



SUBJECT: BUDGET PROPOSALS 2019/20

MEETING: 7th January 2019

DATE: 7th January 2019

DIVISION/WARDS AFFECTED: All

1. PURPOSE:

- 1.1 To set out a budget proposal for financial year 2019/20.
- 1.2 To commence a period of consultation on the budget proposal that will remain open until 31 January 2019.
- 1.3 To consider the 2019/20 budget proposal within the context of the 4 year Medium Term Financial Plan (MTFP) and the Corporate Plan.

2. RECOMMENDATION

That Cabinet approves the release of the budget proposal for 2019/20 for consultation purposes.

- 2.1 That Cabinet approves the release of the budget proposal for 2019/20 for consultation purposes.
- 2.2 That Cabinet approves that the consultation period and opportunity to present alternative proposals that have been assessed for Future Generations implications ends on 31st January 2019.
- 2.3 That Cabinet recognises a year on year cash reduction of £936k in funding that it will receive from Wales Government
- 2.4 That Cabinet recognises unavoidable pressures of some £5.7 million that need to be provided for within the 2019/20 budget.
- 2.5 That Cabinet confirms its intention to fully fund all pay related pressures insofar as they impact schools and demand pressures caused by increasing numbers of looked after children in Social Services.
- 2.6 That Cabinet proposes a Council Tax rise of 5.95% for financial year 2019/20.
- 2.7 That Cabinet recognises that the budget proposal remains un-balanced at this stage. There is a remaining savings gap of £594k to address.

3. KEY ISSUES:

OVERVIEW

- 3.1 It is well trailed nationally that local government funding has been challenged for a number of years. Monmouthshire, in keeping with all other Councils in Wales has had to make significant adjustments year on year to its cost base to ensure that the service offer has remained relevant and appropriate for the citizens of the county. Members of all parties and none are familiar with having to take decisions that they would prefer not too but with this as a context there has tended to be a reasonable and pragmatic approach taken. Financial year 2019/20 will continue this approach. The priorities of the Administration are set out in the Corporate Plan and these, in summary, are repeated later in the report.
- 3.2 This budget proposal looks to support the priorities of the Administration. Specifically it seeks to recognise in full all pay and pension related spending pressures in our schooling system and the increasing demand being placed on our children's social care services. The budget proposal sees a continuation of our preparedness to challenge all services to improve rather than to see the closure of services that matter to citizens. There is an acknowledgement that when things close they never return and it is better to scale back rather than absolutely withdraw. This is a feature of a number of proposals for change that make up these proposals. In overall terms there are some £5.7 million of new unavoidable pressures that need to be accommodated as part of the 2019/20 budget and these are detailed in appendices.
- 3.3 It is never popular to charge for services but the reality is that we need to do so. We are proposing increases in a number of areas. Likewise increasing Council Tax is never popular but with the retreat of national funding, local taxation is by default having to shoulder a greater proportion of our overall funding. This budget proposal assumes a council tax rise of 5.95% for 2019/20 (1% higher than was signalled in our report of 7th November 2019) and a Council Tax rise of 3.95% for the remaining years of this Council. For a current Band D property with Council only element of £1,242 (exclusive of community council or Police levy), this would illustratively be an additional £73.90 a year or £1.42 a week.

BUDGET PROGRESS TO DATE	£'000
Gross Expenditure	155,920
Unavoidable Pressures	5,688
Sub Total Expenditure	161,608
Gross Income	(153,069)
Welsh Government funding reduction (-1%)	936
Savings Proposals	(4,415)
Income generation increase	(1,437)
Council tax additionality (5.95%)	(3,029)
Sub Total Income	(161,014)
Net Expenditure	594
Savings still to be identified	(594)
Net Expenditure	0

3.4 As part of our budget, the Administration signals an intent to enter into a specific piece of work to look at service provision within Usk in the early part of 2019. This will follow similar lines to work done in Caldicot this year which culminated in a £multi-million regeneration proposal. We would like to work with Usk Town Council and others on this. It is premature to assume outcomes but we would hope to have some recommendations for change and improvement coming forward in the autumn of 2019.

