

ISLE OF ANGLESEY COUNTY COUNCIL

| | |
|-----------------------------|-------------------------------------|
| REPORT TO: | EXECUTIVE COMMITTEE |
| DATE: | 12 NOVEMBER 2018 |
| SUBJECT: | DRAFT REVENUE BUDGET 2019/20 |
| PORTFOLIO HOLDER(S): | COUNCILLOR ROBIN W WILLIAMS |
| HEAD OF SERVICE: | MARC JONES |
| REPORT AUTHOR: | MARC JONES |
| TEL: | 01248 752601 |
| E-MAIL: | rmjfi@ynysmon.gov.uk |
| LOCAL MEMBERS: | n/a |

A - Recommendation/s and reason/s

The final budget will not be approved by the full Council until 27 February 2019, however, at this point the Executive is recommended to approve the following:-

- (i) Not to allocate the two grants incorporated into the AEF to the budget of the relevant services as the additional costs have been allowed for in the standstill budget (para 7.5);
- (ii) To approve the standstill budget for 2019/20 of £137.402m and this should form the basis of the 2019/20 revenue budget (para 8.1);
- (iii) That the Executive determine the proposed increase in Council Tax for 2019/20 which will be subject to public consultation (para 10.2);
- (iv) After allowing for the proposed increase in Council Tax, that the Executive should seek to make sufficient savings in 2019/20 to balance the revenue budget without resorting to the use of general reserves and to ensure that the required savings in 2019/20 are achievable (para 10.3);
- (v) That the Executive should seek the opinion of the public on the proposed savings.

The detailed report on the preparation of the 2019/20 standstill budget, the provisional settlement and funding the budget gap is attached as Appendices 1 – 4.

B - What other options did you consider and why did you reject them and/or opt for this option?

N/A

C - Why is this a decision for the Executive?

This matter is delegated to the Executive.

CH - Is this decision consistent with policy approved by the full Council?

Yes

D - Is this decision within the budget approved by the Council?

Yes

| DD - Who did you consult? | | What did they say? |
|---|--|---|
| 1 | Chief Executive / Strategic Leadership Team (SLT) (mandatory) | Comments from the SLT have been incorporated into the report |
| 2 | Finance / Section 151 (mandatory) | n/a– this is the Section 151 Officer's report |
| 3 | Legal / Monitoring Officer (mandatory) | TBC |
| 4 | Human Resources (HR) | |
| 5 | Property | |
| 6 | Information Communication Technology (ICT) | |
| 7 | Scrutiny | The Corporate Scrutiny Committee considered the budget report at its meeting on 6 November 2018. Members were clear on the financial challenge faced by the Council in 2019/20 and agreed as a Committee that they should formally respond to the Welsh Government expressing their disappointment with the provisional settlement and to press for additional funding in the final settlement. In terms of how the Council should close the financial gap, the Committee resolved to recommend to the Executive to accept the standstill budget and not to request services to find further savings nor to use the Council's reserves as a means of closing the financial gap. The Scrutiny Committee did not recommend a specific level of increase in Council Tax that the Executive Committee should consult upon but resolved that the Executive Committee should resort to increasing the Council Tax and the 2 nd Home / Empty Home premium as the method by which the funding gap is closed and the budget balanced. |
| 8 | Local Members | |
| 9 | Any external bodies / other/s | |
| E - Risks and any mitigation (if relevant) | | |
| 1 | Economic | |
| 2 | Anti-poverty | |
| 3 | Crime and Disorder | |
| 4 | Environmental | |
| 5 | Equalities | |
| 6 | Outcome Agreements | |
| 7 | Other | |
| F - Appendices: | | |
| <ul style="list-style-type: none"> • Appendix 1 – Report on Draft Revenue Budget 2019/20 • Appendix 2 – Analysis of the Movement from the 2018/19 Final Revenue Budget to the 2019/20 Standstill Budget • Appendix 3 - 2019/20 Standstill Budget by Service • Appendix 4 – Potential Revenue Budget Savings for 2019/20 | | |
| FF - Background papers (please contact the author of the Report for any further information): | | |
| <ul style="list-style-type: none"> • Medium Term Financial Plan 2019/20 – 2021/22 – See Executive Meeting Agenda 17 September 2018 – Item 6 | | |

DRAFT REVENUE BUDGET 2019/20**1. INTRODUCTION**

- 1.1. The following report sets out the Executive's provisional revenue budget for 2019/20. The budget is prepared based on assumptions set out in the Medium Term Financial Plan approved by the Executive in September 2018, the provisional local government settlement which was issued by the Welsh Government on 9 October 2018 and the proposed revenue savings which have been identified by the individual services and have been discussed at the various workshops that have taken place during the summer.
- 1.2. The provisional budget approved by the Executive will then be subject to a formal public consultation process which will run from 13 November 2018 to 29 December 2018.
- 1.3. Following receipt of the final settlement figures in late December 2018, the final budget proposal will be subject to a review by the Scrutiny Committee in February 2019, will be recommended for approval by the Executive on 18 February 2019, with the final 2019/20 budget being approved by the Council at its meeting on 27 February 2019.

