

Meeting of:	Cabinet
Date of Meeting:	Monday, 07 October 2019
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Medium Term Financial Plan 2019/20 to 2022/23
Purpose of Report:	To submit the draft Medium Term Financial Plan 2019/20 to 2022/23 for consideration and approval.
Report Owner:	Report of The Leader
Responsible Officer:	Carys Lord, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	The Medium Term Financial Plan has been drawn up following consultation with all chief officers.
Policy Framework:	This report is a matter for Executive decision by the Cabinet.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The purpose of the Medium Term Financial Plan is to link the Council’s strategic planning process with the budget process and to ensure consistency between them. It is a mechanism that attempts to match future predicted resources and expenditure, identify potential shortfalls and provide the financial framework for the next 3 years. • Indications of future revenue settlements from Welsh Government have not been received and therefore it is difficult to predict with certainty what the potential shortfall will be in future years. There are also other variables e.g. pay awards, which have to be estimated at this stage. • As a result of this uncertainty the Plan has been modelled on a range of Welsh Government settlements and council tax increases. • The matching exercise indicates that if there is a cash neutral or 1% reduction in the settlement from Welsh Government and if there is a 4.9% increase in council tax for each year of this Plan, there remains between £10.470m and £14.986m of savings to be identified for the 3 years of the Plan. If the council tax was to be increased to and maintained at the Welsh average, with a cash neutral or 1% reduction in the settlement from Welsh Government, there remains between £3.747m and £8.263m of savings to be identified for the 3 years of the Plan. This is after already planning for £748k of savings (excluding schools) for the same period. 	

Recommendations

That Cabinet be requested to:

1. Consider and endorse the contents of the draft Medium Term Financial Plan for 2019/20 to 2022/23.
2. Refer the Plan to Corporate Performance and Resources Scrutiny Committee for consideration with any comments made by that Committee being taken into account by Cabinet as part of the final budget proposals for 2020/21.

Reasons for Recommendations

1. To facilitate the integration of medium term financial planning into the corporate planning and budget process.
2. To consider comments of Scrutiny Committee.

1. Background

- 1.1 The Budget Strategy for 2020/21 was approved by Cabinet on 15th July 2019, (min no. C37 refers). This established a baseline for services to prepare initial revenue budgets for 2020/21 based on the cost of providing the current level of service and approved policy decisions and including any net savings targets set. It also set out the timetable to be followed and requested Directors to continue to progress the Reshaping Services Programme.
- 1.2 The draft Medium Term Financial Plan 2019/20 to 2022/23 is attached at Appendix 1. The purpose of the Medium Term Financial Plan is to link the Council's strategic planning process with the budget process and to ensure consistency between them. It is a mechanism that attempts to match future predicted resources and expenditure, identify potential shortfalls and provide the financial framework for the next 3 years. It is not the budget setting process that allocates detailed budgets for services. Its purpose is to inform members and to suggest a way of dealing with the future financial pressures facing the Council.
- 1.3 This iteration of the Plan builds upon the work carried out as part of the 2019/20 budget process as detailed in the Final Revenue Budget Proposals report approved by Council on 8th March 2019 (Minute No. 835 refers).
- 1.4 This Medium Term Financial Plan, therefore, attempts to:
 - Identify the main financial implications resulting from the increased pressure falling upon Council services, including pay and price inflation, legislative and demographic changes;
 - Estimate the reduced financial resources that will be available to the Council to meet these demands;

- Match the predicted expenditure and resources and provide a framework to develop a financial strategy towards achieving a balanced budget for the next 3 financial years.

2. Key Issues for Consideration

- 2.1** The draft Medium Term Financial Plan is attached covering the period 2019/20 to 2022/23. No indicative settlement figures for 2020/21 onwards have been provided by Welsh Government. Due to the considerable uncertainty and the anticipated continuation of reductions in funding, the Plan has been based on a cash neutral settlement and a 1% reduction each year for the period of this Plan.
- 2.2** It should be noted that the use of the above information does not provide the level of certainty required for forward planning. The basis of these latest assumptions, therefore, can in no way be guaranteed and any changes to the figures used could have a significant financial impact. However, every indication is that restrictions in public sector funding will continue for the foreseeable future and the failure to prepare for further reductions now could have far greater consequences for service delivery in the future.
- 2.3** For the purposes of this Plan, options for the level of council tax have been highlighted. With the current level of cost pressures facing the Council and without a corresponding increase in funding from the Welsh Government, it is predicted that in order to balance the budget an increase in council tax of at least a similar level to 2019/20 will be required. When comparing the Council's 2019/20 Band D council tax with that of the other Welsh local authorities, the Vale of Glamorgan has the 6th (out of 22) lowest Band D charge in Wales which is 3.8% below the Welsh average. The Vale's Band D council tax increased by 4.9% in 2019/20 while the Welsh average increased by 6.2%. This Plan therefore highlights the impact of increasing the council tax to a projected Welsh average level for 2020/21, based on the assumption that there will be a similar increase in the 2020/21 Welsh average as the actual increase in 2019/20 i.e. 6.2%. This would equate to an increase of 10.4%. Thereafter it is assumed that in order to maintain the Welsh average, an increase of 6.2% is required for the remainder of the Plan.
- 2.4** The matching exercise indicates that if there is a cash neutral or 1% reduction in the settlement from Welsh Government and if there is a 4.9% increase in council tax for each year of this Plan, there remains between £10.470m and £14.986m of savings to be identified for the 3 years of the Plan. If the council tax was to be increased to and maintained at the Welsh average, with a cash neutral or 1% reduction in the settlement from Welsh Government, there remains between £3.747m and £8.263m of savings to be identified for the 3 years of the Plan. This is after already planning for £748k of savings (excluding schools) for the same period.

- 2.5** The achievement of the identified savings will be extremely challenging in the context of historical savings already delivered, but failure to deliver this level of savings will significantly impact on the Council achieving its required financial strategy.
- 2.6** It should be noted that there will inevitably be additional cost pressures arising between now and 2022/23 which are as yet unknown and little provision has been made for service development. Clearly, although savings will continue to remain a major expectation of future budgets, it is unlikely that the Council will seek to or be able to fund all cost pressures.
- 2.7** As a result of the high level of savings required, there will be difficulties in maintaining the quality and quantity of services without exploring opportunities for collaboration and alternative forms of service delivery. The only realistic option facing the Council in future years is the successful delivery of its Reshaping Services programme.
- 2.8** To ensure that the budget set for 2020/21 continues to address the priorities of the Vale of Glamorgan residents and the Council's service users, the budget setting process will incorporate engagement with a range of key stakeholders.
- 2.9** Options which are recommended within the Plan for exploration as part of the 2020/21 budget process to close the funding gap in future years are:
- Considering the results of the budget engagement process in determining priorities for future savings and service delivery;
 - Reviewing the appropriateness of financial strategies for services;
 - Reviewing the feasibility of any change in the use of the Council Fund Reserve and other reserves as part of the financial strategy;
 - A further review of the level of cost pressures with a view to services managing and reducing demand and mitigating pressures;
 - Services funding their own residual cost pressures through reviewing their existing budgets and revised/alternative means of service provision;
 - Services meeting their own pay inflation through reviewing their staffing structure in line with changes to service delivery and workforce planning requirements;
 - Reviewing the priorities for funding statutory and non-statutory services, including establishing minimum levels of service provision;
 - Considering the latest position regarding the Council's Reshaping Services programme and identifying further area for savings;
 - Continue to pursue collaborative working;
 - Reviewing the strategic approach for commercial opportunities;
 - Continue to implement the Digital Strategy;

- Continuation of the Space Project to achieve accommodation related efficiencies;
- Consider the increase in Council Tax;
- Reviewing the achievement of the 2019/20 savings targets; and
- Considering the possibility of a reduction in the level of service and determining what services the Council needs to deliver in the future.

2.10 It is clear, however, that whatever strategy is taken forward it may involve the use of the Council Fund and will involve the use of other reserves to allow the specific savings required to be developed, consulted upon and implemented. At present, it has been approved that £1m will be used from the Council Fund in 2020/21. However, this Medium Term Financial Plan shows a gap between the level of identified savings to the total required. As such, it may be necessary to increase the use of reserves in the short term subject to the Council Fund reserve balance not falling below a figure which the Section 151 Officer deems to be a reasonable minimum.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Delivery of the Council's priorities is reliant on having robust corporate governance arrangements. These arrangements are set out in the strategic planning framework and financial planning is one of the elements of this integrated approach to corporate planning. The Corporate Plan outlines the work that the Council will undertake towards achieving the 4 well-being outcomes. The budget setting process and this Plan needs to be developed in parallel with the well-being outcomes and will look to align sources of funding to the Council's commitments.
- 3.2** In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. The Medium Term Financial Plan reflects this new approach to working and this is demonstrated throughout the Plan.

