

**CABINET**  
**20<sup>th</sup> November 2018**  
**BUDGET 2018/19 and 2019/20**

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**1. Area Affected**

1.1 County Borough Wide.

**2. Purpose of Report**

- 2.1 The purpose of the report is to update Cabinet on the:
- The latest revenue budget forecast for 2018/19;
  - The Council's provisional 2019/20 settlement;
  - The initial estimate 2019/20 position; and
  - The next steps in the budget setting process.

**3. Key Messages**

- 3.1 The key messages are:
- The in year 2018/19 forecast position is still presenting a challenging position;
  - The provisional settlement received on the 9<sup>th</sup> October provided the Council with a headline 'like for like' settlement increase of 0.1% or a cash increase of £151,000; however this is within a context of some £8.5 million of overall pressures;
  - The final settlement is due to be announced by Welsh Government on the 19<sup>th</sup> December 2018.

**4 2018/19 monitoring position**

4.1 The following summarises the forecast position for 2018/19, as at September 2018:

£000s	Working Budget	Full Year Forecast	Full Year Variance (Favourable)/Adverse	
			September 2018	June 2018
Education	68,050	68,094	44	41
Social Care and Housing	44,362	46,123	1,761	1,388
Neighbourhood Services	18,794	18,985	191	195
PSSU	984	984	0	0
ICT	2,905	2,905	0	(35)
Resources	5,916	5,973	57	229
Chief Executive's	5,773	5,729	(44)	(29)
Capital Financing	10,872	10,755	(117)	(112)
Council Tax Reduction Scheme	8,883	8,883	0	(19)
South Wales Fire Authority	4,307	4,307	0	0
Corporate Property Maintenance	847	847	0	0
Corporate mitigations	(589)	(50)	539	539
Early prevention and intervention	352	352	0	0
Other	1,544	899	(645)	(482)
<b>Total</b>	<b>173,000</b>	<b>174,786</b>	<b>1,786</b>	<b>1,715</b>

4.2 The following paragraphs explain the principal changes / updates from the June 2018 (month 3) position that was reported to Cabinet in September 2018 to the month 6 forecast outlined above:

4.2.1 Social Care & Housing (£1.761m adverse)

The position for this service has deteriorated further by £373,000. The table below shows a breakdown across the service area of the figures contained in table 4.1 :

£'000s	Working Budget	Full Year Variance (Favourable)/Adverse		Change in variance - June to Sept.	
		September 2018	June 2018		
Children And Families' Services	16,181	17,695	1,514	1,181	333
Adult Services	25,522	25,657	135	66	69
Other Areas	2,659	2,771	112	141	(29)
<b>Total</b>	<b>44,362</b>	<b>46,123</b>	<b>1,761</b>	<b>1,388</b>	<b>373</b>

In a continuation of recent financial forecasts the largest element of the change relates to Children's and this is due to an increase in the numbers (and hence costs) for third party placements to those anticipated in the June forecast. The current position includes an additional six placements over that previously assumed (month 3) and within that a shift to a greater incidence of higher cost placements.

The latest forecast has been discussed with the Chief Officer, Social Care and Housing, and he and his leadership team are continuing to manage and implement the measures / interventions for Children and Families' Services outlined in the September report, as well as continually reviewing the finances of the wider service area in an attempt to reduce the forecasted overspend. However, it is clear that the challenge of continuing demand means that there will be a service overspend at year end that will require the use of both the service's and other reserves.

4.2.2 Neighbourhood Services – £191,000 adverse projection

Members will recall that the main pressure within this service in the June monitoring related to the ongoing financial performance of Torfaen Training (£216,000 projected overspend). Despite significant management activity in the intervening period the forecast now indicates an adverse projection of £242,000, primarily still linked to the number of learners being trained and a corresponding impact on contract income earned.