2. MAIN ASSUMPTIONS ARISING FROM THE MEDIUM TERM FINANCIAL PLAN

- 2.1. The Medium Term Financial Plan sets out a number of assumptions and these assumptions have been taken into account in calculating the standstill budget for 2019/20. The standstill budget is a budget which provides resources to operate services at 2018/19 levels but updated to reflect any known changes outside the control of the services (committed changes) and to reflect the costs in 2019/20.
- 2.2. These assumptions have been factored into the standstill budget along with more detailed changes (committed changes) which allow for known increases in costs e.g. contractual commitments and minor budget corrections. The standstill budget also allows for additional funding for Children's Services and Special Education, known changes to grant funding and minor budget corrections deemed necessary to ensure that the Council's budget accurately reflects the costs it faces in 2019/20.

3. COMMITTED CHANGES

- 3.1. Committed changes are amendments which are taken into account in drawing up the standstill budget and they reflect an increase or decrease in costs which are outside the control of the Council or the individual service. The changes can include items of one off funding required or falling out of the budget, costs arising from legislative changes, changes in costs arising as a result of a tendering exercise, capital financing costs etc. The total adjustments made to the budget total £926k, details of the major changes are discussed in the paragraphs below.

3.2. Capital Financing

In 2018/19, the Council approved the change in the Council's Minimum Revenue Provision (MRP) policy with the MRP on historic loans being calculated as 2% of the Capital Financing Requirement (CFR) on a straight line method rather than 4% of CFR on a reducing balance method. The MRP on new borrowing would be based on the asset life rather than a percentage of the CFR. This policy was considered to be a more prudent approach which would ensure that sufficient provision would have been made to repay historic loans over a 50 year period rather than requiring an ongoing provision.

The consequence of the change is that the MRP for historic loans is constant each year and is lower in the earlier years than it would have been under the previous policy. In 2018/19, the MRP budget was reduced by £1m to reflect the change and this change, along with lower than planned borrowing will allow the capital financing budget to be further reduced by £506k. The amendment to the budget also takes into account the increase MRP and interest costs relating to the 21st Century schools and any increase in interest rates on any new borrowing, to be undertaken. The budget for interest received has also been increased by £15k to reflect the increase in the bank base interest rate over the past year. In total, this reduces the capital financing budget by £521k.

3.3. Pupil Numbers

Each year, the effect of the change in pupil numbers in the primary and secondary sectors is taken into account as part of the budget setting process. For 2018/19, this has resulted in an increase in the secondary sector of £58k but a decrease in the primary sector of £136k.

Up until 2018/19, the Council's Special School (Canolfan Addysg y Bont) funded 85 pupils. As part of the 2018/19 budget, an additional £78k was allocated in order to fund an additional 5 pupils. As at September 2018, the number of pupils has increased to 104 pupils, which increases the costs faced by the school (additional teaching and support staff). This budget pressure was noted in the Medium Term Financial Plan agreed by the Executive in September 2018. An additional £196k has been allocated to the relevant budget to meet this additional cost pressure.

3.4. Council Tax Reduction Scheme

Up until 2013/14, taxpayers eligible to receive a reduction in their Council Tax bills received this through the benefits system in the form of Council Tax Benefit which was funded by the Department of Work and Pensions. In 2013/14, Council Tax Benefit was replaced by the Council Tax Reduction Scheme, with the funding for the scheme being transferred into the Revenue Support Grant. Initially, the scheme was fully funded but, as the level of Council Tax has risen and the number of claimants changed since 2013/14, it has been necessary for the Council to provide additional funding to meet the cost of the scheme (in addition to the sum provided in the Revenue Support Grant).

For 2019/20, the budget requirement has been reassessed, taking into account the current level of expenditure and an increase in the Council Tax for 2019/20 (based on the MTFP assumption of a 5% increase). This has resulted in a decrease in the budget of £360k, to bring the overall budget to £5.164m.

The main driver for this budget is the caseload and this has seen a downward trend over the past 2 to 3 years. However, with the uncertainty over Brexit and the impact on the economy, it is difficult to predict the impact on the caseload and it is possible that it could increase in the short term, resulting in additional costs which are not budgeted for in the Standstill budget.

3.5. North Wales Fire & Rescue Service Levy

The Fire Service raise a levy each year which is allocated across the six North Wales Authorities based on population numbers, which vary each year between the 6 authorities. In 2017/18, the Fire Service set out a 3 year strategy which increased the levy by 4% in 2017/18 with reserves to be used in 2018/19 and then a reduction of the service in the Wrexham area in 2019/20. However, the strategy was not adopted by the Fire Service and as a result, the levy increased by 4% in 2017/18 and by 1.3% in 2018/19. The Fire Service are now consulting on a further increase in the levy of 5.7% in 2019/20, which equates to an additional £190k in the levy for Anglesey. The final decision on the levy will not take place until later in the year but the proposed increase has been allowed for in the standstill budget.