Purpose and Priorities

3.5 Monmouthshire County Council's Corporate Business Plan sets out the things we will be working on in the medium term. The plan sets out our five Organisational Goals (also our well-being objectives) supported by the 22 commitments to action we will make and the ways in which they will be measured in the run-up to 2022. This plan has been developed and aligned to the direction set in the Public Service Board objectives. The Plan is underpinned by a clear policy framework that sets out in more detail our work to enable the delivery of the plan. The aspiration and objectives set for Monmouthshire by the PSB and Council are:

Purpose: Building Sustainable and Resilient Communities	
<i>Public Service Board Well-being Objectives</i>	<i>Monmouthshire County Council Goals & Well-being Objectives</i>
Provide children and young people with the best possible start in life	The best possible start in life
Respond to the challenges associated with demographic change	Lifelong well-being
Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change	Maximise the potential of the natural and built environment
Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county.	Thriving and well-connected county
	Future - focussed Council

3.6 The budget proposals contained within this report have sought to ensure these key outcomes and priorities can be continued to be pursued as far as possible within a restricting resource base. This does not, however, mean that these areas will not contribute to meeting the financial challenges. The aim is to make sure everything is efficient so that as broad a range of service offer, in line with those functions that matter most to our communities, can be maintained. Chief Officers in considering the proposals and strategy above have also been mindful of the whole authority risk assessment.

3.7 In assessing the affordability considerations of the corporate plan, an exercise which is iterative and ongoing, confirmation **Page 3** either been received at this stage that

commitments to delivering the Corporate Plan for 2019-20 will either be met from existing budgets or are contained within the draft budget proposals. This work will continue as programmes of work develop and affordability considerations are more clearly understood and considered.

3.8 The following table demonstrates the links at a summary level that have been made with the 5 priorities, Corporate Plan and the strategic risks:

Proposal	Link to Goals and Well Being Objectives in the Corporate Plan	Link to Whole Authority Risk assessment
Schools budgets have been protected	Direct Spending in schools is maintained Best possible start in life Thriving and well connected County	Budget proposals are mindful of the risk in the register around children not achieving their full potential
Social care budgets will see additional resources going into the budget for Children's and adults social services to meet the pressures in these areas.	Lifelong well being	These proposals seeks to address the risks around more people becoming vulnerable and in need and the needs of children with additional learning needs not being met
The drive for service efficiencies savings has continued and a few focused service reviews have enabled saving to be identified e.g. Passenger Transport Unit review, Inclusion review and practice change in social care.	Further reviews has enabled frontline services to transform the way they do things whilst still delivering the goals of the Corporate plan and therefore contributing to the creation of sustainable and resilient communities.	Addresses risks around the ability to sustain our priorities within the current financial climate
The need to think differently what income can be generated has been a clear imperative in working up the proposals. Clear examples are the income opportunities from implementing the Commercial Strategy and the business plans within Tourism, Leisure and Culture.	Being able to generate further income streams responds to the consultation responses in previous years regarding a preference for this compared to services cuts and contributes to the aims of creating a sustainable and resilient communities.	

3.9 Cabinet received a report on the MTFP and budget process at their meeting of 7th November 2018. The report outlined the assumptions that were being used in the construction of the budget for 2019/20 and the MTFP and highlighted the outcome of the provisional settlement announcement for Monmouthshire.

3.10 As a reminder the following assumptions have been used initially for the 2019/20 budget:

- Council Tax – 4.95% for 2019/20, 3.95% for rest of MTFP
- Other external income – 0%, individual services to determine price increases
- Pay inflation – 2% for 2019/20, 1% for rest of MTFP
- Non pay inflation – 0%
- Vacancy factor – 2% (except schools)
- Superannuation – 23.1%, rising 1% each year of the MTFP
- Teachers superannuation – 16.48% rising to 23.6% at 1st Sept 2019
- Aggregate External Finance – 1% reduction based on the provisional settlement

3.11 The above assumptions led to a gap of £4.6 million in 2019/20 rising to a gap of £13.8 million over the medium term. At that time further work was being undertaken to assess service based pressures both in the current year budget and any new pressures arising. Savings and income generation proposals were also being worked up and reviewed in order to close the gap between available resources and demand for resources.

