and increase in capital allowance. | 400 | 400 | 400 |
| S5 | Continuing challenge by providers to increase fees to meet provider costs - Pressures include National Living Wage, Sleep-ins, HMRC regulations re travel time, auto-enrolment of pensions and now the increased burden of registration costs for domiciliary care workers under Regulation and Inspection of Social Care (RISC) (Wales) Act 2016. | 1,000 | 1,000 | 1,000 |
| S6 | Supported Living Contract - Additional investment to sustain supported living accommodation contract in 2019/20 as reported to Cabinet in October 2017 and further increases anticipated in future years when contract will be retendered. | 447 | 118 | 118 |
| S7 | Legal Costs - Adults Services have noted a considerable rise in the number of cases that are proceeding to court or mediation. This is therefore identified as a cost pressure and is reflective of the complex and challenging cases the Division now supports. | 10 | 0 | 0 |
| S8 | Joint Equipment Store - Change in formula could result in an additional contribution | 0 | 40 | 0 |
| | Total for Adults Services | 1,857 | 1,558 | 1,518 |
| | Resource Management & Safeguarding | | | |
| S9 | Deprivation of Liberty Safeguards - Despite investment in previous years the demand for DOLS Assessments continues to increase. The budget will overspend this financial year due to the number of health and Best Interest assessments conducted, there is still a backlog, in particular in relation to authorisations for this area. We also need to secure additional legal capacity to process applications to court to mitigate risk of legal challenge to the Council. | 120 | 0 | 0 |
| | Total for Resource Management & Safeguarding | 120 | 0 | 0 |
| | TOTAL SOCIAL SERVICES | 3,280 | 1,907 | 1,867 |
| Directorate: Environment and Housing | | | | |
| | Neighbourhood and Transport Services | | | |

| No. | Service | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|------------------|------------------|------------------|
| V1 | Waste increase in cost of Recycling Treatment contract - The recycling treatment contract was tendered in 2017/18 with a start date of April 2018. Due to the crash in the value of recycling the cost of the co-mingled treatment contract has risen to around £850k per annum. This was funded by £430k of reserves in 2018/19 however funding from this source is unsustainable. | 450 | 0 | 0 |
| V2 | Waste - Reduction in Grant funding - Environment and Sustainable Development Grant was reduced by £175k in 2018/19 which is approximately 7.5% of the total grant. A large proportion of the grant has now been subsumed into the Revenue Support Grant. Further reductions of 10% on the remaining grant have been assumed for future years | 85 | 80 | 75 |
| V3 | Waste - Cost of Refuse Collection for new housing developments - The continual increase in new housing developments within the Vale of Glamorgan has led to increased waste collection and disposal costs. | 300 | 0 | 0 |
| V4 | Highways Highway and Footway Network - Due to the reduction in the level of Resurfacing being undertaken on the carriageway and footway since the cessation of the LGBI funding it is anticipated that the amount of patching required will increase. | 350 | 0 | 0 |
| V5 | Highways Big Fill - Funding for Big Fill set aside until end of 2019/20. Reduction in funding will lead to faster deterioration of the highway network and increased levels of insurance claims. | 0 | 300 | 0 |
| V6 | Highways Structures Periodic Inspections - There is a backlog of inspections with costs greater than the current budget available. | 100 | 0 | 0 |
| V7 | Street Lighting Structural Testing - There is a need to undertake significant levels of structural testing on street lighting as the stock ages. There is currently a backlog of testing which will cost more than the current budget. | 20 | 0 | 0 |
| V8 | Concessionary Fares Bus Passes - The Vale currently receive £3 for each bus pass in circulation. There is a new application process in 2019 which may cause the number in circulation to decrease. | 15 | 0 | 0 |
| V9 | Reduction in Sports Wales grant funding - Correspondence received from Sports Wales suggests a cut in grant funding next year of anywhere between 5 and 10%. | 0 | 20 | 0 |
| Total for Neighbourhood and Transport Services | | 1,320 | 400 | 75 |
| Building Services | | | | |
| V10 | Building Services - Corporate Compliance Team - Following the introduction of the auditing function for Corporate Building Compliance, the team function has changed and now delivers an Auditing function to all corporate buildings, including those which have not previously subscribed to the Service Level Agreement. This has had considerable impact on the cost recovery within the team which has previously operates on a fee earning basis. This fee recovery is no longer sufficient to support the team in a function which ensures the Council and its buildings are safe for employees and the general public to use. Previously trading activity and any surplus or deficit, has been posted to the Building Services Trading Account however the increase in staff costs is no longer sustainable for this corporate safeguarding function | 90 | 0 | 0 |
| Total for Building Services | | 90 | 0 | 0 |
| TOTAL ENVIRONMENT AND HOUSING SERVICES | | 1,410 | 400 | 75 |