3.6. Ysgol Santes Dwynwen

The construction of Ysgol Santes Dwynwen will result in additional capital financing costs for the Council, which have been allowed for (see paragraph 3.2). However, the closure of the 4 schools (Ysgol Niwbwrch, Ysgol Dwyran, Ysgol Llangaffo and Ysgol Bodorgan) has resulted in a revenue saving of £206k which has been deducted from the Primary Schools budget, however, £81k of this saving has been transferred to the Central Education budget to meet the additional transport costs. The net revenue saving of £125k contributes towards the additional capital financing cost of the new school, which has been allowed for in the capital financing budget (noted in paragraph 3.2).

3.7. Teachers Pensions

The Teachers' Pension fund is subject to its five year revaluation in 2019, with the new employer contribution rates being set for the 2019/20 financial year onwards. The employers' contribution rate is due to increase from 16.48% to 23.6% but the implementation has been delayed until September 2019. This will increase the cost of teachers' pensions by £802k.

3.8. Adult Services

To a large extent, the costs faced by external providers of supported living, residential and nursing care and domiciliary care services are staffing costs, with the majority of the staff employed by the providers being paid the national living wage. In 2019/20, the national living wage will rise from £7.83 per hour to £8.20 per hour (a rise of 4.7%). In addition, the employers' pension contribution will rise from 2% to 3%. The Council will be under considerable pressure to fund these additional costs. It is estimated that the total additional cost, above inflation, will total £114k and this has been allowed for in the standstill budget.

3.9. Supported Accommodation

Where a Housing Benefit claimant is in supported accommodation, where the landlord is a registered social landlord (RSL), the Council can recover the full benefit through the subsidy claim provided that the rent is deemed reasonable. However, if the claimant is a tenant of an organisation which is not an RSL (usually a third sector / voluntary organisation), the Housing Benefit subsidy which can be claimed is limited to the rent level determined by the Rent Officer, which is invariably lower than the full rent, which results in the Council funding the balance. A recent review of the completion of the Housing Benefit subsidy claim identified that some landlords had been recorded on the system as being RSLs when they were not, which results in the Council making an incorrect claim for Housing Benefit subsidy. This error has now been corrected but it has resulted in an ongoing cost of £140k for the Council for which no budget provision exists.

3.10. Others

A number of other budgets have been adjusted to reflect changes that have taken place during the year which are outside the control of the service, these include income budgets where the Service can no longer charge the income. The total net value of these adjustments amount to £568k.

4. CONTINGENCIES

4.1. As part of the budgeting process, a number of contingency budgets are built into the budget to cover fixed term costs, potential risks that may require funding during the year or as a general contingency which is utilised during the year as additional budget pressures arise or as unexpected events occur. The changes made to the contingency budgets are shown in Table 1 below:-

| Table 1 Movement in Contingency Budgets between 2018/19 and 2019/20 | | | | | |
|--|-----------|----------|-------------------------|----------------------------------|-----------------|
| | | End Date | 2018/19 Budget £'000 | Proposed 2019/20 Budget £'000 | Change £'000 |
| Haulfre | Earmarked | TBC | 95 | 95 | - |
| Stem | Earmarked | 2021/22 | 38 | 38 | - |
| Regional Growth Bid | Earmarked | TBC | 50 | 50 | - |
| Edge of Care Team | Earmarked | 2018/19 | 240 | 240 | - |
| Pay Inflation | Earmarked | 2018/19 | 150 | - | (150) |
| Salary and Grading | Earmarked | Ongoing | 300 | 400 | 100 |
| NDR Discretionary Rate Relief | | Ongoing | 60 | 60 | 0 |
| General Contingency | | Ongoing | 359 | 360 | 1 |
| TOTAL | | | 1,292 | 1,243 | (49) |

4.2. The Edge of Care Team was initially funded for 2 years with the funding coming to an end in 2018/19. Given the continued pressure on Children's Services and the need to reduce the numbers of children having to be looked after, it is not considered reasonable to withdraw the funding for this team at this time. The budget will, therefore, continue for as long as the need dictates.

5. STAFFING COSTS

5.1. Pay costs will change annually to reflect the changes in staff over the year (new staff being appointed to a different point on the pay scale), staff receiving annual increments and the pay award. The effect of each on the budget is detailed below:-

5.2. Staff increments and changes in posts has increased costs by £707k, the majority of the increase relates to increments paid to teaching staff, which accounts for £423k of the increase.

5.3. The Teachers pay award for the academic year commencing September 2018, ranges from 1.5% to 3.5%. The overall impact for Anglesey schools shows that this will increase pay costs by 2%. No decision has been made on the level of the pay award for the academic year commencing September 2019 and so a further assumption of 2% has been made. An additional £301k has been included in the standstill budget to meet this additional cost.

5.4. The non teaching staff pay award for the financial year 2019/20 has been agreed at 2%. However, due to the need to ensure that the Council pays its staff above the National Living Wage, the lower pay grades have been restructured and staff at these lower grades will receive pay awards up to 7.3%. Having modelled the new pay structure, it results in an increase in pay costs for 2019/20 of 3.1%. An additional £1,241k has been included in the standstill budget to meet this additional cost.