This pressure is partially offset by a number of small underspends across the wider service area but it is not anticipated that the overall position can be fully addressed / mitigated by 31<sup>st</sup> March 2019 and therefore use of the service areas' specific reserve will be required as a funding source.

4.2.3 Resources (£57,000 adverse)

This projection has improved by £172,000 from the June monitoring as a result of actions taken by the service area following its review of the initial forecast position. The most significant of these related to staff turnover / vacancies, additional DWP income and full review of supplies and services.

4.2.4 Corporate mitigations (£539,000 adverse)

There has been no significant changes to the forecast positions on these measures between the reporting periods. However, since the June monitor the transport saving (£50,000) has been actioned and it is anticipated the review of Third Sector Grants and

the Fees and Charges review will be completed in order for them to be actioned, in a recurring budget sense, for the 2019/20 financial year.

4.2.5 Other (£645,000 favourable)

This forecast has improved by £163,000 primarily due to a beneficial movement associated with local government pension contributions.

- 4.3 There is a need to provide funding from corporate reserves to cover the costs arising from a recently settled compromise agreement. These arise periodically and primarily when there is a fundamental breakdown of trust between an employee and employer. Each case is treated on its merits and there is no blanket use of such agreements in this Council, they are only used on occasions where there is a need to protect the Council against the risk of future litigation and ultimate accountability for the situation that has arisen cannot be determined.

In this case there is a requirement to fund £57,000 from corporate reserves.

## **5. Provisional Settlement 2019/20**

- 5.1 On the 9<sup>th</sup> October 2018 Welsh Government announced the Local Government provisional settlement, and at an all-Wales level the publication outlined a disappointing all-Wales average cash reduction of 0.3% for the Local Government sector, with some authorities receiving reductions of 1%. This was effectively at the 'floor' established by the Welsh Government. Alongside the settlement there were headline announcements at an all-Wales level of extra grant funding for Social Care (£30m), Education (£15m) and for the Regional Health and Social Care Partnerships (£30m).

The Health Service received the most significant increase from the Welsh Government's draft budget, receiving all of the 'barnett consequentials' that had been signaled from the UK Government's decision in respect of the funding of the NHS in England. Whilst the above headline grants indicate that the importance of social care in the preventative agenda is starting to be recognized it remains slightly disappointing that the narrative and the majority of funding is still to the Health service rather than the overall Health system.

The Provisional Settlement has led to a significant amount of lobbying from local government, particularly highlighting the significant impact the settlement will have on local services. The Welsh Government indicated that local government would be first in the queue for any extra resource that would come to Wales.

Since the announcement of the draft Welsh Government budget, The Chancellor of the Exchequer has delivered his UK budget. As part of that there are increased resources coming to Wales in addition to the already announced resource referred to above in respect of health. The WLGA have estimated that the extra 'unallocated' resource to be £59m. As a result it has to be hoped that the final settlement will therefore see an improved position from the provisional.

The final settlement is due on the 19<sup>th</sup> December 2018.

- 5.2 The provisional settlement conveyed a gross uplift to Torfaen of 0.4% which reduces to 0.1% when rebased on a like for like basis; the 'like for like' adjustment primarily relates to the funding of Teachers pay which will be passported directly to the schools community. It is unusual for Torfaen to be towards the upper end of settlements and this reflects a number of demographic variables with the number of free school meals being a significant factor.

The provisional settlement for Torfaen is £132,065,426 (£130,227,284 in 2018/19) and the sum included in relation to teachers pay funding is £432,086.