3.12 The Final Settlement is expected to be announced on 19th December 2018, however the Cabinet Secretary for Finance issued a written statement on the 20th November 2018 which identified further funding for Local Government for both 2018/19 and 2019/20. In terms of the effect on the budgets, and without Authority specific allocations having been confirmed by Welsh Government, it has been estimated that Monmouthshire will benefit from the following:

18/19

- One-off grant to meet social care pressures (£406k)
- Teachers pay award (£208k) - £70k of which will go to schools to honour pay award commitment
- General capital grant (£1.354m)

19/20

- Increase in floor from -1% to -0.5% (£468k)
- Teachers pay award (£208k)
- Children's social services (£41k)
- General capital grant (£812k)

At this stage there is no clarification on any monies being available from WG to fund the teachers' pension increase (£784k pressure), despite the Chancellor inferring it will be funded in his autumn budget announcement. Provision has been made at this stage for a proportion (60%/£475k) of the pressure to be funded. Any update that may be available on the Final Settlement will be given verbally at the Cabinet meeting.

Pressures

3.13 The work on pressures has highlighted that a number of significant pressures need to be taken into account in next year's budget. A summary table of pressures is provided below and further information on the individual pressures is provided in Appendix 1 and 3. The main pressures often relate to areas outside of the control of the Authority, such as the

increase in Teachers pension £784k pressure, and changes to capital thresholds in social care creating a £501k pressure. There are also changes to the national pay structure causing £1,027k pressure and increase in the National living wage causing social care costs to rise - £434k pressure. Other pressures are more to do with the increasing demands for services such as children's social services £250k pressure.

- 3.14 It is noticeable that there are a limited number of pressures identified for years 2 to 4 of the MTFP, however it is common for them to be recognised closer to the year in question and this needs to be borne in mind when considering the remaining gap in the MTFP. As part of the ongoing work to further develop the latter years of the MTFP consideration will be given to the level of pressures needing to be accommodated in recent years and to determine whether prudently a greater provision needs to be made.

Pressures by Directorate	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Children & Young People	1,189	560	0	0
Social Care & Health	1,192	809	184	0
Enterprise	1,235	175	112	(50)
Resources	342	64	76	62
Chief Executives Unit	281	0	0	0
Corporate Costs & Levies	1,118	675	2,166	2,307
Appropriations	332	169	(36)	111
Financing	0	0	0	0
Totals	5,688	2,452	2,502	2,430

- 3.15 Previously agreed savings that have been identified as not achievable have also been recognised as pressures in the model together with any current year budget overspends that look set to continue into 2019/20 and to the extent that they can't be mitigated. In previous budgets Directorates have been asked to manage these pressures within services, however given the level of savings already being delivered by some service areas a decision has been taken to recognise these pressures in the budget for 2019/20 to mitigate this risk.

Saving Proposals for 2019/20

- 3.16 After several years of taking significant resource out of the budget the means of achieving further savings becomes increasingly more challenging. Work is continuing to develop ideas and proposals such that they can be brought into the budget once they are sufficiently progressed. The pressure of 2019/20 is immediate, however the need to establish a more medium to longer term financial strategy to tie into the Corporate Plan is recognised and a draft was presented to Cabinet on 7th November 2018. This will be revisited in the New Year, in the meantime all service areas were asked to bring forward budget proposals to help manage the gap, whilst simultaneously, looking ahead and ensuring wherever possible, proposals support the medium term direction of travel. The proposals are contained in Appendix 2 and 4.
- 3.17 The proposals also contain a change in approach to the annual review of fees and charges. The automatic inflationary increase in the MTFP has been taken out, increasing the net gap to be managed, but more transparently reflecting Director and service manager choice in their budget management consideration and their decision making in sustaining their business offerings. Members may recall the WAO study into fees and charges which provided some interesting provocations, identifying that the higher income levels in

Authorities such as Monmouthshire could allow more scope to raise income through fees and charges. The new approach to fees and charges in this budget round enables Directorates to consider this, whilst understanding that they are best able to predict the price elasticity of supply and demand for services and avoid perverse situations where an anticipated increase in unit fees and charges results in a decline in footfall and overall income. Individual Directorate mandates for fees and charges in their areas are therefore contained in the appendices as part of the budget proposals. This enables the fees and charges proposals to be linked with the other budget saving information provided to the four Select Committees as part of the budget consultation process.