4. Resources and Legal Considerations

Financial

- 4.1** Although the figures contained within the Medium Term Financial Plan must be treated with caution, particularly due to the uncertainty surrounding the predictions of expected resources, the Plan is currently indicating a significant shortfall of available funding to 2022/23.

Employment

- 4.2** The savings targets will have an impact on staffing levels, however, the eventual impact on job numbers is not known. It will be important to ensure that appropriate consultation takes place with the trades unions in relation to the staffing implications of this report. The level of consultation may increase over the coming months as the more detailed change proposals within service areas emerge. Such consultation will help to explore ways of reducing any adverse implications for staff.

Legal (Including Equalities)

- 4.3** The Council is required under statute to fix the level of council tax for 2020/21 by 11th March 2020 and in order to do so will have to agree a balanced budget by the same date.

5. Background Papers

Corporate Plan 2016 – 2020



VALE of GLAMORGAN COUNCIL
**MEDIUM TERM
FINANCIAL PLAN**

2019/20 - 2022/23



VALE OF GLAMORGAN COUNCIL

MEDIUM TERM FINANCIAL PLAN

2019/20 TO 2022/23

TABLE OF CONTENTS

	SECTION	PAGE
1.	INTRODUCTION AND CONTEXT	2
2.	REVENUE POSITION	4
3.	RESERVES	16
4.	RISKS TO PLANNING	18
5.	THE STRATEGY	21
6.	CONCLUSION AND RECOMMENDATIONS	25

DRAFT

1. INTRODUCTION AND CONTEXT

Internal Context

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

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

1.2 The Corporate Plan is in the process of being updated for 2020 to reflect the work undertaken in the current plan and how the vision of strong communities with a bright future will be delivered over the next five years.

1.3 Delivery of the Council's priorities is reliant on having robust corporate governance arrangements. These arrangements are set out in the strategic planning framework. The framework describes how strategies, plans and processes work together and how they are monitored and scrutinised. Financial planning is one of the elements of this integrated approach to corporate planning. One of the actions in the Corporate Plan is to review and challenge the Council's approach to financial planning, including the capital programme, to ensure a long term view is balanced with the need to address immediate priorities. CIPFA guidance is requiring authorities to produce a Capital Investment Strategy which brings together information from the Asset Management Plan and the Treasury Management Strategy. This Strategy should cover the longer term and should cover at least the next 10 years. The first Capital Investment Strategy for this Authority was approved by Council in February 2019. As a result this Medium Term Financial Plan (MTFP) will only deal with the Council's revenue position.

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

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

- Looking to the long term - The Plan is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- Taking an integrated approach - The Plan highlights and encourages ways of working which respect and understand the impact the Council's actions have on those of our partners and between service areas within the Council.

DRAFT

- Involving the population in decisions – The Plan recommends that engagement with residents, customers and partners takes place as part of the budget setting process, in addition to the engagement that takes place at a service specific level.
- Working in a collaborative way – The Plan recognises that, in certain cases, more can be achieved and better services can be provided by working in collaboration and it recommends this as a way of working in the future.
- Understanding the root cause of issues and preventing them – The Plan is proactive and allows an understanding of the financial position so that issues can be tackled at source.

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

External Context

1.7 There are a number of external factors that impact on the Council's financial position going forward. The results of the Westminster Government's 2010 Comprehensive Spending Review heralded a marked reduction in the level of funding to be provided by the Welsh Government (WG) to councils. As a consequence, between 2010/11 and 2018/19 the Council has identified savings of around £55 million.

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

1.9 As part of the budget proposals for 2019/20, WG did not provide any indication of future settlements. It is assumed that the current trends in Local Government funding will continue and that the Council should plan for a range of challenging settlements going forward. The projection is at best for a cash neutral settlement, therefore, failure to prepare for the possibility of further reductions now could have far greater consequences for service delivery in the future.

1.10 This year provides additional uncertainty due to the lack of clarity in relation to the UK Government's plan for a Comprehensive Spending Review and the impact that this will have on Welsh Government's budget and timetable. The announcement of the provisional funding settlement for Local Government from WG for 2020/21 is therefore due later than usual this year, during November/December, with the final settlement being confirmed at the beginning of March 2020. The outcome of the settlement for the coming year will be addressed as part of the Final Revenue Budget proposals for 2020/21.

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

2. REVENUE POSITION

Sources of Funding

- 2.1 Each year, the Council is required under statute to fix the level of council tax by 11th March for the succeeding financial year and, in order to do so, will have to agree a balanced revenue budget by the same date.
- 2.2 The Council's annual revenue budget is determined largely by the Welsh Government. Standard Spending Assessments (SSA) are notional calculations of what each Council needs to spend to provide a standard level of service. These assessments are an important part of the formula for distributing the Revenue Support Grant to local authorities and are calculated to take account of the differing costs of providing services in each authority area because of their different demographic, physical, economic and social characteristics.
- 2.3 The Revenue Support Grant (RSG) together with the Council's share of the National Non Domestic Rate (NNDR) Pool constitutes the Aggregate External Finance (AEF) and are un-hypothecated amounts paid by WG in general support of the services provided by local authorities, therefore these sums are not earmarked for particular services and it is for the Council to determine its own service priorities. The funding is supplemented by specific and special hypothecated grants which are provided by WG to support specific services and developments. For 2019/20, the Council's share of RSG and NNDR was £110.310m and £41.760m respectively, giving a total AEF of £152.070m. This funds 67.3% of the Council's net revenue budget in 2019/2020.
- 2.4 In recent years WG has encouraged collaborative working and has made additional funding available in the form of the Intermediate Care Fund (ICF). This fund is being used to build effective working practices across health, social services and housing, to take forward schemes which demonstrate an effectiveness across community and acute environments and linking out-of-hospital care and social care to strengthen the resilience of the unscheduled care system. The partners in the ICF collaboration are Cardiff and Vale University Health Board, Cardiff Council and the Vale of Glamorgan Council. The Council is also the host authority for three collaborative services; the Shared Regulatory Service, the Internal Audit Shared Service and the Vale, Valleys and Cardiff Regional Adoption Service.
- 2.5 The Council can generate income from fees and charges. Through the Reshaping Services Programme, the Council is continuing to review areas where charges can be made for services, in order to contribute towards its savings targets.
- 2.6 The Council also holds reserves. Reserves are a way of setting aside funds from budgets in order to provide security against future risks and to allocate funding for future priorities. The Council holds reserves for a range of purposes which can be used to fund either revenue or capital expenditure and can be general or for specific purposes. The Housing Revenue Account Reserve is ring-fenced and will be used to fund improvements to the Council's housing stock.
- 2.7 When determining its Budget Requirement, the Council must, therefore, consider carefully its spending plans in the light of not only its AEF but also, grant income

DRAFT

generally, income from fees and charges and any contributions from reserves, as any remaining balance will have to be met via the council tax. This is the main source of local taxation available to local authorities and is levied on households within the Vale of Glamorgan by the Council as the billing authority. At £74.028m for 2019/20 (excluding town and community council precepts), the council tax contributes a relatively small proportion of the Council's overall funding at 32.7% of the budget. As the whole of any difference between the Council's net budget and its external funding falls on the council tax, even marginal changes in spending can have a significant impact on council tax levels.

- 2.8 Based upon both the 2019/20 budget and council tax position, a 1% increase in net Council expenditure would equate to around £2.2m. In comparison a 1% increase in council tax would raise circa £740k and as a consequence an increase in expenditure of 1% is equivalent to just over a 3% increase in council tax.

Predicting Resources

- 2.9 WG has not yet confirmed the potential change in the level of funding it will provide for 2020/21 onwards. Thus, there is considerable uncertainty as to the future level of funding and this situation does not provide any comfort as to the level of resources that the Council will eventually receive going forward. It is difficult to predict the extent of any reduction as this depends on many factors, including the level of protection provided by WG to various services. Possible decisions by WG to hypothecate (earmark) higher percentage sums to individual services (e.g. Education or Social Services) would have a major impact upon the ability of the Council to resource its other local priorities. The level of reduction in AEF for 2019/20 for this Council was 0.77% when taking into account adjustments.
- 2.10 There is uncertainty surrounding the economic climate leading up to the exit from the European Union and ongoing protection for health services. It is therefore felt that a prudent approach should be taken and this Plan is modelled on both a cash neutral settlement and a reduction of 1% per annum. It must be emphasised that these are predictions and any deviation from this could have a further significant financial impact as each 1% reduction in WG funding costs the Council approximately £1.5m.
- 2.11 Similarly, many Council activities are dependent upon grant funding to maintain existing service delivery levels. Aside from the general uncertainty as to whether certain grants will continue in future years or be absorbed into the RSG, there continues to be a real possibility of a significant reduction in the quantum available for distribution. It has been assumed in preparing this Plan that specific grants will either continue or that any decrease will be offset by a corresponding curtailment in the initiatives funded.
- 2.12 The following table shows the overall assumed change in Revenue Support Grant and share of the NNDR Pool if there is a 1% reduction across the period of this Plan.