- 5.3 The narrative that accompanied the settlement announcement included reference to further 'additional' resources built into the settlement but I have not referred to them in this report. Whilst there is an argument that these 'additional resources' have reduced the forward indication from an expected minus 1%, but with a 'like for like' increase of only 0.1% it is difficult to argue there is any new money that we can use.
- 5.4 In line with previous years the October announcement only provided a detailed one-year settlement. The UK Chancellor has indicated a fundamental spending review next year and there remains a lot of uncertainty about national finances, not least because of Brexit. That said this lack of information regarding future years continues to be disappointing. It does not assist effective medium term service planning and contradicts the Welsh Government expectation that all local authorities should plan on a multi-year basis.
- 5.5 The response to the draft settlement needs to be submitted by the 20<sup>th</sup> November and was not completed at the time of publishing this report. The response will comment on:
- The overall level not being sufficient to maintain local services;
  - That resource allocation should be more significantly to support the Health system rather than the Health Service, so recognizing the key role of social care in preventative services;
  - The lack of detail on the specific grants;
  - That it is once again a one-year settlement.

## **6. Specific grant allocations**

- 6.1 On the 23<sup>rd</sup> October the Welsh Government provided details of the hypothecated grants within the Local Government settlement for 2019/20. Disappointingly, again, this schedule did not include individual local authority allocations, nor did it include a full schedule of grants.
- 6.2 The full details of the announcement are provided in appendix one, and it can be seen that at an all Wales level some £700million of resource sits outside the unhypothecated settlement. At the time of writing details of 12 grants remain outstanding, (17% or £140million of the 2018/19 all Wales total), with the most significant being Post-16 Provision in Schools, Sustainable Waste Management and the Raising School Standards Grants.
- 6.3 The announcement contained no further details on the expected grants referred to in paragraph 5.1 above.

## **7. Initial estimate position**

- 7.1 Cabinet have considered two reports on the 2019/20 budget, in July and October, which articulate the broad policy approach. Essentially this can be summarized as:
- Services required to identify either 1% or 2% mitigations;
  - Schools to receive 'cash protection' and funding for additional pupil rolls;
  - That any pressures identified through the estimate process over and above the MTFP to be addressed by services.

It was further agreed that in the light of all the uncertainty around funding levels, including the potential for the final settlement to be different from the provisional, the immediate focus would be on balancing 2019/20 on a 'one-year' basis with the development of the T22 transformation and change programme running in parallel.

- 7.2 All services met the requirement to identify either 1% or 2% savings and these are currently being validated. It is important that these are achieved because funding the 2019/20 budget proposal has within it the assumption that the £1.187million is delivered.
- 7.3 As is normal in the Council's budget setting process, detailed estimates for 2019/20 have been completed. To allow appropriate time for Cabinet to agree its approach and time for scrutiny the estimates were completed by the 19<sup>th</sup> October 2019.

In overall terms there is a funding gap to initial control total of £8.5 million.

In respect of schools; as per the policy direction already agreed schools will receive cash protection, increasing pupil numbers will be funded and the teachers' pay announcement within the settlement will be passported. There is an expectation that schools will manage their remaining pressures and that the teachers' pension increase will be funded by central government. Torfaen is looking to treat it's schools fairly and provide some relative protection but that is not to diminish the task facing them in addressing these financial challenges.

Excluding schools the financial challenge for the rest of the Council reduces to a figure of just over £5 million.

- 7.4 In looking to address the position some £1.5 million can be identified through making some assumptions around the potential arising from the announcement around the social care grant, council tax yield and the council tax base. In respect of the latter there is a report elsewhere on this agenda to approve the tax base for 2019/20.
- 7.5 In terms of the key services the main variances over and above the MTFP together with the key reasons are as follows:

Education £220,000 principally a continuation in the financial pressures within the schools catering service, and recognition of the anticipated reduction in grant support to the vulnerable learner community and the need to continue the services;

Social Care and Housing £2.052million - recognition of the additional demands for childrens service (£1.6million), loss of income within the adults service £251,000, and continuation of a posts previously funded by reserves (£90,000), non-achieved prior year savings (£75,000) and additional costs associated with the likely contract inflation (including supporting the national living wage) for our care providers;

Neighbourhood Services £310,000 – primarily recognition of the 2018/19 pressures in Torfaen Training (£185,000) and contractual inflation across the wider service area;

Resources £97,000 – additional contract inflation and loss of rental income following the disposal of a building;

Chief Executives £236,000 – recognition of a post previously funded by grant, a nationally determined inflationary uplift for members allowances, and ICT licenses previously funded by reserve.

