



FULL COUNCIL REPORT

Date Written	*28 th June 2018
Report Author	Steve Jones
Service Area	Finance
Exempt/Non Exempt	Non Exempt
Committee Date	25 th July 2018

To: Mayor, Ladies and Gentlemen

Budget Savings 2018/19 – Responding to Notice of Motion

1.0 SUMMARY OF THE REPORT

- 1.1 Council of 6th June 2018 resolved that a report be prepared for this Council of 25th July 2018 outlining the service budget reductions and schools savings approved as part of the budget setting process for 2018/19, together with an explanation for the circa £200,000 earmarked reserves identified for general utilisation.
- 1.2 In approving the Budget Requirement for 2018/19 Council of 7th March 2018 approved service budget reductions of £801,000 and schools savings of £408,000.
- 1.3 The Corporate Reserves Policy was approved by Council on 22nd March 2017 and includes the protocol for the creation and governance of earmarked reserves requested for specific purposes.
- 1.4 Under the closure of accounts process for 2017/18 and in compliance with the Corporate Reserves Policy, Earmarked Reserves of £527,000 are identified as no longer required for their original purposes.

2.0 RECOMMENDATIONS that:

- 2.1 The service budget reductions of £801,000 and schools savings of £408,000 in respect of the 2018/19 financial year be noted.

- 2.2 The £527,000 earmarked reserves identified as no longer required for their original purposes, as governed by the Corporate Reserves Policy, be noted.
- 2.3 Given the Council is currently in a period of statutory consultation in respect of Breakfast Clubs, which ends on 17th August 2018, and that the Trade Unions are currently negotiating in the best interests of their members, that no decision is made in respect of the re-allocation of the £200,000 earmarked reserves until such time as the consultation is complete and negotiations concluded.
- 2.4 A further report will be presented to Council at the next available date following conclusion of the consultation.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 Following a proposed Notice of Motion at the Council meeting of 6th June 2018, Council resolved that:

a) A full and comprehensive report be brought to the next available Council examining the whole range of reductions to those services provided directly by the Local Authority, as well as the savings proposed by the School Forum. This will enable Council which is after all the decision maker in this Authority to make an informed decision on where best to spend the £200,000 that has been identified from earmarked reserves to the best effect for the benefit of the Electorate of Merthyr Tydfil.

b) This report to be brought to the Meeting of Full Council scheduled for 25th July 2018.

- 3.2 This report is in response to that Council resolution of 6th June 2018.

4.0 BUDGET 2018/19

- 4.1 Budget 2018/19 and Medium Term Financial Plan (MTFP) 2018/19 to 2021/22 proposals were considered and approved by Cabinet, Joint Scrutiny / Audit Committee and Council as indicated in Table 1.

Table 1 – Budget / MTFP Committee Dates

Cabinet	Council	Joint Scrutiny / Audit
13 th December 2017 24 th January 2018 7 th February 2018 21 st February 2018 7 th March 2018	13 th December 2017 7 th February 2018 7 th March 2018	17 th January 2018

- 4.2 The approved Budget Requirement for 2018/19 of £117.461 million is summarised in Appendix 1 and was approved by Council on 7th March 2018 in the “Budget

Requirement and Council Tax 2018/19 – State of the Council Debate” report, hereafter referred to as the ‘*Budget Report*’.

- 4.3 The ‘*Budget Report*’ detailed the budgetary movements from the estimated budget deficit of £6.012 million indicated at Council of 22nd March 2017 in arriving at a balanced Budget for 2018/19. These movements together with the MTFP implications are outlined in Table 2.

Table 2 – Budget Setting 2018/19

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Budget Deficit Council 22nd March 2017	6,012	12,466	16,358	
Implications of Revenue Settlement	-3,949	-6,353	-7,996	
Corporate Additional Demands	2,842	3,413	3,678	
Corporate Budget Reductions	-2,770	-2,007	-1,387	
Budget Reserve Re-profile	-600	200	400	
Service Budget Reductions	-801	-1,016	-1,036	
Schools Savings	-408	-471	-471	
Indicative Additional Demands	0	1,000	2,000	
Council Tax at 4.15%	-326	-675	-1,048	
Budget Deficit Council 7th March 2018	0	6,557	10,498	13,729

- 4.4 It is evident from Table 2 that in setting a balanced budget for 2018/19 Council approved £801,000 service budget reductions and £408,000 schools savings.