| Directorate: Managing Director & Resources | | | |
|---|--|------------|-----------|
| | ICT | | |
| R1 | Microsoft Licences (including move to Office 365) - Price increases due to Microsoft regularising product costs across the UK and US - US historically paid more and UK less. | 316 | 0 |
| | Total for ICT | 316 | 0 |
| | | | 49 |

Analysis of Revenue Cost Pressures 2019/20

APPENDIX 3

| No. | Service | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|-----|---|------------------|------------------|------------------|
| | Regeneration | | | |
| R2 | Countryside - Former Natural Resources Wales grant funding subsumed into WVG grant for last 2 yrs but WVG have recently advised there will be no funding for bio-diversity after 2018/19. | 17 | 0 | 0 |
| R3 | Homes Loan Officer - Key post, only funded until 31st March 2019. Delivering against performance indicator feeding into Council performance. Loss of post will lead to lack of direction and policy drift and almost certainly a drop in performance when compared to neighbouring authorities. | 37 | 0 | 0 |
| | Total for Regeneration | 54 | 0 | 0 |
| | TOTAL MANAGING DIRECTOR AND RESOURCES | 370 | 0 | 49 |
| | Directorate: Policy | | | |
| P1 | City Deal - Debt funding for loans to fund contribution to programme. | 100 | 50 | 50 |
| | TOTAL FOR POLICY | 100 | 50 | 50 |
| | TOTAL COST PRESSURES 2019/20 | 9,244 | 5,544 | 3,561 |

| Title of Saving | Description of Saving | 2019/20 £000 | 2020/21 £000 |
|---|--|-----------------|-----------------|
| SOCIAL SERVICES | | | |
| Adult Services | | | |
| Reshaping Services | Review of management of adult care packages and day services to be realised through a variety of delivery options | 330 | 0 |
| Total Adult Services | | 330 | 0 |
| Total Social Services | | 330 | 0 |
| ENVIRONMENT AND HOUSING | | | |
| Neighbourhood Services | | | |
| Reshaping Services | To be realised through a range of initiatives | 600 | 0 |
| Total Neighbourhood Services | | 600 | 0 |
| Total Environment and Housing | | 600 | 0 |
| MANAGING DIRECTOR & RESOURCES | | | |
| Financial Services | | | |
| 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 |
| Total Financial Services | | 0 | 207 |
| Total Managing Director & Resources | | 0 | 207 |
| COUNCIL WIDE | | | |
| 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 |
| Total Council Wide | | 1,990 | 500 |
| TOTAL SAVINGS EXCLUDING SCHOOLS | | 2,920 | 707 |
| Schools - 1% Savings Target | | 824 | 816 |
| TOTAL SAVINGS FOR COUNCIL | | 3,744 | 1,523 |