DRAFT

WG Revenue Funding 2020/21 to 2022/23 Based on 1% Reduction

	£000	£000	£000
Revenue Support Grant	110,310		
NNDR Pool	41,760		
2019/20 Actual		152,070	
2020/21 Assumed Decrease (1%)		150,549	(1,521)
2021/22 Assumed Decrease (1%)		149,044	(1,505)
2022/23 Assumed Decrease (1%)		147,554	(1,490)
Overall Decrease in Cash Terms			(4,516)

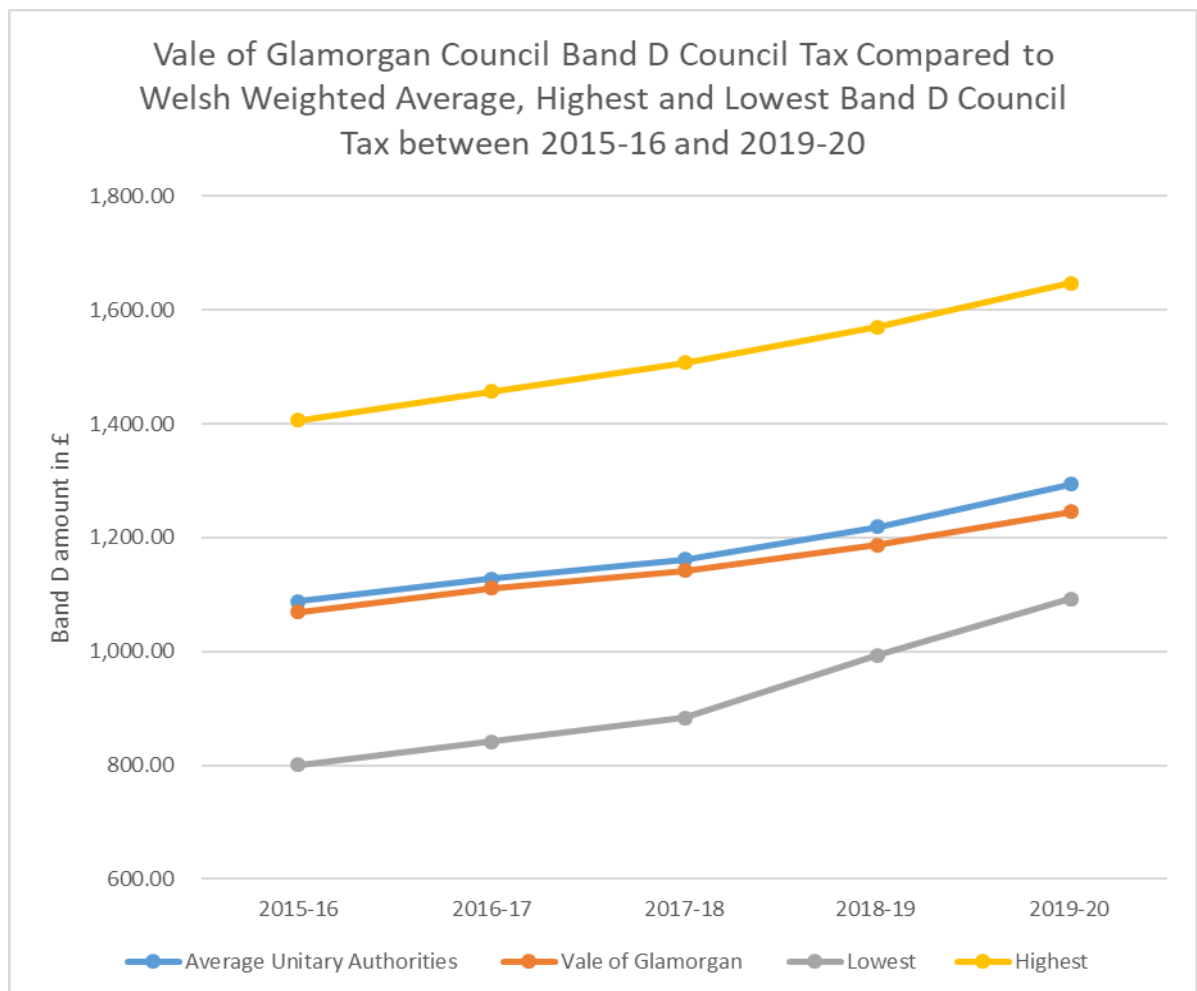
- 2.13 In order to calculate any real terms percentage change in funding, it is necessary to adjust for the inflationary elements contained within the Council's existing base budget i.e. pay awards and price increases.
- 2.14 There has been increased pressure on pay budgets in recent years. The National Living Wage (NLW) was introduced in April 2016 at £7.20 per hour for workers over the age of 25. The current rate for 2019/20 is £8.21 per hour, with further increases anticipated to April 2020 when the rate could be at least £9 per hour. A two year pay deal was agreed for 2018/19 and 2019/20 for staff on NJC terms and conditions. The increase for 2020/21 is currently unknown however a financial sum at the same level as the actual increase for 2019/20 has been included in this Plan for each year.
- 2.15 There is no indication as to the Teachers pay award from 1st September 2020 and currently the pay award for 1st September 2019 has yet to be agreed. Welsh Government has now devolved responsibility for Teachers' Pay in Wales. On 22nd July 2019 the Minister published the first report of the new Independent Welsh Pay Review Body and commenced an 8 week consultation process which will end on 16th September 2019. The main proposal currently is an increase in pay for teachers in Wales by 2.75%. These assumptions will continue to be reviewed as further information becomes available.
- 2.16 The Consumer Prices Index (CPI) increased by 2.0% in the year to July 2019. It is considered that with the current projected shortfall in funding, this level of provision cannot be provided for across all non pay budgets. Not all contracts the Council enters into will have a requirement to be increased year on year by inflation. It is therefore proposed that in line with the approach taken as part of the budget setting process for 2019/20 any non pay inflation required will be funded by services from within existing budgets.
- 2.17 Although no final decision will be made on the increase in the level of council tax until the 2020/21 budget is set in March 2020, for the purposes of this Plan, options for the level of council tax have been highlighted. With the current level of cost pressures facing the Council and without a corresponding increase in funding from the Welsh Government, it is predicted that in order to balance the budget an increase in council tax of at least a similar level to 2019/20 will be required. A 1% rise in council tax would have the potential to generate approximately £740k per annum.

DRAFT

When comparing the Council's 2019/20 Band D council tax with that of the other Welsh local authorities, the Vale of Glamorgan has the 6th (out of 22) lowest Band D charge in Wales at £1,245.06 which is 3.8% (£49.16) below the Welsh weighted average. In 2018/19 the Council was 9th lowest and 2.6% (£32.16) below the average. The Vale's Band D council tax increased by 4.9% in 2019/20 while the Welsh weighted average increased by 6.2%.

Average Band D council tax in Wales has increased by 19% since 2015/16 (£206.30) while the Vale of Glamorgan's council tax has increased by 16% (£175.50) for the same period. The Vale of Glamorgan in 2015/16 had a Band D set at £1,069.56 which was £18.36 below the weighted Welsh average. The highest Band D Council Tax in 2015/16 was set at £1,406.29 and the lowest Band D Council Tax was set at £801.04. In 2015/16 the Council had the 10th lowest Band D charge in Wales.

The graph below shows that the increases in council tax set by the Vale of Glamorgan since 2015/16 have been lower than the weighted Welsh average and the gap from the average is widening. The trend of the highest and lowest Band D authorities has also been shown for comparison.



2.18 This Plan therefore highlights the impact of increasing the council tax to a projected Welsh average level for 2020/21, based on the assumption that there will be a similar increase in the 2020/21 Welsh average as the actual increase in 2019/20 i.e. 6.2%. This would equate to an increase of 10.4%. Thereafter it is

DRAFT

assumed that in order to maintain the Welsh average, an increase of 6.2% is required for the remainder of the Plan.