- 3.18 All proposals have been considered and tested through an initial process of independent challenge by officers and Cabinet Members. A summary of all the proposals are shown in the table below, and are shown in more detail in the attached appendices 2 and 3.

Disinvestment by Directorate	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Children & Young People	(1,191)	0	0	0
Social Care & Health	(1,246)	(116)	0	0
Enterprise	(1,068)	(156)	0	0
Resources	(1,342)	(50)	(62)	(75)
Chief Executives Units	(106)	(3)	(3)	0
Corporate Costs & Levies	0	0	0	0
Appropriations	(282)	(1)	0	(2)
Financing	(618)	0	0	0
Totals	(5,853)	(326)	(65)	(77)

Treasury Impact

- 3.19 The Capital MTFP is being considered as a separate report on this agenda and for the purposes of establishing the revenue impact of the capital MTFP, the current summary position in the Capital report has been taken.
- 3.20 The Treasury budgets continue to be closely monitored throughout the year, and any changes in the following will be considered at final budget stage: a review of the current year underspend, the profile of capital expenditure and potential slippage, a review of maturing debt over the medium term and the balance between the level of fixed and variable rate debt in the Council's portfolio. The balance of risk is an important consideration in this review as are the principles of security, liquidity and yield when considering any investment strategies.

Council Tax

- 3.21 The Council Tax increase in the budget has been modelled as 4.95% + 1% for 2019/20 and 3.95% per annum across the MTFP as a planning assumption. The Council tax base report approved by Cabinet on 5th December 2018 has concluded an assessment of collection rates and growth in properties. Overall, the Council Tax base calculated for

2019/20 has risen by 0.45% compared to 2018/19. This increase takes into account the anticipated changes in dwellings. The estimated additional income of £150k derived from this and changes to CTRS (Council Tax Reduction Scheme) projections has been incorporated within the MTFP as part of the budget process.

Summary position

- 3.22 In summary, the 2019/20 budget gap is now **£594k**, if all the savings proposals contained in the Appendix 2 are approved. Clearly there is a gap still to meet and further work is progressing to bring forward measures to balance to budget if further funding is not made available through the final settlement.

Services	Adjusted Base 2018/19 £000	Indicative Base 2019/20 £000	Indicative Base 2020/21 £000	Indicative Base 2021/22 £000	Indicative Base 2022/23 £000
Children & Young People	50,174	51,177	52,171	52,610	53,053
Social Care & Health	45,604	46,099	47,194	47,745	48,117
Enterprise	18,328	23,070	23,335	23,778	24,094
Resources	7,382	6,588	6,716	6,855	6,970
Chief Executive's Unit	4,342	4,619	4,681	4,743	4,810
ADM	3,264	0	0	0	0
Corporate Costs & Levies	21,143	22,270	23,221	25,537	28,052
Sub Total	150,238	153,823	157,317	161,269	165,095
Transfers to reserves	93	444	63	63	63
Transfers from reserves	(389)	(535)	(96)	(218)	(88)
Treasury	7,871	7,875	7,935	7,899	8,008
Appropriations Total	7,574	7,785	7,903	7,744	7,983
Total Expenditure Budget	157,812	161,608	165,220	169,013	173,079
Aggregate External Financing (AEF)	(93,268)	(92,623)	(90,956)	(89,319)	(87,711)
Council Tax (MCC)	(50,908)	(53,937)	(56,067)	(58,282)	(60,584)
Council Tax (Gwent Police)	(10,960)	(11,160)	(11,360)	(11,565)	(11,773)
Council Tax (Community Councils)	(2,676)	(2,676)	(2,676)	(2,676)	(2,676)
Contribution to/(from) Council Fund	0	0	0	0	0
Disinvestment		(618)	(618)	(618)	(618)
Sub Total Financing	(157,812)	(161,014)	(161,678)	(162,460)	(163,362)
(Headroom)/Shortfall	(0)	594	3,542	6,553	9,716

Reserves strategy

- 3.23 Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £5.8 million in 2019/20 to £5.5 million at the end of 2021/22. Taking into account that some of these reserves are specific, for example relating to joint arrangements or to fund capital projects, this brings the usable balance down to £4.4 million. The general fund reserve is sustained at its current level of £7 million.
- 3.24 The previously approved Reserves strategy sought to ensure that earmarked reserves are not used to balance the budget for ongoing expenditure and that they are instead used to the best effect and impact on one off areas of spend to help the authority transform itself to the new resource levels available to it. The final budget report will contain an

assessment of the adequacy of reserves, however, at this stage limited use is being made of reserves.