6. NON PAY INFLATION

6.1. The Medium Term Financial Plan allowed for a level of general price inflation of 2.1%. The Consumer Prices Index (CPI), which is now widely recognised as the best measure of inflation, is currently 2.7% (as at August 2018) but is expected to fall gradually over the coming months. However, the impact of Brexit is unknown and may result in an increase in inflation should the UK leave the EU with no deal agreed. It is, therefore, considered that an inflation rate of 2.1% is reasonable and this rate has been applied to all general supplies and services budgets. Where specific contracts have specific methods to determine the inflation to be applied, then that specific rate will have been applied to the appropriate budget.

6.2. Over the past few years, the policy has been to increase the non-statutory income budgets by an average of 5% in each service. It has been for the service to decide the setting of individual fees and charges within their service. In 2017/18 and 2018/19, the policy changed and an increase of 3% was applied as there was concern that the fees charged for some services were nearing, or exceeding, fees charged by private sector providers. For 2019/20, the same assumption has been applied as the difference between the 3% rise and inflation is now very small.

6.3. The net increase of the adjustments for non pay inflation and non statutory income is £1,649k.

7. BUDGET PRESSURES AND DEMAND LED SERVICES

7.1. The standstill budget is the budget required to provide the same level of service as in 2018/19, after adjusting for any known changes (as set out in paragraphs 3 and 4 above) and after adjusting for staffing changes and pay and price inflation (as set out in paragraph 5 and 6). However, in order to ensure that the budget provides a realistic level of funding, additional changes are required to reflect the current demand and any additional known budget pressures. The proposed changes are set out in the paragraphs below.

7.2. Children's Services

Members will be aware of the increase in the numbers of children currently in care, whether the care is support for parents and families to enable children to remain at home, children placed with foster parents or children placed in specialist residential placements. It is true to say that the budget allocated to Children's Services has not reflected fully the increase in this demand. As a result, the Council overspent its Children's Services budget by around £1.7m in 2017/18 and is anticipated to overspend a similar amount in 2018/19. These overspends are funded from the Council's general balances which has resulted in the projected balance falling below the minimum recommended level. Therefore, the budget shortfall has to be addressed in 2019/20.

The Service is currently working on proposals to reduce the average placement costs by increasing the number of local authority foster parents and by increasing the supply of placements on the Island. However, the savings generated by these initiatives will not bridge the gap between the current costs and the current budget. In order to ensure that the budget reflects the current demand, it is estimated that an additional £1.39m will be required.

7.3. Education Out of County Fees

As the number of children placed in specialist residential care or with foster parents not resident on Anglesey increases, it has a knock on effect on the Education Out of County Fees budget. During 2018/19, the pressure on this budget has reduced but the costs are still anticipated to be higher than the budget. An additional £202k has been allocated to address this increased pressure.

7.4. Homelessness

Additional responsibilities arising from the Housing (Wales) Act 2014 has resulted in increased demand for bed and breakfast accommodation and, as a consequence of this, a general increase in B&B rates that has affected all Welsh Authorities. The amount eligible for benefit grant is limited to the LHA rate, which was last set at £70 per week in 2011. Currently, the Council is being charged around £50 per night. The excess cost is estimated to be £90k.

7.5. Grants Transferred into the Settlement

The Welsh Government have transferred two grants that they intend to award to Councils in 2018/19 into the settlement in 2019/20, as shown in Table 2 below. In determining the standstill budget, we have allowed for the increase in teachers' pay. With regards to free school meals, as the roll out of Universal Credit does not take place on Anglesey until December 2018, we do not anticipate a significant number of families will benefit from the protection scheme which will operate from January 2019 and, as a result, the cost of free school meals will not increase. As a result, Members are asked to confirm that these two grants are not transferred through to the service budgets but are treated as additional general funding.

| Table 2 | | |
|---|---|--|
| Comparison of Grants Transferred into Settlement to the Equivalent Grant Received in 2019/20 | | |
| Grant | 2019/20 Allocation in Settlement £ | 2018/19 Equivalent Grant Allocation £ |
| Teachers Pay Grant | 183,712 | Figures not received |
| Free School Meals Grant | 124,502 | Figures not received |
| TOTAL GRANTS TRANSFERRED IN | 308,214 | |

7.6. Specific Revenue Grants

The majority of the specific revenue grants remain at the 2018/19 level, although there remains two notable grants (Waste Management and Post 16 Education) where the grant funding for 2019/20 has yet to be published and the individual allocation to each authority has not been provided. The fact that the grants remain at the 2018/19 level will require some reduction in output in order that the inflationary pressures are funded but it will not require additional core revenue funding to make up any shortfall.

8. STANDSTILL BUDGET 2019/20

8.1. Based on all of the adjustments and assumptions detailed above, the standstill budget for 2019/20 totals £137.402m, an increase of £6.457m on the 2018/19 final budget. A summary of the changes made is attached as Appendix 2. A breakdown of the standstill budget by Service is attached as Appendix 3.