Predicting Expenditure

2.19 As part of the forward planning process, it is necessary to make predictions of expenditure to 2022/23.

2.20 The Corporate Plan will both inform and be informed by the budget decision-making process and sets out the activities to be undertaken to ensure the best possible outlook for the Council's citizens and communities. The Corporate Plan is currently in the process of being updated in readiness for 2020. In developing the actions contained in the Corporate Plan, consideration has been given to the ability to fund each commitment. Actions, will in the main, be funded from within existing budgets or where possible through the use of external grant funding or working with external partners. However, the budget setting process and this Plan needs to be developed in parallel with the well-being outcomes and will look to align sources of funding to the Council's commitments. The well-being outcomes are outlined below, with some examples of how they will be delivered from a range of funding sources and illustrations of innovative working with partners and the benefits of accessing grant funding.

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

DRAFT

promote a range of early years services including information and support for parents. It will work in partnership to deliver a range of leisure activities and community facilities and to progress the integration of adult social care and community health services.

- 2.21 The Council is committed to delivering sustainable, cost-effective services that meet people's needs and maximise the use of its resources. To enable this, the Corporate Plan identifies a number of actions to improve integrated planning and these actions have been considered as part of this Plan.
- 2.22 Due to the uncertainty of future levels of funding, the financial viability of actions will be monitored throughout the duration of the Corporate Plan. Future expenditure patterns and the availability of resources to pursue corporate priorities will undoubtedly be heavily influenced by external factors such as those resulting from legislative, demographic or grant related changes.
- 2.23 In addition to inflationary increases, the major cost pressures affecting services over the period of the plan have been identified to 2022/23. Where possible, service departments are encouraged to mitigate known cost pressures from within their existing budgets.
- 2.24 In the Chancellor's 2016 Budget, it was announced that there would be a change in the discount rate to be used in the valuations of unfunded public service pension schemes with effect from 2019/20. The Teachers Pensions is classed as such a scheme. This proposed change is increasing the employers contributions rate from 16.48% to 23.68% from 1st September 2019. The part year affect from 1st April 2020 has been included in this Plan.
- 2.25 There are pressures on services across the Council. It is recognised that the increase in an aging population will place significant pressure on Adult Social Care budgets, as clients become frailer and have more complex needs. There are also pressures on the childrens placement budget. The Waste Management Section is being affected by changes in the recycling market which are resulting in increasing costs for disposal.
- 2.26 The introduction of the National Living Wage has also had a significant financial impact on the cost of externally commissioned services. The main area affected being Social Services and therefore in negotiating fees going forward, a better understanding of provider's costs and pricing for both state supported packages of care and self-funders and their capacity to absorb the NLW needs to be understood. The Lets Agree to Agree process is reviewing the current costs incurred by care home providers in order to inform this fee setting process. It is not yet clear what the hourly rate for the NLW will be for 2020/21 onwards. The rate is normally set as part of the Autumn Statement and will be based on advice from the Low Pay Commission. Even with this uncertainty, it is considered prudent to include an estimation of possible additional costs over the coming 3 years for commissioned services, although this will need to be reviewed when further information becomes available.
- 2.27 The Cardiff Capital Region City Deal brings together ten local authorities and financial support from Welsh and UK Governments to generate significant economic growth and to improve transport and other infrastructure within the Cardiff Capital Region over the next 20 years. The total cost of the City Deal, including the Welsh and Westminster Government's contributions is £1.2bn

DRAFT

(£1,200m). However, the total cost of the Deal is estimated to be £210.8 million to the 10 Council's involved in the project. The Vale of Glamorgan's share of the estimated total costs is projected to be in the order of £17.9 million and will be funded by unsupported borrowing with a 25 year repayment period. The contribution to be made by the Council will be substantial over the coming years however the specific timing of these contributions are still being finalised. The Council is currently holding a reserve of £1.9m to support the implications of the City Deal, however, further funding will need to be identified for future years as the Vale's contribution to the Deal progresses.

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

PREDICTED REVENUE COST PRESSURES

	2020/21 £000	2021/22 £000	2022/23 £000	TOTAL £000
<u>LEARNING & SKILLS</u>				
Schools - Demographic Growth	1,625	1,420	1,220	4,265
Schools - Employers Contribution for Teachers Pension	1,221	0	0	1,221
Placements (In and Out of County)	300	200	200	700
DIRECTORATE TOTAL	3,146	1,620	1,420	6,186
<u>SOCIAL SERVICES</u>				
Childrens Placements	825	550	275	1,650
Adult Services - Demographic Growth and Increase in Cost charged by Providers	1,400	1,400	1,400	4,200
DIRECTORATE TOTAL	2,225	1,950	1,675	5,850
<u>ENVIRONMENT AND HOUSING</u>				
Waste and Recycling Services	750	500	0	1,250
DIRECTORATE TOTAL	750	500	0	1,250
<u>GENERAL POLICY & COUNCIL WIDE</u>				
21 st Century School Loan Debt	0	430	0	430
Reduction in use of Reserves	1,000	1,000	0	2,000
TOTAL	1,000	1,430	0	2,430
TOTAL COST PRESSURES	7,121	5,500	3,095	15,716

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

DRAFT

Welfare Reforms - Parliament enacted the Welfare Reform Act in March 2012. The Act made provision for the introduction of Universal Credit. The Universal Credit (UC) brings together various welfare benefits into a single payment. There are a number of significant issues associated with Welfare Reforms that have and will impact upon the Council and its services. These could include a potential increase in homelessness, poverty, additional pressure on Social Services, a reduction in income levels for the Housing Revenue Account through increased rent arrears and an increase in council tax arrears. There could also be increased costs from implementing the Welfare Reform changes and the potential impact on staff and job losses over the life of the process, as the changes are fully implemented.

Universal Credit was introduced in the Vale of Glamorgan for single Job Seekers Allowance (JSA) claimants from February 2016 but was paused from December 2017. The full service roll out began in October 2018. The number of claimants on UC at the end of June 2019 is 3,040. The impact on the Housing Benefit caseload since September 2018 which is just prior to full service UC rolling out to the end of June 2019 is a reduction in caseload of 1,080. The number of claimants is expected to then steadily rise each month with full implementation by 2023. However currently Pensioner cases, temporary and supported accommodation along with anyone with a Severe Disability Premium in an existing welfare benefit, will remain with Housing Benefit.

It is still too early to fully assess the impact of the Welfare Reforms as although the numbers are steadily increasing the numbers are still quite low. However, the potential costs to the Council, particularly post 2019/20 could still be significant. The Council is currently holding a reserve of £756k to support the impact of Welfare Reforms and continues to monitor the impact of implementation across services.

Additional Learning Needs and Education Tribunal (Wales) Act 2018 -

Through the implementation of the Additional Learning Needs and Education Tribunal Act, Welsh Government is committed to transforming the expectations, experiences and outcomes for children and young people with ALN. The Act requires the implementation of an ambitious and wide-ranging Additional Learning Needs Transformation Programme which will revolutionise the separate systems in schools and further education, to create a unified system for supporting learners from 0-25 with ALN.

The view held by Welsh Government is that the implementation of these reforms will be “cost neutral”, however, the general belief held by professionals working in the field is that significant additional funding will be required to ensure the successful implementation of the Act. Until the Code of Practice is issued in 2020, it is difficult to estimate the extent of additional funding that will be required; however, there are certain aspects of the Act where it is clear that financial risks exist.

The new legislation brings together a single legislative framework for children and young people from birth up to the age of 25 who have additional learning needs. This expands on the previous remit which was 3-19 years which will

DRAFT

inevitably increase demand for services which Local Authorities will be unable to meet without expanding the workforce. Another significant change is that the responsibility for funding post-16 placements in specialist colleges will transfer from Welsh Ministers to Local Authorities. Additional funding will be transferred to Local Authorities from Welsh Government in order to support this transition but it is very unclear as to how the level of funding will be calculated. These are very high cost placements and given the increase in young people with complex needs in the population as a whole, there are significant financial risks associated with this transfer of responsibility.

The Act also establishes a duty on Local Authorities to establish a truly bilingual system. This is a very positive development but will undoubtedly require significant investment in order to establish the Welsh ALN provision and resources required to fulfil the requirements of the Code.