- 3.25 The Authority continues to receive advice from VAT consultants around the potential to successfully recover up to £1.7m of VAT from HM Revenues and Customs as a consequence of VAT principally paid on leisure activities in previous years. A European Court of Justice Ruling (referred to as the 'Ealing' case) determined that local authorities could treat such income generated from such activities as exempt income. The Authority is assessing its partial exemption position to ensure that with careful VAT management it won't breach its 5% de minimis threshold going forward and which would result in the Authority having to pay significantly more VAT. If the conclusion is drawn that the Authority can safely manage its VAT position going forward then recovery of VAT would be used to bolster earmarked reserves.

Next Steps

- 3.26 The information contained in this report constitutes the budget proposals that are now made available for formal consultation. Cabinet are interested in consultation views on the proposals and how the remaining gap may be closed. This is the opportunity for Members, the public and community groups to consider the budget proposals and make comments on them. Cabinet will not however, be prepared to recommend anything to Council that has not been subject to a Future Generations Assessment and Equality Impact Assessment and therefore a deadline to receive alternative proposals has been set as 31st January 2019.
- 3.27 Public consultation (to include the formal requirement to consult businesses) and Select Committee Scrutiny of Budget proposals, will take place between the 19th December 2018 and the 31st January 2019. In the past extensive community engagement has been undertaken around the budget and the impact of any potential changes under the banner of #MonmouthshireEngages. The budget proposals contained within this report are extensions of previously agreed changes and in addition there has not been any substantive or material service developments that has not undergone its own consultation process; on this basis we will not be conducting another large scale public engagement. There will be opportunity for the community to provide consultation responses via meetings with various consultative fora (such as the Schools budget forum, JAG, Access for All group) and via the website and social media where details of the proposals and consultation events will be published.
- 3.28 The scrutiny of the budget proposals are key areas of this part of the budget process. The following dates have been set for Select committees:
- Economy and Development – 10th January 2019
 - Children and Young People – 24th January 2019
 - Adults - 29th January 2019
 - Strong Communities – 31st January 2019
- 3.29 Final budget proposals following consultation and receipt of the final settlement will go to a special Cabinet on 20th Feb 2019 and Council Tax and budget setting will then take place at Full council on 7th March 2019.

4 OPTIONS APPRAISAL

- 4.1 Directorates are required to consider and outline the options that have been considered for each of the budget proposals and pressures identified in this report. The detail is contained in the Appendices.

5 EVALUATION CRITERIA

- 5.1 The means of assessing whether the final budget put in place for 2019/20 has been successfully implemented is undertaken throughout the year via the regular budget monitoring and periodic reports to Cabinet and then to Select committees for scrutiny. In addition regular monitoring of the performance of the Council against service business plans and the Corporate Plan takes place. Taken together these arrangements enable the Council to evaluate its success and progress against its longer term plans within the resources available.

6 REASONS:

- 6.1 To agree budget proposals for 2019/20 for consultation purposes

7. RESOURCE IMPLICATIONS:

- 7.1 As identified in the report and appendices

8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING and CORPORATE PARENTING):

- 8.1 The future generation and equality impacts of the saving proposal have been initially identified per budget saving mandate in Appendix 5. As the impact on services has been kept to a minimum, no significant negative impact has been identified. Further consultation requirements have been identified and are on going. Further assessment of the total impact of the all the proposals will be undertaken for the final budget report.
- 8.2 The actual equality impacts from the final budget report's recommendations will be reviewed and monitored during and after implementation.

9. CONSULTEES:

SLT
Cabinet
Head of Legal Services

10. BACKGROUND PAPERS:

Appendix 1: Summary of budget pressures
Appendix 2: Summary of budget savings
Appendix 3: Directorate pressure proposals
Appendix 4: Directorate savings proposals
Appendix 5: Future Generations Evaluations
Appendix 6: Future Generations Evaluation for the overall budget (to follow)

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