9. PROVISIONAL SETTLEMENT

- 9.1. The provisional settlement for Local Government in Wales, announced on 9 October 2018, shows a decrease of £0.227m in the overall level of funding for Wales, which is equivalent to a 0.01% decrease. However, £12.07m relates to grants transferred in and when the effect of these changes are adjusted for, the true figure shows a fall in funding of £12.296m or 0.3%. The details are shown in Table 3 below:-

| | Anglesey | Wales |
|--|-----------------|------------------|
| | £'m | £'m |
| 2018/19 AEF | 95.812 | 4,214.067 |
| Previous Years Grants Transferred In / (Out) | | |
| Teachers Pay Grant | 0.184 | 8.069 |
| Free School Meals Grant | 0.124 | 4.000 |
| | | |
| 2018/19 Adjusted AEF | 96.120 | 4,226.136 |
| Provisional AEF 2019/20 | 95.159 | 4,213.840 |

- 9.2. The provisional settlement includes additional funding which ensures that no authority receives a reduction in the AEF of more than 1%. As a result, Anglesey receives an additional £83k which it would not have received had the funding floor not been in place.
- 9.3. Although the overall funding has fallen 0.3%, Anglesey has received a provisional reduction of 1%. The funding formula appears to have favoured urban areas in the South of Wales who have received a smaller reduction or had their AEF increased. This is likely to be due to population increases in those urban areas which results in the formula allocating more funds to those areas. An analysis of the Standard Spending Assessment allocation does not identify one clear reason why Anglesey has fared so badly in this year's settlement compared to previous years, but it did show that Anglesey did receive a smaller percentage increase than the Welsh average in the SSA elements where the allocation had risen and a larger percentage decrease than the Welsh average for those elements where the allocation had fallen.
- 9.4. The outline Welsh Government budget refers to 2 specific grants, £30m for Social Care and £15m for school standards. It is unclear at this point if there is any expectation on the part of the Welsh Government for those grants to fund specific expenditure or provide any additionality. If not, then it may be possible to utilize this additional funding to fund budget pressures in Social Care and schools which have been provided for in the standstill budget, thus reducing the funding gap.
- 9.5. Uncertainty also surrounds the funding of the increase in the employers contribution for teachers pensions. If the UK government fund this cost in England and additional funding is transferred to Wales as a result and the Welsh Government decide to pass that on to local government, this additional funding will also reduce the funding gap as the additional cost is accounted for in the standstill budget.

10. THE FUNDING GAP

10.1. Based on a standstill budget of £137.162m and an AEF level of £95.159m, the net expenditure to be funded from Council Tax is shown in Table 4 below:-

| Table 4 | | |
|--|--------|-----------------------|
| Budget Funding Gap 2019/20 | | |
| Standstill Budget | £'m | £'m 137.402 |
| Funded By: | | |
| Revenue Support Grant (RSG) | 72.322 | |
| Share of Non Domestic Rates Pool | 22.754 | |
| Additional Top up Funding | 0.083 | |
| Total Aggregate External Finance | | 95.159 |
| Total Net Expenditure to be Funded from Council Tax | | 42.243 |
| 2018/19 Council Tax Budget | | (35.087) |
| Funding Shortfall (before an increase in Council Tax) | | 7.156 |

10.2. The impact of various levels of Council Tax increase and on the Band D equivalent charge (currently £1,140.21 in 2018/19) is shown in Table 5 below:-

| Table 5 | | | | |
|---|------------------------|------------------------------|----------------------------------|-----------------------------------|
| Impact of Various Council Tax Increases on the Funding Shortfall | | | | |
| % Increase | Council Tax £'m | Funding Shortfall £'m | Weekly Effect on Band D £ | Total Increase in Band D £ |
| 3.0 | 36.140 | 6.102 | 0.66 | 34.19 |
| 3.5 | 36.315 | 5.927 | 0.77 | 39.89 |
| 4.0 | 36.491 | 5.752 | 0.88 | 45.59 |
| 4.5 | 36.666 | 5.577 | 0.99 | 51.29 |
| 5.0 | 36.841 | 5.401 | 1.10 | 56.99 |
| 5.5 | 37.017 | 5.226 | 1.21 | 62.69 |
| 6.0 | 37.192 | 5.050 | 1.32 | 68.39 |
| 6.5 | 37.368 | 4.875 | 1.42 | 74.09 |
| 7.0 | 37.544 | 4.699 | 1.53 | 79.79 |
| 7.5 | 37.719 | 4.523 | 1.64 | 85.50 |
| 8.0 | 37.894 | 4.349 | 1.75 | 91.20 |
| 8.5 | 38.070 | 4.173 | 1.86 | 96.90 |
| 9.0 | 38.245 | 3.998 | 1.97 | 102.60 |
| 9.5 | 38.421 | 3.822 | 2.08 | 108.30 |
| 10.0 | 38.596 | 3.647 | 2.19 | 114.00 |

10.3. The initial budget work estimated that the funding gap (after allowing for a 5% increase in Council Tax) would be £5m in 2019/20 and services were, therefore, asked to identify budget savings which would generate the £5m of savings required. A number of budget workshops were held over the summer and Heads of Service identified potential savings of £3.747m, the details of which are attached as Appendix 4. A number of the savings can be implemented without having an impact on the services received by the public. The savings proposals which do impact the public will be subject to a public consultation process between 13 November 2018 and 29 December 2018.