Meetings are currently taking place with each service Chief Officer to both discuss the position and, in line with agreed policy, identify mitigations to address these positions. There will however be a number of difficult and challenging options.

7.6 Within the current year, 2018/19, we have a number of T22 'whole authority' mitigations that are currently undelivered. These are:

- Doing things once - £100,000;
- Review of Business Plan - £175,000;
- Fees and Charges - £59,000;
- Grants to voluntary bodies - £80,000;
- Procurement - £81,000.

In an ideal scenario we would still be looking to develop all options by which to ensure these are achievable in a base budget sense by the 31<sup>st</sup> March 2019 to allow inclusion in the 2019/20 budget. That will likely be the case in respect of 'Fees and Charges' and 'Grants to Voluntary Bodies' and so these will be built in. From a financial prudence perspective the others will form a pressure for the overall bottom line at this stage.

7.7 In relation to individual grant allocations, the initial estimates have been prepared utilising the best information available, should the actual allocations differ from the assumed levels compensating savings will need to be implemented by the grant owning service area.

7.8 The initial estimate position includes an anticipated increase in respect of the South Wales Fire Authority levy, it is expected that details of the actual levy will be made available during December 2018.

7.9 In summary terms services in aggregate are being asked to deliver £4.337m of mitigations inclusive of the original 1% and 2%. This moves the budget process nearer to a balanced position although these will undoubtedly include some very difficult choices. Even with this level of mitigation from service areas in overall terms there will still remain a shortfall of around £750,000 to be funded. In looking to address this residual position we will be considering the impact of the final Council Tax Base, the potential for fees and charges as well as the final settlement.

7.10 At this point in the budget cycle Cabinet traditionally agree a package of mitigations for scrutiny review prior to Christmas and to them being finally agreed for recommendation for Council. Such is the uncertainty surrounding the final settlement this time, and the need to achieve a balanced position, it is proposed that scrutiny of the budget direction and mitigations will take place in January before being considered by the Cabinets in January and February 2019. As has been indicated in the proceeding paragraphs all services are addressing their requirement to bring forward measures and these are being validated. However, it is felt that these cannot be finalized as a programme until we have the final settlement.

## **8. Capital**

8.1 In respect of un-hypothecated capital funding, the 19<sup>th</sup> October announcement outlined a static all Wales allocation of £142.8million, with Torfaen's share increasing slightly by £92,000 to £4.4million. This resource will continue to support, along with capital receipts and capital grants, the Council's capital programme.

## **9. Next steps**

9.1 In terms of a timeline the following provides an outline:

- WG final settlement – 19<sup>th</sup> December 2018;
- Joint Scrutiny – review of proposals and mitigations – January 2019;
- Final Settlement report, initial consideration of scrutiny review and MTFP update – Cabinet January 2019;
- Approval of Council Tax Reduction Scheme – Council January 2019;
- Final budget recommendations, Council Tax, Transformation Programme and MTFP – Cabinet 19<sup>th</sup> February 2018;
- Budget, Council Tax, Transformation Programme and MTFP – Council 5<sup>th</sup> March 2018.

9.2 Equality Impact Assessments and Well Being of Future Generations (Wales) Act considerations will be completed at an overall budget and financial plan programme level.

## 10 **Recommendation**

10.1 It is recommended that:

- a) the position outlined in respect of the 2018/19 revenue forecast is noted;
- b) funding is provided from corporate reserves as per paragraph 4.3 and
- c) the current position in relation to the 2019/20 Budget is noted.