Existing Financial Strategy

- 2.30 The 2019/20 budget setting process reassessed the financial strategies that were established as a result of the budget review which was carried out and approved as part of the 2013/14 final budget proposals. The continued appropriateness of these strategies were reviewed given the significant level of savings that are to be found and the relative size of the Education & Schools and Social Services budgets as a proportion of the Council's net budget requirement.
- 2.31 **Education & Schools Financial Strategy** – The current Welsh Government elected in 2016 no longer require the provision of a Minimum Funding Commitment (MFC) for schools, which had previously been equivalent to 1% above the block grant settlement that WG received from the Treasury. While the Council was committed to providing the MFC for schools, this allocation did not fund all cost pressures and some pressures had to be met by schools themselves. As it is anticipated that the Council's funding from WG will at best be cash neutral or will reduce further into 2020/21 and onwards, it is inevitable that this position will have to continue and it will not be possible to fund all of the School's cost pressures. The Plan has therefore been based upon Schools meeting their cost pressures to the value of 1% of their current budget for each year of the Plan. This figure is similar to previous years and is considered reasonable in light of the level of savings to be achieved by other services in the Council. Changes in pupil numbers are not yet known and will be considered as part of the 2020/21 budget setting process. The Council will however be minded of the current financial strategy which states that changes to Education should at least match the overall percentage shift in the Council's budget as amended for adjustments to the council tax reduction scheme (CTRS) and the council tax base and that it will strive to ensure that the budget for Education will be the same proportion of the Council's total budget as the Education SSA is to the total SSA, where it is feasible.
- 2.32 **Social Services Financial Strategy** –The Council will also strive to continue the principles which have been applied to Education & Schools for the percentage shift in Council budget and proportion of SSA to also stand for Social Services, however, again this will have to be considered in the light of future settlements.
- 2.33 **All Other Services Financial Strategy** - The financial strategies agreed for Education and Schools and Social Services were not something that could be extended to all services Council-wide. For the remaining services, they will need

DRAFT

to continue to manage downwards or meet the bulk of their cost pressures through additional savings as well as taking their share of any budget reductions as a result of reduced funding. The Council is, however, mindful of its corporate priorities. Where practical, the Council will strive to maintain those Other Services that also contribute to this corporate agenda.

Matching Predicted Resources and Expenditure

- 2.34 As part of the 2019/20 budget setting process it was predicted that there would be a shortfall in funding of between £5.046m and £7.118m in 2020/21 depending on whether council tax was set at 2.1%, being CPI at that time, or the 2019/20 increase of 4.9%. This was after the approval of savings of £881k for schools and £632k for all other services. Currently approved savings are shown in Appendix 1.
- 2.35 The following tables provide a summary of the predicted shortfall in funding to 2022/23, taking into account the options for the projected change in resources available and a list of major cost pressures and currently identified savings. It also includes the assumption that not all of the Schools cost pressures will be funded in full, in line with previous years. Funding from the WG has been modelled based on a cash neutral settlement and a 1% reduction per annum. The increase in council tax is also shown at the same level as in 2019/20 of 4.9% and an estimate to reach and maintain the welsh average.

DRAFT

Matching Predicted Resources to Expenditure 2020/21 to 2022/23

Net Pressures	2020/21	2021/22	2022/23	Total for 3 Years
	£000	£000	£000	£000
Pay Inflation – Schools	1,834	1,834	1,834	
Cost Pressures - Schools	2,846	1,420	1,220	
Less				
Savings To be Achieved by Schools	(879)	(917)	(940)	
Net Pressures – Schools	3,801	2,337	2,114	
Pay Inflation – Other Services	1,720	1,720	1,720	
Cost Pressures – Other Services	4,275	4,080	1,875	
Less				
Savings Identified	(632)	(116)	0	
Net Pressures– Other Services	5,363	5,684	3,595	
Approved Use of Council Fund	(1,000)	0	0	
Total Net Pressures	8,164	8,021	5,709	21,894

Cash Neutral Settlement	2020/21	2021/22	2022/23	Total for 3 Years
	£000	£000	£000	£000
Change in AEF of 0%	0	0	0	
Notional Council Tax Increase 4.9%	(3,627)	(3,805)	(3,992)	
Potential Revenue Shortfall	4,537	4,216	1,717	10,470
Notional Council Tax Increase to Welsh Average (10.4% 20/21 & 6.2% thereafter)	(7,699)	(5,067)	(5,381)	
Potential Revenue Shortfall	465	2,954	328	3,747

1% Reduction in Settlement	2020/21	2021/22	2022/23	Total for 3 Years
	£000	£000	£000	£000
Reduction in AEF of 1%	1,521	1,505	1,490	
Notional Council Tax Increase 4.9%	(3,627)	(3,805)	(3,992)	
Potential Revenue Shortfall	6,058	5,721	3,207	14,986
Notional Council Tax Increase to Welsh Average (10.4% 20/21 & 6.2% thereafter)	(7,699)	(5,067)	(5,381)	
Potential Revenue Shortfall	1,986	4,459	1,818	8,263

DRAFT

- 2.36 The matching exercise indicates that if there is a cash neutral or 1% reduction in the settlement from Welsh Government and if there is a 4.9% increase in council tax for each year of this plan, there remains between £10.470m and £14.986m of savings to be identified for the 3 years of the Plan. If the council tax is to be increased to and maintained at the Welsh average, with a cash neutral or 1% reduction in the settlement from Welsh Government, there remains between £3.747m and £8.263m of savings to be identified for the 3 years of the Plan. This is after already planning for £748m of savings (excluding schools) for the same period. The achievement of the required level of savings will be extremely challenging in the context of historical savings already delivered. Whilst savings from efficiencies will continue to be pursued, realistically, a substantial proportion of the balance will need to be found through the reshaping of Council services, which in itself will require a lead in time of at least one year and will require the Council to seek alternative forms of service delivery and consider the long term viability of some functions.
- 2.37 There is still uncertainty as to the reliability of available information upon which future resources have been predicted and the assumptions that have had to be made. The results of the matching exercise assume all identified savings options are achieved. It should also be noted that, if anything, cost pressures for years beyond 2021 are likely to be understated because of the sparsity of information available and the as yet unknown changes in legislation.
- 2.38 Such is the sensitivity of the resource predictions that a 1% change in assumed funding for RSG/NNDR would have a significant effect on these figures, reducing or increasing the predicted available revenue resources at the end of each year by an average of around £1.5m. It should be noted that there is no collective consensus as to the levels of future settlements and inflation trends, therefore, the deficit could increase with the consequent need to find further savings.
- 2.39 The effect of increasing council tax by 1% year-on-year over the period of the Plan raises a little over £2.2 million in total.

DRAFT

3 RESERVES

- 3.1 Reserves are a way of setting aside funds from budgets in order to provide security against future risks and to allocate funding for future priorities. The Council holds reserves for a range of purposes which can be used to fund either revenue or capital expenditure. The Council has always taken a prudent approach with regard to Specific Reserves and uses them to mitigate known risks (financial and service) and contingent items, e.g. Insurance Fund. Other reserves have been established to fund Council priorities, e.g. Neighbourhood Services and in particular the Capital Programme, e.g. School Investment Reserve, Project Fund, Building Fund.
- 3.2 The Council's strategy for the level and use of its reserves is reviewed and reported to Cabinet throughout the year via the Initial Budget Proposals report in November, the Final Budget Proposals report in February, the Closure of Accounts report in July and as part of the MTFP during September. Each report will examine the reserves to ascertain their strategy for use (i.e. whether the need to hold the fund is still relevant) and their level (i.e. whether the amount held in the fund is sufficient for requirements). These reports also include details of any new transfers into reserves and new commitments for their use. Each individual reserve and their intended use is shown, together with the current balance and the projected movement over the coming years.
- 3.3 After several years of real term reductions in funding and with the uncertainty of funding levels into the foreseeable future, there is reducing contingency in the normal operational council budgets and the management and use of reserves will become increasingly important to be able to continue to provide services and to mitigate risks, while still trying to deliver corporate priorities.
- 3.4 The Council Fund reserve is held for general purposes and as at 1st April 2019 had a balance of £13.636m. A drawdown of £2m in 2019/20 and a further £1m in 2020/21 has currently been planned, leaving a balance at 31st March 2023 of £10.636m. Whilst there is no set requirement for the minimum level of the Council Fund, some commentators use 5% of the net budget as a guide. For the Council this is currently around £11m, however, in view of the prudent approach the Council takes with regard to Specific Reserves, £7m is considered a reasonable minimum.
- 3.5 In addition, the Council has a range of earmarked reserves where funding has been ringfenced for a specific purpose. As at 1st April 2019 these earmarked reserves totalled £64m excluding schools balances. Around £30m of these earmarked reserves, some of which are not specifically held for capital, will be used to finance the approved capital programme between 2019/20 and 2023/24. The largest reserve is the School Investment Strategy reserve which stood at £9.038m on 1st April 2019. It will be used as the Council's contribution towards the 21st Century Schools capital investment programme.
- 3.6 The Housing Revenue Account Reserve has a balance of £2.668m as at 1st April 2019 and is ring-fenced for the development and improvement of the Council's housing assets. The level of this reserve is reviewed on an annual basis as part of the updating of the 30 year Housing Business Plan.
- 3.7 The commitments against reserves have been assessed and attached at Appendix 2 is a schedule showing the reserves and the anticipated balances over the period of

DRAFT

this MTFP, 31st March 2019 to 31st March 2023. A summary of the position is set out in the following table.