| | Original Budget 2018/19 | Asset Rents/ IAS 19 | Original Budget 2018/19 | Rechgs/ Transfs | Budget Adjustment | Pay Inflation | Committed Growth | Base Estimate 2019/20 | Savings Applied | Cost Pressures |
|---|----------------------------|------------------------|----------------------------|--------------------|-------------------|---------------|------------------|--------------------------|--------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Learning and Skills | | | | | | | | | | |
| Schools | 84,458 | 0 | 84,458 | (34) | 0 | 1,854 | 479 | 86,757 | (824) | 2,809 |
| Strategy, Culture, Community Learning and Resources | 11,555 | (3,314) | 8,241 | (249) | 0 | 106 | 0 | 8,098 | 0 | 150 |
| Achievement for All | 4,650 | 2 | 4,652 | 192 | 0 | 104 | 0 | 4,948 | 0 | 1,125 |
| School Improvement | 1,033 | 0 | 1,033 | 25 | 0 | 1 | 0 | 1,059 | 0 | 0 |
| Directors Office | 232 | 0 | 232 | 0 | 0 | 2 | 0 | 234 | 0 | 0 |
| Social Services | | | | | | | | | | |
| Children and Young People | 15,235 | (35) | 15,200 | 399 | 0 | 97 | 0 | 15,696 | 0 | 1,303 |
| Adult Services | 46,644 | (177) | 46,467 | (265) | 330 | 400 | 0 | 46,932 | (330) | 1,857 |
| Resource Management & Safeguarding | 201 | 93 | 294 | 3 | 0 | 68 | 0 | 365 | 0 | 120 |
| Youth Offending Services | 728 | (16) | 712 | (6) | 0 | 14 | 0 | 720 | 0 | 0 |
| Environment and Housing | | | | | | | | | | |
| Neighbourhood and Transport Services | 26,842 | (4,274) | 22,568 | 57 | 0 | 413 | 0 | 23,038 | (600) | 1,320 |
| Building Services | 0 | 46 | 46 | 0 | 0 | 0 | 0 | 46 | 0 | 90 |
| Regulatory Services | 2,239 | 1 | 2,240 | (96) | 0 | 0 | 0 | 2,144 | 0 | 0 |
| Council Fund Housing | 1,383 | (23) | 1,360 | (3) | 0 | 27 | 0 | 1,384 | 0 | 0 |
| Managing Director | | | | | | | | | | |
| Resources | 497 | (509) | -12 | (259) | 0 | 357 | 0 | 86 | 0 | 316 |
| Regeneration | 2,055 | (32) | 2,023 | (26) | 0 | 56 | 0 | 2,053 | 0 | 54 |
| Development Management | 1,076 | (7) | 1,069 | (46) | 0 | 45 | 0 | 1,068 | 0 | 0 |
| Private Housing | 11,007 | (8) | 10,999 | (9,844) | 0 | 10 | 0 | 1,165 | 0 | 0 |
| General Policy | 12,218 | 8,253 | 20,471 | 10,152 | 0 | 0 | 0 | 30,623 | (1,990) | 100 |
| TOTAL | 222,053 | 0 | 222,053 | 0 | 330 | 3,554 | 479 | 226,416 | (3,744) | 9,244 |

| <u>ANALYSIS OF RESERVES</u> | | Bal | In | Out | Est Bal | Comments | Est Bal | Est Bal | Est Bal |
|--|--|----------|-------|-------|------------|---|------------|------------|------------|
| Name | | 31/03/18 | | | 31/03/19 | | 31/03/20 | 31/03/21 | 31/03/22 |
| | | £,000 | £,000 | £,000 | £,000 | | £,000 | £,000 | £,000 |
| <u>Housing Revenue Account</u> | | 775 | 77 | 0 | 852 | 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 |
| General Reserves | | | | | | | | | |
| Council Fund | | 9,634 | 4,000 | 0 | 13,634 | The working balance of the Authority can be used to support Council Fund expenditure or to reduce the Council Tax. The minimum recommended level in the view of the S151 Officer is £7m. £4m transferred into this reserve as part of the Initial Budget Proposals 2019/20. | 13,634 | 13,634 | 13,634 |
| Specific Reserves | | | | | | | | | |
| Learning and Skills | | | | | | | | | |
| School Invest to Save | | 25 | 0 | -25 | 0 | The reserve is used to support costs of staffing restructuring and redundancies in schools. | 0 | 0 | 0 |
| Schools Rationalisation and Improvements | | 763 | 32 | -314 | 482 | 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. | 502 | 502 | 0 |
| School Deferred Pensions | | 252 | 0 | -28 | 224 | To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years | 200 | 200 | 200 |
| Sports Facilities | | 31 | 0 | 0 | 31 | 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 | | 151 | 0 | 0 | 151 | To finance the improvement of Library services. | 0 | 0 | 0 |
| Adult Community Learning | | 89 | 0 | 0 | 89 | 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 | | 149 | 0 | -107 | 42 | 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 | | 187 | 0 | -187 | 0 | 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 |