5.0 SERVICE BUDGET REDUCTIONS

- 5.1 Corporate Management Team identified service budget reduction proposals of £801,000 for 2018/19. All proposals were risk assessed by Chief Officers and Service Managers as achievable and deliverable with no adverse impact on the Council’s Wellbeing objectives. The proposals are summarised in Table 3 and detailed in Appendix 2 and were included within the ‘*Budget Report*’.

Table 3 – Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Learning	-13	-18	-24
Social Services	-164	-164	-164
Neighbourhood Services	-294	-463	-467
Community Regeneration	-81	-125	-140
Corporate Support Services	-249	-246	-241
Total Service Budget Reductions	-801	-1,016	-1,036

5.2 Delivery of the service budget reductions for 2018/19 will be monitored by the Budget Board and Change Management Board and reported to Cabinet through the formal budget monitoring process.

6.0 SCHOOLS SAVINGS

6.1 Council of 13th December 2017 approved a 0% ('cash flat') funding increase for schools for 2018/19 resulting in the requirement for schools to identify £471,000 of budget savings for 2018/19.

6.2 On the 10th January 2018 the Schools Forum recommended two proposals to deliver the required budget reductions for 2018/19 which were approved by Cabinet on 7th February 2018 under the exempt report "*Individual Schools Budget (ISB) Funding Efficiencies 2018-19*". Both proposals were risk assessed using the corporate risk assessment framework and are detailed below:

- Breakfast Clubs (£150,000) – reduction of breakfast club funding to schools to support provision of a 30 minute breakfast club in line with Welsh Government guidelines, with staff employed on a mixture of 30 minute and 45 minute contracts rather than the current 1 hour.
- Addressing Underachievement (£321,000) – circa 35% reduction in funding for the 'Addressing Underachievement' line in the formula allocation from April 2018. This funding was initially provided for the Basic Skills Manager roles in schools as part of Welsh Government cash protection in academic year 2013/14.

6.3 Council of 7th February 2018 recognised that not all the schools proposed savings would be effective from 1st April 2018 hence reducing the savings for 2018/19 by £63,000 to £408,000.

7.0 EARMARKED RESERVES

7.1 The Corporate Reserves Policy approved by Council on 22nd March 2017 defines Earmarked Reserves as "*balances held for specific purposes across the range of Council services to meet known or predicted future requirements. These reserves*

are typically established to address temporary need and considered on a risk basis and should only be created to meet one-off and time limited expenditure.”

- 7.2 In addition the Corporate Reserves Policy sets out the protocol governing Earmarked Reserves by stating *“the creation of a new Earmarked Reserve will be initially considered at Budget Board through the monthly revenue budget monitoring process before recommendation to Cabinet for approval. Cabinet will approve the amount, purpose and estimated timeframe for utilisation through the quarterly revenue budget monitoring process”*.
- 7.3 Budget Board and Cabinet, following an ongoing review of existing earmarked reserves, considered a number of historical earmarked reserves totalling £527,000 that were no longer required for the purpose originally intended and therefore should be released for possible alternative utilisation. These earmarked reserves are listed in Appendix 3.

8.0 FINANCIAL IMPLICATION(S)

- 8.1 In determining its Budget Requirement for 2018/19 Council has approved service budget reductions of £801,000 and schools savings of £408,000 for 2018/19.
- 8.2 Under the closure of accounts process for 2017/18 and in compliance with the Corporate Reserves Policy, Earmarked Reserves of £527,000 are identified as no longer required for their original purposes.

9.0 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has concluded that the proposals have a non-discriminatory impact for all protected characteristics. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Corporate Reserves Policy	Council 22 nd March 2017	Council agenda and minutes
ISB Funding Efficiencies 2018/19 (Exempt Report)	Cabinet 7 th February 2018	Cabinet agenda and minutes (Exempt)
Budget Requirement and Council Tax 2018/19 – State of the Council Debate	Council 7 th March 2018	Council agenda and minutes
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report