Summary of Estimated Reserves Projected to 2022/23	Bal. 31/3/2019 £'000	Net Movement £'000	Est. Bal. 31/3/2023 £'000
Council Fund	13,636	(3,000)	10,636
Specific Reserves :			
- Insurance Fund	3,891	0	3,891
- Capital Reserves	29,801	(19,992)	9,809
- Other Specific Reserves	30,313	(11,845)	18,468
Total Reserves (exc Schools & Housing Revenue Account)	77,641	(34,837)	42,804

3.8 It is projected that there will be a large fall (45%) in the level of reserves over the period of this Plan as substantial calls on funds are made. The Council Fund is at a reasonable level and is not expected to fall below £7m. In light of the projected shortfall in funding for 2020/21, a further use of the fund will need to be considered as part of the budget setting process for 2020/21 once the final settlement figures are received from WG. It is considered that earmarked reserves are adequate to cover future commitments and risks but will need to be carefully monitored in future years.

4 RISKS TO PLANNING

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

Resource Risks

- 4.4 In addition to the uncertainty regarding the percentage reduction to be applied by WG, there is also uncertainty in respect of data changes in the funding formulae and changes to the composition of the formulae themselves. For example, any potential transfer of specific grants into the formula may be at a different level to that which was previously provided via grant.
- 4.5 The pay inflation levels for the coming years included in the Plan may vary, however, it is considered that this has been included at a prudent level.
- 4.6 The continuing uncertainty in the economic climate could result in a reduction in income e.g. planning fees and rental income from workshops and other business units.

Expenditure Risks

- 4.7 As part of the 2019/20 budget setting process, it was anticipated that savings of between £10.352m and £14.642m, excluding schools would need to be identified between 2019/20 and 2021/22. There is great pressure on services to deliver these existing savings. The additional savings target in this Plan assumes that all existing savings will be achieved and within the required timeframe. Non-achievement of these savings will put additional pressure on services and will make the ability to find the additional level of savings, highlighted in this Plan, increasingly difficult. The £3m approved savings for 2019/20 will therefore be closely monitored in-year and the impact of any non-achievement will be assessed as part of the 2020/21 budget setting process and will also impact on future Medium Term Financial Plans.
- 4.8 A further implication of the ongoing level of savings is that there will be a reducing base of staff, tasked to deliver services in an increasingly efficient way. This brings with it a significant risk that there may have to be a reduction in the level of service provided.

DRAFT

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

- **Education** – There has been increased demand from Vale of Glamorgan pupils requiring placements in Ysgol Y Deri and fewer places are being purchased by other authorities, as they themselves seek to reduce their costs. This brings a resultant reduction in income. Also there has been an increase in the number of pupils with significant needs that are unable to be met at Ysgol Y Deri and therefore have to be placed in independent schools and with other authorities.
- **Social Services** - There are ongoing pressures as a result of the changes in demographics, people are living longer and have more complex needs and the increase in charges from service providers due to the introduction of the National Living Wage. Over the past year there has been increasing 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.
- **Neighbourhood Services** – Looking to the longer term there are risks associated with increases in charges for energy. In addition, the waste agenda, despite the commencement of the Prosiect Gwyrdd residual waste facility, is a pressure area with potential legislative changes and the increase in the costs of recycling and disposal and the market for recycled materials changing across the world.
- **Housing/Council Tax** - The impact of changes to welfare reforms are at present not clear. The changes are at the early stages of implementation and while the Council has not as yet been adversely affected, future implications are difficult to predict.

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

4.11 The uncertainty created by the exit from the European Union also brings risk as contract prices may change due to staffing issues and the terms of trading with European suppliers. Also any legislative changes could affect the procurement of goods and services and also may affect the service provision regulations e.g. waste, environmental issues, which may have an impact on services and assets.

Mitigation of Risks

4.12 An inevitable consequence of these levels of savings is that there will be a reduction in staff numbers. The Council has set aside funds to cover potential early retirement and redundancy costs. These funds are considered to be sufficient so the risk of meeting severance costs has been mitigated. The Council's Workforce Plans should also help to mitigate the risk by ensuring that it anticipates and plans for the workforce needs of the future in order to meet changing services requirements.

DRAFT

- 4.13 In the past, the Council has taken a prudent view with regard to unsupported borrowing. It is therefore considered that the Council will be able to maintain the currently approved levels of borrowing which serves to mitigate this risk.
- 4.14 The Reshaping Services Programme is a proactive change programme which seeks to mitigate financial risks by fundamentally reviewing services which includes the use of technology to drive change.
- 4.15 Savings will need to be closely monitored and scrutinised to ensure they are delivered on target and within the approved timeframe.
- 4.16 The Council holds a reasonable level of reserves and this funding source could be used on a one off basis or could be used as a support while further plans are developed and implemented.
- 4.17 The Council continues to implement energy efficiency schemes which helps to reduce energy usage.
- 4.18 In mitigating risks, it is necessary to identify both the likelihood and impact on Council services, which result from external pressures and decisions to reduce local government funding. However, the sparsity of information on which to base these decisions and in particularly those impacting on local government funding, do not in any way assist the risk management process. As such, it will be necessary to revisit the assumptions made in the light of changing and evolving circumstances as part of the 2020/21 budget setting process.

5 THE STRATEGY

5.1 In considering the position, it should be noted that, the rolling nature of the Medium Term Financial Plan will necessitate it changing and developing as a budgeting and forward planning tool as the factors upon which it is based become clearer and more certain. In particular, predictions of likely future pay inflation funding and annual revenue settlements from WG are still extremely uncertain. The Council's Corporate Plan contains actions aligned to well-being outcomes which are to be delivered through a range of funding sources which are also subject to change and therefore could be affected by future reductions in funding. One of the Council's ways of working is to understand the root cause of issues. Through projecting and understanding the financial position of the Council, issues can be identified and the necessary actions required can be taken in a timely manner. Key to ensuring that the financial position is monitored in the context of other corporate planning activities is the establishment of the Insight Board, which has streamlined arrangements and amalgamated existing groups into one Board. A priority of the Insight Board is to review corporate plans and strategies.

5.2 As the strategy contained within this Section is based upon projected inflation and cash changes in WG funding of RSG/NNDR (based upon the assumed settlement figures), even a small percentage change could have a significant impact.

5.3 Involving the population in decisions is embedded in the way the Council works. To ensure that the budget set for 2020/21 and for future years continues to address the priorities of Vale residents and the Council's service users, the budget setting process will incorporate engagement with a range of stakeholders. This engagement will be facilitated by Council officers and conducted in line with the corporate standards set out in the Vale of Glamorgan Council Public Engagement Framework. To ensure that all stakeholders are able to make a meaningful contribution to the process, they will be provided with sufficient information to enable them to make informed comments. Also the Council will work with the Public Service Board to link their well-being priorities and this will have an impact on the way in which the Council's funding is used and will inform future collaborative arrangements.

5.4 There will be a programme of engagement with elected members of the Vale of Glamorgan Council through the scrutiny process. The input of elected members will provide another channel through which residents can have an input into the budget setting process.

Projected Shortfall

5.5 Based upon the revised projected funding reductions, this Plan indicates that if there is a cash neutral or 1% reduction in the settlement from Welsh Government and if there is a 4.9% increase in council tax for each year of this plan, there remains between £10.470m and £14.986m of savings to be identified for the 3 years of the Plan. If the council tax is to be increased to and maintained at the Welsh average, with a cash neutral or 1% reduction in the settlement from Welsh Government, there remains between £3.747m and £8.263m of savings to be identified for the 3 years of the Plan. This is after already planning for £748k of savings (excluding schools) for the same period.

DRAFT

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

5.7 With such a high level of savings already allocated over the past years, careful consideration must be given to how additional savings are allocated to service areas, while there are areas of the Council where there are fixed costs that cannot change e.g. debt costs. The following issues will be considered.

Transformational Change

5.8 The scale of the challenge that now faces the Council means that a "business as usual" approach, however well managed will not be enough. The challenge is therefore to consider alternative delivery models for services across the Council. In November 2014, Cabinet agreed a Reshaping Services strategy and change programme. The aim of the strategy is to reshape the Council to enable it to meet the future needs of citizens of the Vale of Glamorgan within the context of unprecedented financial challenges. The Council is planning to deliver Tranche 5 of the Reshaping Service during 2020/21.