- 10.4.** The Council's balance of general reserves as at 31 March 2018 stood at £6.9m, which is just above the balance assessed by the Council's Section 151 Officer as the minimum required. However, the current budget position for 2018/19 is projecting an overspend of over £2m and this will have to be funded from the general reserves and, as a result, the level of general balances will be below the minimum recommended balance. As a result, there is no scope to use general balances in 2019/20 as a contribution towards the funding and enable the Council to defer some revenue savings until 2020/21.
- 10.5.** The total of savings identified to date, £3.747m, and the additional Council Tax which a 5% increase would generate, £1.755m, would reduce the funding gap by £5.502m, leaving a funding shortfall of £1.654m. In order to close this gap, the following options are available, either as one option or a combination of options:-
- (i)** Increase the Council Tax by more than 5%. To completely close the funding gap with no other options implemented, the Council Tax would have to rise by 9.72%;
 - (ii)** Increase the Council Tax premium – the details are attached as a separate item on this Committee's agenda;
 - (iii)** Reduce the standstill budget – although this may result in budget difficulties in 2019/20 as the agreed budget may not be sufficient to meet the ongoing costs;
 - (iv)** Request that Services identify more savings e.g. by bringing forward savings planned for 2020/21 or by stopping non statutory services which may require compulsory redundancies;
 - (v)** Use reserves to fund the funding gap but, given the falling level of reserves, this would increase the financial risk faced by the Council and would require further cuts in 2020/21.

11. COUNCIL TAX PREMIUM

- 11.1** Any change to the Council Tax premium will impact on the Council's funding and change the funding gap. A full report on the Council Tax premium is a separate item on this Committee's agenda, however, the financial implications of the changes are shown below.
- 11.2** The 2018/19 budget for the Council Tax premium was set using the taxbase set by the Executive in November 2017. Since that date, the number of properties has changed and this has led to an increase in the taxbase. With no other changes in the level of the premium, the increase in the taxbase will increase the income generated by £129k, taking the budget to £777k.
- 11.3** It is permissible for the Council to set two different levels of premium for the empty properties and the second homes. The impact of changing one or both of the premium levels is shown in Table 6 below. The figures are based on the previous assumption that 80% of the current taxbase is used as the budget taxbase. This allows for any reduction in the taxbase as taxpayers take action with regards to their property in order not to be charged the premium e.g. actively market or let their property or actually sell or let the property.

| Table 6 | | | | | | | | |
|--|------|----------|----------|----------|----------|----------|----------|----------|
| Revised Level of Empty Homes Premium | | | | | | | | |
| | | 25% | 30% | 35% | 40% | 50% | 75% | 100% |
| Revised Level of 2 nd Homes Premium | 25% | +£0 | +£29k | +£59k | +£88k | +£147k | +£294k | +£441k |
| | 30% | +£124k | +£154k | +£183k | +£213k | +£271k | +£418k | +£565k |
| | 35% | +£249k | +£278k | +£307k | +£337k | +£395k | +£543k | +£690k |
| | 40% | +£373k | +£402k | +£432k | +£461k | +£520k | +£667k | +£814k |
| | 50% | +£621k | +£651k | +£680k | +£710k | +£768k | +£916k | +£1,063k |
| | 75% | +£1,243k | +£1,272k | +£1,301k | +£1,331k | +£1,390k | +£1,537k | +£1,684k |
| | 100% | +£1,864k | +£1,893k | +£1,923k | +£1,952k | +£2,011k | +£2,158k | +£2,305k |

11.4 Any increase in the level of Council Tax will also result in an increased income through the premium. Based on the current taxbase and if the premium is maintained at its current level of 25%, each 1% increase in Council Tax generates an additional £7,700 in premium.

12. REVISED MEDIUM TERM FINANCIAL PLAN

12.1 The provisional settlement gave no indication as to what the level of funding through the AEF would be in 2020/21 and 2021/22 and much will depend on the UK Government's Comprehensive Spending Review which is planned for the summer of 2019.

12.2 At present, it is reasonable to assume that there will be no significant increases in the AEF in 2020/21 nor 2021/22. As a result, the Council will have to continue to find a further £4.3m of savings over those 2 years whilst continuing to have to increase Council Tax levels by a further 5% in each of the 2 years.

13. MATTERS FOR DECISION

13.1 The final budget will not be approved by the full Council until 27 February 2019, however, at this point, the Executive is recommended to approve the following:-

- (i) Not to allocate the two grants incorporated into the AEF to the budget of the relevant services as the additional costs have been allowed for in the standstill budget (para 7.5);
- (ii) To approve the standstill budget for 2019/20 of £137.402m and this should form the basis of the 2019/20 revenue budget (para 8.1);
- (iii) That the Executive determine the proposed increase in Council Tax for 2019/20 which will be subject to public consultation (para 10.2 & 10.5)
- (iv) After allowing for the proposed increase in Council Tax, that the Executive should seek to make sufficient savings in 2019/20 to balance the revenue budget without resorting to the use of general reserves and to ensure that the required savings in 2019/20 are achievable (para 10.3 & 10.5);
- (v) That the Executive should seek the opinion of the public on the proposed savings (Appendix 4).