<b>Appendices</b>	Appendix 1 - Welsh Provisional Settlement 2019/20 – grant schedule – all Wales
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<b>Background Papers</b>	<ul style="list-style-type: none"><li>• Council February 2018 - Budget 2018/19 and Medium Term Financial Plan;</li><li>• Cabinet July 2018 - Financial and Service Planning 2019/20 To 2022/23;</li><li>• Cabinet September 2018 - Initial Financial Forecast 2018/19</li><li>• Cabinet October 2018 - Financial Planning 2019/20 and Beyond</li></ul>
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<b>For a copy of the background papers or for further information about this report, please telephone:</b> <i>Nigel Aurelius, Assistant Chief Executive (Resources), 01495 742623</i>
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## Appendix 1

### Welsh Local Government Revenue Settlement 2019-2020

Table 9: List and estimated amounts of Grants for total Wales

Existing Grant name	Provisional	
	(£m) 2018-19	(£m) 2019-20
<b><u>Children, Older People and Social Care</u></b>		
Flying Start Revenue Grant <sup>1</sup>	74.683	0.000
Families First <sup>1</sup>	37.661	0.000
Out of School Childcare <sup>1</sup>	2.300	0.000
NHS Funded Nursing Care Grant	1.900	NA
St David's Day Fund <sup>1</sup>	1.000	0.000
National Approach to Advocacy	0.550	0.550
Maintaining the Delivery of the National Adoption Register	0.172	0.172
Development of Adoption Support Services in Wales	0.090	0.090
Children and Communities Grant	0.000	135.442
<b>TOTAL</b>	<b>118.356</b>	<b>136.254</b>
<b><u>Culture, Tourism and Sport</u></b>		
Regional Tourism Engagement Fund	0.976	0.750
CYMAL	0.268	NA
Specialist Service Grants	0.065	0.065
<b>TOTAL</b>	<b>1.309</b>	<b>0.815</b>
<b><u>Economy and Transport</u></b>		
Concessionary Fares	57.986	60.133
Bus Services Support Grant	25.000	25.000
Bus Revenue Support Traws Cymru	3.400	3.387
Road Safety Grant	2.000	2.000
Major Events Grant Support	1.625	NA
Anglesey Airport	0.366	NA
Enterprise Zones	0.105	0.050
<b>TOTAL</b>	<b>90.482</b>	<b>90.570</b>
<b><u>Education</u></b>		
Education Improvement Grant <sup>2</sup>	118.137	118.137
Pupil Development Grant	91.333	91.333
Raising School Standards <sup>2</sup>	10.030	NA
Additional Support for Ethnic, Minority, Gypsy Roma Traveller Learners <sup>3</sup>	8.700	8.700
Teachers Pay Grant	8.069	RSG
Pioneer Schools <sup>2</sup>	7.105	NA
Free School Meals Grant	4.000	RSG
Youth Support Grant	3.470	3.470
Additional Learning Needs Transformation Grant	3.200	3.200
Reducing infant class sizes grant	3.000	5.000
Small and Rural Schools Grant	2.500	2.500
PDG Access <sup>3</sup>	1.770	3.554
GCSE Support <sup>2</sup>	1.000	0.000
The Learning in Digital Wales Continuing Professional Development Programme (Phase 2) <sup>2</sup>	0.450	0.500
Modern Foreign Languages <sup>2</sup>	0.432	0.432
Seren Network Hub Grant	0.320	0.320
Senior Business Managers	0.200	0.200
Mentoring and Networking Support for Head Teachers <sup>2</sup>	0.140	0.140
Specialist Skills Development	0.079	0.131
National Numeracy Tests <sup>2</sup>	0.020	0.020
Schools Funding Grant	0.000	15.000
<b>TOTAL</b>	<b>263.956</b>	<b>252.637</b>
<b><u>Energy, Planning and Rural Affairs</u></b>		
Sustainable Waste Management Grant <sup>4</sup>	18.200	NA
Waste Infrastructure Procurement Programme - Gate Fee Contributions	7.680	10.170