5.9 Services are asked to prioritise the consideration of alternative and collaborative methods of service delivery as opposed to a reduction in service level even though service reduction in the future could now be inevitable. Actions to support such new approaches include collaborative working and such initiatives are already included in the Corporate Plan and support one of the Council's ways of working, namely to work in a collaborative way. An example of this is the Shared Regulatory Service. Where possible demand management needs to be considered and service levels need to be reviewed.

5.10 Another way of delivering savings is to take a more commercial approach and where appropriate, charge for services and facilities. As part of the Reshaping Services programme, opportunities for charging are being considered. This will include extending current service provision and recovering the costs through income. Opportunities relating to advertising, filming and the recoupment of finance charges have been the focus of work to date and it is considered that the potential for income generation should be pursued further.

5.11 Services may also be able to identify additional sources of income from grant funding from Welsh Government and other grant making bodies as well as contributions from partner organisations for the delivery of initiatives. Grant funding is already being used to help achieve the Wellbeing Outcomes set as part of the Council's Corporate Plan. It is considered that grant funding from a variety of sources should be pursued and that the use of grant is reviewed to ensure that it is efficiently used.

5.12 The Council sees ICT and digital technology as a key means of reshaping services. The Council's Digital Strategy 2017-2020 was approved by Cabinet on 31st July 2017. The strategy identifies 4 themes which will enable the Council to achieve its vision. They are Digital Customer Service, Digital Workforce, Digital Place and Digital Collaboration. A new income management system is in the process of being implemented which will increase the receipt of income via digital channels. The

DRAFT

Council is also in the process of rolling out Microsoft 365. A new on line recruitment system has just been implemented.

- 5.13 Forming part of the Council's accommodation strategy, the Space Project is focussed specifically on the use of key corporate buildings. Since its implementation it has become a key driver for achieving a more efficient use of corporate buildings. This project will continue in order to reduce the running costs of the Council's accommodation. The Council also needs to consider whether it can use its assets to generate further income.

Traditional Savings

- 5.14 In addition to undertaking transformational change, the Council will also need to review and assess its expenditure to ensure efficiencies can be achieved through more traditional methods. The Council can drive out savings through the procurement process. It is essential that the Council ensures value for money from the contracts it enters into. It is therefore important that services continue to renegotiate contracts to deliver increased flexibility and efficiency gains and therefore controlling price inflation and maximising the use of collaborative arrangements such as through the National Procurement Service where it is advantageous to do so.
- 5.15 The Council will continue to review all levels of expenditure both staffing and non staffing to ensure that it is spending effectively.

Reserves

- 5.16 Whatever initiatives are put in place to deliver the required savings it may still be necessary to use reserves to support the future delivery of key priority actions. Including facilitating the implementation of Reshaping projects. As such, a key part of the Budget Process has and will continue to be the re-examination, redefinition and reclassification of all earmarked reserves in order to ensure a sustainable level of Council Fund reserve is maintained. A drawdown of £2m in 2019/20 and a further £1m in 2020/21 has been approved. The reserve will not fall below a level considered to be a reasonable minimum by the Section 151 Officer. This position will be reviewed by the Budget Working Group as part of the future financial strategy from 2020/21. However, it must be emphasised that the use of reserves to fund recurring expenditure can only be considered as part of a specific strategy to achieve a balanced budget in future years. The consequence of such actions will be to increase the level of savings required in future years.

Council Tax

- 5.17 For 2019/20, the Council's net budget requirement of £226.098m, after adjusting for discretionary rate relief of £240k, it is £2.243m below the Council's SSA of £228.101m. The Council's current Band D council tax is 3.8% below the Welsh average. The Council could consider a move towards the Welsh average and this has been modelled as part of this Plan. A 1% rise in council tax would have the potential to generate approximately £740k per annum. The % increase in council tax needs to be considered with a view of reducing the funding shortfall.

Current Service Pressures

- 5.18 The Council needs to continually review its estimation of all existing pressures, especially inflation, key demographic demands and levels of contingency to

DRAFT

minimise any unexpected impacts. Currently the major areas of financial pressure for the Council are in Social Service from the Adults Services Community Care packages and Childrens placements, in Learning and Skills from the Additional Learning Needs service and in Environment and Housing from the Waste Management service. Further work will need to be conducted by the directorates in assessing the future needs for the services and options for addressing the demand.

6 CONCLUSION AND RECOMMENDATIONS

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

6.2 It must be emphasised that the savings targets and options modelled in this Plan will not be easy to achieve particularly after already having several years of large scale reductions in funding, however, it is imperative that they are achieved. The savings for 2020/21 could be between £465k and £6.058m. While this represents a wide range, consideration has to be given to potential savings that can be achieved next year, whether any of the cost pressures can be mitigated and the subsequent increase in council tax required.

6.3 It will be necessary to ensure that there is a close system of monitoring and scrutiny of the savings to ensure their delivery. Details of individual savings targets and an assessment of their progress is reported to Cabinet and Scrutiny Committee on a quarterly basis.

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

6.5 In view of the shortfall identified across the 3 years, actions need to be taken to prepare for future reductions in real term funding. It is proposed that once the 2020/21 indicative allocations are received from WG and as part of the budget setting process for 2020/21, the Budget Working Group will consider the options for funding the shortfall as outlined in this Plan and identify further savings targets for future years, while ensuring that the limited resources focus on priorities as outlined in the Corporate Plan. At that stage the assumptions made in this Plan will also need to be reviewed for their appropriateness. The options to be considered should at least include the following :-

- Considering the results of the budget engagement process in determining priorities for future savings and service delivery;
- Reviewing the appropriateness of financial strategies for services;
- Reviewing the feasibility of any change in the use of the Council Fund Reserve and other reserves as part of the financial strategy;
- A further review of the level of cost pressures with a view to services managing and reducing demand and mitigating pressures;

DRAFT

- Services funding their own residual cost pressures through reviewing their existing budgets and revised/alternative means of service provision;
- Services meeting their own pay inflation through reviewing their staffing structure in line with changes to service delivery and workforce planning requirements;
- Reviewing the priorities for funding statutory and non-statutory services, including establishing minimum levels of services provision;
- Considering the latest position regarding the Council's Reshaping Services programme and identifying further area for savings;
- Continue to pursue collaborative working;
- Review the strategic approach for commercial opportunities;
- Continue to implement the Digital Strategy;
- Continuation of the Space Project to achieve accommodation related efficiencies;
- Consider the increase in Council Tax;
- Reviewing the achievement of the 2019/20 savings targets; and
- Considering the possibility of a reduction in the level of service and determining what services the Council needs to deliver in the future.

Service	Title & Description	2020/21	2021/22
LEARNING AND SKILLS			
Schools		881	919
Strategy, Culture, Community Learning & Resources			
General Efficiencies	General review of budget	45	0
Third Party Spend	Savings from external procurement	0	0
Total Strategy, Culture, Community Learning & Resources		45	0
TOTAL LEARNING AND SKILLS		926	919
SOCIAL SERVICES			
Childrens Services			
Psychology Support for Foster Carers	Savings from the commissioning of psychology support to offer a therapeutic service to foster carers	8	0
Total Childrens Services		8	0
Adults Services			
Review of Complex Cases		100	0
Total Adults Services		100	0
TOTAL SOCIAL SERVICES		108	0
ENVIRONMENT AND HOUSING			
Neighbourhood Services and Transport			
Traffic Surveys	Review of number of ad hoc, non-statutory traffic surveys	10	10
Passenger Transport	Review of service provision	144	0
Sports Development	Review of service provision	0	56
Community Buildings	Review of service provision	19	0
Total Neighbourhood Services and Transport		173	66
Regulatory Services			
Shared Regulatory Service	Savings from collaborative service	34	0
Total Regulatory Services		34	0
TOTAL ENVIRONMENT AND HOUSING		207	66

Service	Title & Description	2020/21	2021/22
MANAGING DIRECTOR AND RESOURCES			
Finance, ICT and Property			
Fraud & Income Recovery	Reduction in fraud and recovery of income	25	50
Universal Credit	Review of service provision following the rollout of Universal credit	187	0
Total Finance and ICT		212	50
HR			
Staffing Savings	Restructure of senior management	4	0
Total HR		4	0
Legal and Democratic Services			
Members Printing	Reduction in printing	1	0
Lease	Review of lease	3	0
Total Legal and Democratic Services		4	0
Performance and Development			
Digital Customer - Bulky Items	Review of the bulky item service and move to customer self-service	22	0
Total Performance and Development		22	0
Development Management			
Planning Income	Income from various initiatives in Planning department	7	0
Gen Efficiencies and Advertising	General budget review	8	0
Total Development Management		15	0
TOTAL MANAGING DIRECTOR AND RESOURCES		257	50
Council Wide			
Compliance	Review of Compliance arrangements	15	0
TOTAL COUNCIL WIDE		15	0
TOTAL		1,513	1,035