| <u>ANALYSIS OF RESERVES</u> | | Bal 31/03/18 | In £000 | Out £000 | Est Bal 31/03/19 | Comments | Est Bal 31/03/20 £,000 | Est Bal 31/03/21 £,000 | Est Bal 31/03/22 £,000 |
|--------------------------------|--|-----------------|------------|-------------|------------------------|---|---------------------------------|---------------------------------|---------------------------------|
| Name | | | | | | | | | |
| Social Services | | | | | | | | | |
| 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 | -500 | 1,413 | To cover short term childrens placements which have a high cost e.g. remand, that cannot be accommodated within the current operational budget. | 1,413 | 1,413 | 1,413 |
| 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 |
| Environment and Housing | | | | | | | | | |
| Neighbourhood Services | | 7,200 | 0 | -4,150 | 3,050 | To be used for initiatives to improve Neighbourhood Services, including Parks and Highway services plus any potential costs of waste disposal initiatives. | 600 | 220 | 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. | 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 |

| <u>ANALYSIS OF RESERVES</u> | | Bal 31/03/18 | In £000 | Out £000 | Est Bal 31/03/19 | Comments | Est Bal 31/03/20 | Est Bal 31/03/21 | Est Bal 31/03/22 |
|--|-------|-----------------|------------|-------------|--|----------|------------------------|------------------------|------------------------|
| Name | | | | | £000 | | £,000 | £,000 | £,000 |
| Managing Director and Resources | | | | | | | | | |
| Regeneration and Planning | | | | | | | | | |
| 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 | -41 | 755 | Monies set aside to cover various commitments within the service. | | 755 | 755 | 755 |
| 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 |
| Resources | | | | | | | | | |
| 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 |

| <u>ANALYSIS OF RESERVES</u> | | Bal 31/03/18 | In £000 | Out £000 | Est Bal 31/03/19 | Comments | Est Bal 31/03/20 | Est Bal 31/03/21 | Est Bal 31/03/22 |
|--|-------|-----------------|------------|-------------|---|---|------------------------|------------------------|------------------------|
| Name | | | | | £000 | | £,000 | £,000 | £,000 |
| Democratic & Freedom of Information | | 48 | 0 | -48 | 0 | To be used to fund IT and other equipment required to support department. | 0 | 0 | 0 |
| Corporate | | | | | | | | | |
| 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 | -368 | 69 | Energy saving schemes initially funded from this reserve and transfers in relate to the repayments to the fund from services once savings are achieved. | | 168 | 242 | 302 |
| 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 |

| <u>ANALYSIS OF RESERVES</u> | | Bal 31/03/18 | In £000 | Out £000 | Est Bal 31/03/19 | Comments | Est Bal 31/03/20 | Est Bal 31/03/21 | Est Bal 31/03/22 |
|---|--|-----------------|--------------|----------------|------------------------|---|------------------------|------------------------|------------------------|
| Name | | | | | £000 | | £,000 | £,000 | £,000 |
| Capital | | | | | | | | | |
| City Deal | | 1,898 | 0 | 0 | 1,898 | 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 | | 570 | 0 | -110 | 460 | 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 | | 3,952 | 105 | -674 | 3,383 | 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. | 3,219 | 2,352 | 2,193 |
| Capital Scheme Commitments | | 92 | 0 | -55 | 37 | Set aside to top up Barry Regeneration schemes. | 37 | 37 | 37 |
| School Investment Strategy | | 11,372 | 37 | -2,501 | 8,908 | To be used to fund schemes identified as part of the Schools Investment Programme including the Band B 21st Century School programme. | 6,570 | 683 | 240 |
| Capital Fund | | 3 | 0 | 0 | 3 | To assist in funding future capital commitments. | 3 | 3 | 3 |
| Project Fund | | 3,180 | 0 | -416 | 2,764 | 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. | 2,330 | 2,180 | 2,180 |
| Regeneration Fund | | 312 | 0 | -32 | 280 | To fund various regeneration schemes in the Vale, including committed capital schemes. | 22 | 22 | 22 |
| Council Building Fund | | 6,582 | 0 | -3,102 | 3,480 | The fund is available in respect of repairs and maintenance of Council Buildings. | 1,880 | 1,526 | 1,526 |
| Repairs and Renewals Vehicle | | 2,414 | 900 | -590 | 2,724 | 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 | | 500 | 0 | 0 | 500 | To fund the update of Social Services premises to meet the future demands of the service. | 500 | 500 | 500 |
| Telecare | | 565 | 0 | 0 | 565 | Replacement fund for Telecare equipment and other service costs. | 565 | 565 | 565 |
| TOTAL SPECIFIC RESERVES (excl HRA) | | 66,085 | 1,245 | -14,277 | 53,054 | | 41,370 | 33,055 | 31,219 |