**ANALYSIS OF THE MOVEMENT FROM THE 2018/19 FINAL BUDGET
TO THE 2019/20 STANDSTILL BUDGET**

| | Standstill Budget | | Report Ref |
|--|-------------------|----------------|------------|
| | £'m | £'m | |
| 2018/19 Budget | | 130.945 | |
| Committed Changes | | | |
| Capital Financing | (0.521) | | Para 3.2 |
| Pupil Numbers | 0.118 | | Para 3.3 |
| Council Tax Reduction Scheme | (0.360) | | Para 3.4 |
| Fire Service Levy | 0.190 | | Para 3.5 |
| Ysgol Santes Dwynwen | (0.125) | | Para 3.6 |
| Teachers Pensions Employer Contributions | 0.802 | | Para 3.7 |
| Adult Services | 0.114 | | Para 3.8 |
| Supported Accommodation | 0.140 | | Para 3.9 |
| Other Committed Changes | 0.568 | | Para 3.10 |
| | | 0.926 | |
| Contingencies | | (0.049) | Para 4 |
| Staffing Costs | | | |
| Increments | 0.707 | | Para 5.2 |
| Teachers Pay Award | 0.301 | | Para 5.3 |
| Non Teaching Staff Pay Award | 1.241 | | Para 5.4 |
| | | 2.249 | |
| Non Pay Inflation | | 1.649 | Para 6.3 |
| Demand Led Budget Pressures | | | |
| Children's Services | 1.390 | | Para 7.2 |
| Out of County Fees | 0.202 | | Para 7.3 |
| Homelessness | 0.090 | | Para 7.4 |
| | | 1.682 | |
| STANDSTILL BUDGET 2019/20 | | 137.402 | |

APPENDIX 3

| STANDSTILL BUDGET 2019/20 BY SERVICE | | | | |
|--|-----------------------|----------------------------------|-----------------|-----------------|
| Budget | 2018/19 Budget | 2019/20 Standstill Budget | Movement | % Change |
| | £'m | £'m | £'m | % |
| Lifelong Learning | | | | |
| Schools | 37.334 | 39.583 | + 2.249 | + 6.02 |
| Central Education | 9.877 | 10.502 | + 0.625 | + 6.33 |
| Culture | 1.303 | 1.353 | + 0.050 | + 3.84 |
| Total Lifelong Learning | 48.514 | 51.438 | + 2.924 | + 6.03 |
| Highways, Waste & Property | | | | |
| Highways | 6.295 | 6.459 | + 0.164 | + 2.61 |
| Waste ¹ | 7.491 | 7.729 | + 0.238 | + 3.18 |
| Property | 0.878 | 1.004 | + 0.126 | + 14.35 |
| Total Highways, Waste & Property | 14.664 | 15.192 | + 0.528 | + 3.60 |
| Regulation & Economic Development | | | | |
| Economic Development & Maritime | 1.015 | 1.164 | + 0.149 | + 14.68 |
| Planning & Public Protection | 1.966 | 2.053 | + 0.087 | + 4.43 |
| Leisure | 0.713 | 0.755 | + 0.042 | + 5.75 |
| Total Reg & Economic Development | 3.694 | 3.972 | + 0.278 | + 7.53 |
| Adult Services | 24.568 | 25.450 | + 0.882 | + 3.60 |
| Children Services | 8.160 | 9.758 | + 1.598 | + 19.58 |
| Corporate Transformation | | | | |
| Human Resources | 1.232 | 1.274 | + 0.042 | + 3.41 |
| ICT | 2.407 | 2.409 | + 0.002 | + 0.08 |
| Transformation | 0.823 | 0.828 | + 0.005 | + 0.61 |
| Total Corporate Transformation | 4.462 | 4.511 | + 0.049 | + 1.10 |
| Housing | 0.912 | 1.096 | + 0.184 | + 20.18 |
| Resources (incl Benefits Granted) | 2.785 | 3.312 | + 0.527 | + 18.92 |
| Council Business | 1.485 | 1.571 | + 0.086 | + 5.79 |
| Total Service Budgets | 109.244 | 116.300 | + 7.056 | + 6.46 |
| Corporate Budgets | | | | |
| Corporate Management | 0.657 | 0.685 | + 0.028 | + 4.26 |
| Levies | 3.360 | 3.552 | + 0.192 | + 5.71 |
| Corporate & Democratic | 3.145 | 3.480 | + 0.335 | + 10.65 |
| Capital Financing Costs | 7.511 | 6.990 | - 0.521 | - 6.94 |
| HRA Recharges | (0.678) | (0.678) | 0.000 | 0.00 |
| Council Tax Reduction Scheme | 5.524 | 5.164 | - 0.359 | - 6.50 |
| Contingencies | 2.122 | 1.849 | - 0.273 | - 12.86 |
| Discretionary Rate Relief | 0.060 | 0.060 | 0.000 | 0.00 |
| Total Corporate Budgets | 21.701 | 20.862 | - 0.839 | - 3.87 |
| TOTAL BUDGET | 130.945 | 137.402 | + 6.457 | + 4.93 |