Budget Requirement 2018/19
Corporate Summary

Revised Budget 2017/18	Description	Gross Expenditure 2018/19	Gross Income 2018/19	Net Budget 2018/19	Variance	
£		£	£	£	£	%
75,492,271	People and Performance Directorate	87,024,688	-9,774,615	77,250,073	1,757,802	2.33
21,911,330	Place and Transformation Directorate	30,151,824	-7,968,829	22,182,995	271,665	1.24
22,467,109	Corporate Costs	42,921,581	-21,448,905	21,472,676	-994,433	-4.43
20,000	Discretionary Non Domestic Rate Relief	46,000	0	46,000	26,000	130.00
263,000	Apprenticeship Levy	266,000	0	266,000	3,000	1.14
1,305,000	Employee Severance Costs	1,056,000	0	1,056,000	-249,000	-19.08
-835,000	Non General Fund Allocations	-835,000	0	-835,000	0	0.00
-600,000	Collection Fund Surplus	0	-850,000	-850,000	-250,000	-41.67
-400,000	Corporate Vacancy Factor	-600,000	0	-600,000	-200,000	-50.00
-277,000	Contribution from Living Wage Reserve	0	-275,000	-275,000	2,000	0.72
-178,000	Contribution from Corporate Investment Fund	0	-184,000	-184,000	-6,000	-3.37
-500,000	Capitalisation of Severance Costs	-600,000		-600,000	-100,000	-20.00
-2,002,000	Contribution from Budget Reserve	0	-1,469,000	-1,469,000	533,000	26.62
116,666,710	Net Expenditure	159,431,093	-41,970,349	117,460,744	794,034	0.68
-90,634,702	Aggregate External Finance	n/a	n/a	-90,305,039	329,663	0.36
26,032,008	Net Expenditure Met From Council Tax	n/a	n/a	27,155,705	1,123,697	4.32
18,069.24	Council Tax Base	n/a	n/a	18,098.08	28.84	0.16
1,440.68	Merthyr Tydfil CBC Council Tax Band D	n/a	n/a	1,500.47	59.79	4.15

Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Neighbourhood Services Relates to the in-house management of the Council's Household Waste Recycling Centres approved at Council of 27th September 2017 (Council 7th February 2018)</p>	-108	-216	-216
<p>Neighbourhood Services Relates to Depot rationalisation linked to Cabinet report 8th March 2017 (Council 7th February 2018)</p>	0	-50	-50
<p>Neighbourhood Services Relates to security savings resulting from the installation of security fences at the Council's two household waste recycling sites. The cost of installation of £249,000 is included within the Capital Programme for 2017/18 approved by Council on 2nd March 2017 as revised by Cabinet on 22nd November 2017 to reflect actual tender price. (Council 7th February 2018)</p>	-132	-135	-139
<p>Neighbourhood Services Relates to a Voluntary Early Retirement within office cleaning approved through delegated authority on 30th November 2017 by the Leader, Chief Executive, Head of Human Resources and Chief Finance Officer. (Council 7th February 2018)</p>	-6	-6	-6
<p>Community Regeneration Relates to an increase in Fees and Charges within the Registrars Service linked to Cabinet report of 13th December 2017 (Council 7th February 2018)</p>	-2	-2	-2

Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Finance Deletion of Procurement post following Voluntary Early Retirement of post holder in 2017/18. Approved through delegated authority on 16th February 2017 by the former Leader, Chief Executive, Head of Human Resources and Chief Finance Officer. (Council 7th February 2018)</p>	-28	-28	-28
<p>Business Change, Performance, Scrutiny Relates to savings following service restructure as approved by Council on 22nd November 2017 (Council 7th February 2018)</p>	-108	-105	-101
<p>Learning Proposed 2% reduction in the Council's contribution to the Central South Consortium from £254,827 to £249,730 together with over estimation of £8,000 within the Medium Term Financial Plan (Council 7th February 2018)</p>	-13	-18	-24
<p>Social Services Further review of Medium Term Financial Plan has identified additional savings across the Social Services Directorate by realigning budgets to actual need (Council 7th February 2018)</p>	-164	-164	-164
<p>Neighbourhood Services Relates to the reduction in advertising and promotion within Waste Management from a budget of £21,000 to £16,000 (Council 7th February 2018)</p>	-5	-5	-5

Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Community Regeneration Relates to a voluntary reduction in employable hours within Trading Standards resulting in no adverse impact on service delivery (Council 7th February 2018)</p>	-10	-10	-10
<p>Community Regeneration Relates to a voluntary reduction in employable hours within Transport resulting in no adverse impact on service delivery (Council 7th February 2018)</p>	-18	-18	-18
<p>Corporate Communications Savings in mayoral costs of reduction in the mayoral fuel budget of £3,000 and Mayor's No. 2 Account of £2,000 plus deletion of Mayor's Regalia Account of £700 and Mayor's Souvenir Account of £1,000 (Council 7th February 2018)</p>	-7	-7	-7
<p>Corporate Utilisation of Corporate Investment Fund to finance the costs of continuing with a hard copy CONTACT magazine. The Fund balance at 31st March 2018 is anticipated to be in excess of £600,000. (Council 7th February 2018)</p>	-15	-15	-15
<p>Finance Projected increase in purchase card income from £15,000 to £22,000 per annum. Expenditure incurred through purchase card payment is projected to be circa £2.2 million for 2018/19 with a rebate of 1%. (Council 7th February 2018)</p>	-7	-7	-7

Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Community Regeneration Relates to the deletion of a vacant External Funding Officer post which has been vacant since 18th June 2017. The main purpose of the post is to provide a range of funding advice and support within the Regeneration Service, across wider Council Services and to external Voluntary Sector organisations. The focus of the role has concentrated on European finance, representing the Authority on all regional Welsh European Funding Office structure. With the wind-down of the European Funding Programmes in advance of Brexit, a large element of the role is no longer necessary. Due to high level of funding expertise within the Regeneration team, and uncertainty about future Welsh Government funding priorities, this function will be absorbed as appropriate. (Council 7th February 2018)</p>	-35	-36	-36
<p>Finance Relates to the appointment to a vacant post within the Accountancy Department at the bottom of the salary grade together with a voluntary reduction in employable hours. There is no adverse impact on service delivery. (Council 7th February 2018)</p>	-5	-4	-3
<p>ICT Relates to procurement saving in respect of the contract for Network Penetration Testing (Council 7th February 2018)</p>	-8	-8	-8

Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Legal Relates to the deletion of a vacant Assistant Solicitor post within the Legal Department following service restructure. This follows the appointment of the Solicitor formerly responsible for contracts and employment law to the post of Head of Human Resources whilst still providing legal advice on employment issues. This arrangement is considered manageable by the Head of Legal Services. (Council 7th February 2018)</p>	-27	-28	-28
<p>Legal Relates to the voluntary reduction of employable hours within the Legal Department resulting in no adverse impact on service delivery (Council 7th February 2018)</p>	-10	-10	-10
<p>Proposals Requiring Business Cases Relates to proposals intended to be considered under an exempt report to Council of 7th March 2018. This report was subsequently deferred until the 2018/19 financial year pending further review. The proposals (with expected savings for 2018/19) were in respect of post 16 transport (£16,000), gully emptying service (£22,000), security at Cyfarthfa park (£21,000) and the internal audit service (£34,000).</p>	-93	-144	-159
Total	-801	-1,016	-1,036

Earmarked Reserves Surplus to Requirements

Earmarked Reserve	Value £'000	Explanation
Renewal Areas Tenants Contributions	239	Originally created from tenants' contributions towards work undertaken on their properties within the renewals programme. This income stream should have been released to revenue on receipt. A cumulative total of £400,000 has retrospectively been released to revenue within the Council's approved Medium Term Financial Plan for the period 2016/17 to 2019/20, leaving a further £239,000 available for general release.
Business Rates Enhanced Local Needs Scheme	2	In 2014/15 the Council received a grant from Welsh Government for £124,710 to assist local businesses with the cost of business rates. The total rates relief allocated exceeded the available grant by circa £2,000. The Council's Economic Development Department contributed £2,000 towards this over-allocation but the monies set aside were not used for this intended purpose since the additional expenditure was financed through mainstream revenue. This balance is therefore available for general release.
Land Drainage Works	8	This relates to monies received from a contractor for historic land drainage works where subsequently the expenditure was financed through the Council's own monies instead of the contractors monies. This balance is therefore available for general release.
Advance Payments Code (APC) Deposits	44	Relates to historic deposits received from 9 contractors relating to the adoption of roads. Works have subsequently been financed through the Council's own monies instead of the deposited monies. The Legal Department has reviewed all documents and confirmed that no reimbursement of deposits is eligible. This balance is therefore available for general release.
Care Fees Provision	234	Consists of monies historically set aside as a contingency for potential additional adult residential placements within the County Borough. Since not required for 2017/18, as evidenced by the reported significant budget surplus for Independent Residential Establishments, the balance is released for general use.
Total	527	