Single Revenue Grant <sup>5</sup>	2.548	0.000
Animal Health & welfare Framework Funding	0.200	0.200
South Wales Regional Aggregate Working Party	0.050	0.050
Waste Planning Monitoring Report - North Wales and South East Wales.	0.049	0.049
North Wales Regional Aggregate Working Party	0.025	0.025
Waste Planning Monitoring Report - South West Wales	0.017	0.017
Non-Domestic (Business) Rates Support for Hydropower	0.008	NA
<b>TOTAL</b>	<b>28.777</b>	<b>10.510</b>
<b><u>Environment</u></b>		
Land Drainage and Coastal Protection	1.430	1.430
Air Quality Direction Feasibility Study	0.554	0.554
Sustainable Development Fund for Areas of Outstanding Natural Beauty	0.275	0.275
<b>TOTAL</b>	<b>2.259</b>	<b>2.259</b>
<b><u>Finance</u></b>		
High Street Rate Relief	5.000	0.000
<b>TOTAL</b>	<b>5.000</b>	<b>0.000</b>
<b><u>Health and Social Services</u></b>		
Substance Misuse Action Fund	22.663	22.663
Deprivation of Liberty Safeguard	0.263	NA
Take Home Naloxone	0.080	0.080
Substance Misuse Bursary Scheme	0.035	0.035
Social Services Grant	0.000	30.000
<b>TOTAL</b>	<b>23.041</b>	<b>52.778</b>
<b><u>Housing and Regeneration</u></b>		
Supporting People <sup>6</sup>	123.688	0.000
Cardiff Bay Regeneration	5.400	5.400
Homelessness Grant	2.800	NA
Rural Housing Enabler Projects	0.030	0.030
Housing Support Grant	0.000	126.763
<b>TOTAL</b>	<b>131.918</b>	<b>132.193</b>
<b><u>Leader of the House</u></b>		
Violence against Women, Domestic Abuse & Sexual Violence Grant	1.938	2.438
Community Cohesion Grant	0.360	0.360
<b>TOTAL</b>	<b>2.298</b>	<b>2.798</b>
<b><u>Local Government and Public Services</u></b>		
Cardiff Capital City Deal	10.000	10.000
Communities First Legacy <sup>1</sup>	6.000	0.000
Promoting Positive Engagement for Young People At Risk of Offending <sup>1</sup>	4.330	0.000
Child Burials	0.600	0.600
Support for Public Services Boards	0.400	0.400
Armed Forces Day	0.170	0.020
<b>TOTAL</b>	<b>21.500</b>	<b>11.020</b>
<b><u>Welsh Language and Lifelong Learning</u></b>		
Sixth Form Funding <sup>7</sup>	92.918	NA
Communities for Work Plus <sup>1</sup>	10.731	0.000
Communities for Work	6.833	6.906
Adult Community Learning	4.307	NA
Promote and Facilitate the use of the Welsh Language	0.314	0.314
<b>TOTAL</b>	<b>115.102</b>	<b>7.220</b>
<b>All Grants</b>	<b>803.997</b>	<b>699.054</b>
<b>All Grants excluding NA and RSG transfers (for like-for like comparison)</b>	<b>652.138</b>	<b>699.054</b>

NA = figures not available at time of publication

RSG = funding transferring to Revenue Support Grant

1. These programmes are part of the new Children and Communities Grant from 1 April 2019
2. These programmes are part of the Regional Consortia School Improvement Grant
3. These programmes are part of the Local Authority Education Grant
4. £35m of the Sustainable Waste Management Grant transferred to Revenue Support Grant 2018-19.
5. The Single Revenue Grant will end on the 31st March 2019. The new Enabling Natural Resources and Well Being Grant (ENRaW) was launched on 7th September.
6. The Supporting People Grant will be included in 2019-20 within the Housing Support Grant
7. The 2019-20 allocation will include an additional £1.074m in respect of the sixth form funding element of the Teacher's Pay Grant