ANALYSIS OF RESERVES**APPENDIX 2**

Name	Bal	In	Out	Est	Comments	Est	Est	Est
	31/03/19			Bal		31/03/21	31/03/22	31/03/23
	£000	£000	£000	£000		£000	£000	£000
<u>Housing Revenue Account</u>	2,668	0	-1,794	874	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.	901	919	936
<u>General Reserves</u>								
Council Fund	13,636	0	-2,000	11,636	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.	10,636	10,636	10,636
<u>Specific Reserves</u>								
<u>Learning and Skills</u>								
Schools Rationalisation and Improvements	629	0	-139	490	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.	360	180	0
School Deferred Pensions	266	0	0	266	To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years	266	266	266
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.	10	10	10
Adult Community Learning	75	0	0	75	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	49	0	0	49	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	-123	64	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.	64	64	64

ANALYSIS OF RESERVES**APPENDIX 2**

Name	Bal 31/03/19 £000	In £000	Out £000	Est Bal 31/03/20 £000	Comments	Est Bal 31/03/21 £000	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000
Social Services								
Legislative Changes	6,109	0	0	6,109	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.	6,109	6,109	6,109
Social Services Plan	980	0	0	980	To support the approved Social Services Budget Reduction Programme.	980	980	980
Social Services Pressures	1,913	0	-1,500	413	To cover short term childrens placements which have a high cost e.g. remand, that cannot be accommodated within the current operational budget.	413	413	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	4,586	0	-3,803	783	To be used for initiatives to improve Neighbourhood Services, including Parks and Highway services plus any potential costs of waste disposal initiatives.	10	0	0
Waste Transfer Station	1,500	0	0	1,500	Establishment of a Waste Transfer Station.	750	0	0
Winter Maintenance	110	0	-110	0	To fund necessary works during periods of severe weather conditions.	0	0	0
Building Services Improvement	276	0	-134	142	Monies set aside for improvements to the Building Services department.	142	82	22
Rural Housing Needs	56	0	0	56	To be used to fund Rural Enabler post.	46	36	26
Homelessness and Housing	592	0	-26	566	This sum will be used to support homelessness prevention work.	541	516	491
Housing Strategy	10	0	-10	0	During 2019/20 work will commence on updating the Local Housing Strategy. This funding will be used to produce the strategy including facilitating consultation events.	0	0	0
Supporting People	35	0	-35	0	To continue to provide housing support.	0	0	0
Community Safety	69	0	-29	40	To fund community safety initiatives.	40	40	40
Gypsy Traveller	1,052	0	0	1,052	To support the provision of a Gypsy/Traveller site and Gypsy Liaison Officer.	1,052	1,052	1,052
Regulatory Improvements	282	0	-75	207	Monies set aside for Regulatory Services issues and to be used for any future issues arising from the shared services collaboration.	207	207	207

ANALYSIS OF RESERVES**APPENDIX 2**

Name	Bal 31/03/19 £000	In £000	Out £000	Est Bal 31/03/20 £000	Comments	Est Bal 31/03/21 £000	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000
Managing Director and Resources								
Regeneration and Planning								
Disabled Facilities	14	0	-14	0	To fund an Occupational Therapist within Disabled Facilities Grant team.	0	0	0
Private Sector Housing	262	0	-36	226	To fund initiatives for Private Sector Housing, including an Occupational Therapist within the DFG team.	226	226	226
Local Development Plan	304	30	0	334	Set aside for costs relating to the production of the Local Development Plan.	284	234	184
Regeneration & Planning	754	0	-280	474	Monies set aside to cover various commitments within the service.	363	322	281
Planning Fees	100	0	0	100	To provide for reduction in planning fees income.	100	100	100
Building Control	246	0	-50	196	Reserve set aside to fund future deficits on the ringfenced Building Control Trading Account.	146	96	66
Donations	29	0	0	29	Income received from visitors which is used to fund general projects and to match-fund expenditure incurred by the Friends of the Heritage Coast.	29	29	29
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
Financial IT System	27	0	-27	0	To fund the costs of implementing the new Income Management system.	0	0	0
Internal Audit	22	0	0	22	To provide training and support development of Internal Audit staff.	22	12	2
Legal	702	0	-50	652	To provide in house legal capacity on major projects, fund increased in house capacity which assists with income generation.	582	502	417
Trainee Appointments	680	0	-50	630	To fund the appointment of trainees and interns to support services and the Reshaping Service programme.	580	525	465
Legal Claims	1,920	0	0	1,920	To fund future legal cases and judicial reviews.	1,920	1,920	1,920
Child Burial	27	16	0	43	Ring fenced grant funding received from Welsh Government.	35	27	19

ANALYSIS OF RESERVES**APPENDIX 2**

Name	Bal	In	Out	Est	Comments	Est	Est	Est
	31/03/19			Bal		31/03/21	31/03/22	31/03/23
	£000	£000	£000	£000		£000	£000	£000
Human Resources	141	0	-20	121	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.	71	61	51
Performance and Development	388	0	-45	343	To fund the purchase of hardware, software and equipment and to fund the appointment of trainees and interns to support the service. £45k relates to the grant from WG to support the Brexit process.	293	263	238
Democratic & Freedom of Information	48	0	0	48	To be used to fund IT and other equipment required to support department.	33	23	13
Corporate								
Election Expenses	370	0	0	370	Set aside for the Council and other elections costs.	360	345	330
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	403	0	-102	301	To provide funds to promote the Vale of Glamorgan particularly in respect of tourism and economic development.	201	101	0
Insurance Fund	3,891	0	0	3,891	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.	3,891	3,891	3,891
Energy Management Fund	221	119	-282	58	Energy saving schemes initially funded from this reserve and transfers in relate to the repayments to the fund from services once savings are achieved.	58	58	58
Reshaping Services	814	0	0	814	To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services programme.	814	814	814
Digital Reshaping	225	0	0	225	Invest to save funding to support the implementation of new digital ways of working and to update current systems.	225	225	225
Interpretation Services for Asylum Seekers	98	0	0	98	To provide support and interpretation services for asylum seekers.	98	98	98
Stronger Communities Fund	337	0	-250	87	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".	0	0	0

ANALYSIS OF RESERVES**APPENDIX 2**

Name	Bal 31/03/19 £000	In £000	Out £000	Est Bal 31/03/20 £000	Comments	Est Bal 31/03/21 £000	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000
Mayors Foundation	2	0	-2	0	Ringfenced funding to be issued as grants.	0	0	0
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	537	0	-142	395	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.	285	175	65
ICT Fund	3,446	108	-597	2,957	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.	2,198	2,147	2,096
Capital Scheme Commitments	74	0	-30	44	Set aside to top up Barry Regeneration schemes.	44	44	44
School Investment Strategy	9,038	0	-4,134	4,904	To be used to fund schemes identified as part of the Schools Investment Programme including the Band B 21st Century School programme.	1,304	0	0
WG Schools Capital Grant	1,765	0	-1,765	0	A £1.765m grant was received from WG and was used to displace existing capital spend in 2018/19. An equivalent sum is being carried forward through this reserve into 2019/20 to fund capital expenditure relating to schools	0	0	0
Project Fund	2,850	0	-448	2,402	This fund is to be used to finance capital and revenue projects, with repayment of such advances being credited back to the fund where appropriate.	2,402	2,252	2,252
Regeneration Fund	304	0	-238	66	To fund various regeneration schemes in the Vale, including committed capital schemes.	66	66	66
Council Building Fund	5,475	0	-2,277	3,198	The fund is available in respect of repairs and maintenance of Council Buildings.	3,198	1,528	1,528
Repairs and Renewals Vehicle	2,944	900	-3,454	390	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.	390	390	390
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
ICF Capital	330	0	0	330	To fund future projects in partnership with Health.	330	330	330
Telecare	640	0	0	640	Replacement fund for Telecare equipment and other service costs.	640	640	640

ANALYSIS OF RESERVES

Name	Bal 31/03/19 £000	In £000	Out £000	Est Bal 31/03/20 £000
TOTAL SPECIFIC RESERVES (excl HRA)	64,005	1,173	-20,277	44,901

Comments

APPENDIX 2

Est Bal 31/03/21 £000	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000
37,828	33,049	32,168