PROPOSED BUDGET SAVINGS 2019/20

| Proposed Saving | Service | Probable Savings £'000 |
|--|----------------|---------------------------|
| Reduce book purchasing fund | Libraries | 20 |
| Delete unused budget - Talnet | Libraries | 20 |
| Provide schools with a cash settlement which is lower than the full cost of all the budget pressures faced by schools in 2019/20 | Schools | 1,739 |
| Increase the cost of school meals by 20p | Education | 43 |
| Only purchase the statutory minimum of nursery provision from nursery organisations | Education | 89 |
| Move to a secondary catchment area model for school assistants in order to make a more efficient use of staff | Education | 106 |
| Delete marketing budgets for Melin Llynnon, Beaumaris Gaol and South Stack – no longer required | Culture | 15 |
| Reduce demand for residential and nursing placements by 2.5% per annum | Adult Services | 111 |
| Reduce demand for homecare services by 53 hours per week | Adult Services | 46 |
| Reduce demand for supported living support by 50 hours per week | Adult Services | 38 |
| Increase the number of clients using direct payments by 10 clients per annum | Adult Services | 30 |
| Increase the standard charge cost of care at Council run homes to closer reflect the cost of providing the service | Adult Services | 30 |
| Realising savings within the bus service by stopping the following journeys which are low in use – 50b - 07.13 from Amlwch to Llangefni (service 32) on Saturday mornings 63a – 63 Service which travels from Amlwch to Llanerchymedd to Bangor (via Brynteg) on Saturday afternoons 43a – Daily (43a) Service which services estates and residential areas in Menai Bridge and Llanfairpwll together with providing a service between Caernarfon and Llangefni | Highways | 133 |
| Increase the annual parking voucher fee by £20 to realise more income | Highways | 8 |
| Review the future of all school crossing patrols | Highways | 58 |
| Reduce the budgets for maintenance of Coastal Path, Structures and Traffic | Highways | 15 |

| Proposed Saving | Service | Probable Savings £'000 |
|--|-----------------------------------|-----------------------------------|
| Stop the additional nappy collection service | Waste | 30 |
| Reduce Maritime budgets | Maritime | 16 |
| Reduce capacity within the Regeneration Function | Regulation & Economic Development | 66 |
| Reduce Tourism and Countryside budgets | Regulation & Economic Development | 5 |
| Reduce the Outdoor Facilities budget following the transfer of assets from the Leisure Function | Regulation & Economic Development | 42 |
| Reduce central procurement budgets | Resources | 5 |
| Reduce training budget for summer placements | Transformation | 20 |
| | | |
| TOTAL PROPOSED SAVINGS TO BE INCLUDED IN BUDGET CONSULTATION | | 2,685 |
| Savings Proposals to be Implemented without Consultation | | |
| Close 1 club and reduce the number of weeks other clubs are open along with no longer paying children to work in the Coffee Bar at Clwb Jesse Hughes | Education | 10 |
| Staff Re-structure | Culture | 36 |
| Reduce Arts Grants budget to reflect the actual sum required | Culture | 15 |
| Increase the income budget for Oriel Ynys Môn to reflect the current performance | Culture | 30 |
| Commence charging the statutory allowed for all adult clients consistently across all ages and disabilities | Adult Services | 250 |
| Full year saving following the closure of Plas Penlan | Adult Services | 70 |
| Outsource more homecare packages to the private providers | Adult Services | 11 |
| Reduce Street Lighting R & M budgets as a result of the installation of more LED street lights | Highways | 42 |
| Stop using safecote additive for gritting | Highways | 25 |
| Increase the private street works income budget to reflect the current level of income received | Highways | 100 |
| Transfer the responsibility for certain public conveniences to communities | Waste | 10 |
| More use of LPG and electric cars | Highways | 40 |
| Additional income from new industrial units | Property | 14 |

| Proposed Saving | Service | Probable Savings £'000 |
|---|-----------------------------------|-----------------------------------|
| Restructure of the Property Management Team | Property | 85 |
| Savings on energy budgets following capital investment | Property | 30 |
| Rationalise the management of cleaning staff | Property | 20 |
| Reduce building/ running costs budget following the disposal of Shirehall Llangefni | Property | 20 |
| Reduce capacity within the Public Protection Function | Regulation & Economic Development | 42 |
| Staffing restructure | Housing | 54 |
| Staffing restructure | Resources | 25 |
| Reduce telephone budgets following the termination of unused or low use telephone lines | Transformation | 20 |
| Delete video conferencing budget – system no longer used | Transformation | 3 |
| Reduce historic pension budgets to reflect the reduced costs | Corporate | 100 |
| Reduce external audit fees to reflect the revised service and cost | Corporate | 10 |
| | | |
| TOTAL PROPOSED SAVINGS TO BE IMPLEMENTED WITHOUT CONSULTATION | | 1,062 |
| | | |
| TOTAL PROPOSED SAVINGS 2019/20 | | 3,747 |

