

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014-15

AGENDA ITEM NO.7

COUNCIL

29th October 2014

THE COUNCIL'S 2015/2016 REVENUE BUDGET – THE PROVISIONAL SETTLEMENT
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REPORT OF :

CORPORATE SERVICES GROUP DIRECTOR

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1.0 PURPOSE OF THE REPORT

1.1 This report provides Council with information in respect of the 2015/2016 provisional local government settlement, and initial comments on its likely implications for the delivery of Council services. It also provides important information for use in respect of this year's general budget strategy consultation exercise.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the provisional 2015/2016 local government settlement, announced by the Minister for Public Services, on the 8th October 2014.
- 2.2 Note that the final 2015/2016 local government settlement is expected on the 10th December 2014.
- 2.3 Note that in response to the Minister's request for local authorities' comments, as part of his local government settlement consultation process, this Council's response includes the following:

Whilst clearly all parts of the Public Sector nationally are feeling the continued effects of central Government's austerity measures, we are concerned that prioritising spending on health over local government services in Wales is likely to mean that funding which supports many early intervention and prevention type services will be lost which could have a far greater and lasting impact on the health and wellbeing of our communities in Rhondda Cynon Taf rather than attempts to address short term funding shortfalls across the sectors.

The decision to again provide a damping / floor adjustment is we feel an equitable approach and we continue to argue that during this period of funding uncertainty and volatility, that formula changes should be kept to a minimum.

A recurring theme, as per previous years, is a request that in order to fully assess the impact on the Council of the settlement, we would ask that the detail on outstanding specific grants is provided as soon as possible.

The Council requires urgent confirmation of its allocation of the Outcome Agreement Grant for 2015/16.

The absence of any indication of future settlement levels beyond 2015/16 continues to present a forward planning challenge for this Council.

- 2.4 Note that the initial general budget strategy consultation exercise will commence pre-Christmas 2014.

3.0 BACKGROUND

- 3.1 On the 8th October 2014, the Minister for Public Services (Leighton Andrews AM) announced the provisional 2015/2016 local government settlement. The Minister's statement and key data table is attached at Appendix 1.
- 3.2 The "headlines" of the provisional 2015/2016 settlement are as follows:-
- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2015/2016 (of unhypothecated funding) at an all Wales level, is -3.4%. Closer inspection of the settlement details reveals that the decrease excludes the impact of the additional Local Government Borrowing Initiative (LGBI) for the 21st Century schools programme totalling at an all Wales level, £4.5M. The impact of

this adjustment is that the overall funding reduction at an all Wales level is actually -3.5%.

- b. The provisional settlement for Rhondda Cynon Taf, shows a reported decrease of -3.7% which is worse than the average reported of -3.4%. As detailed above, the reported decrease should be adjusted for the 21st Century schools LGBTI, resulting in an actual funding decrease for this Council of **-3.8%** in 2015/16. 'Reported' settlements across the twenty two local authorities in Wales range from at best -2.4% to at worst -4.5%, the later of which has been held at this level through a damping / floor adjustment applied by Welsh Government. This adjustment ensures that no Council receives a reduction in funding greater than -4.5%. The 'floor' has protected three Councils – Ceredigion, Monmouth and Powys. This Council's contribution to the floor is £0.262M.
- c. The Settlement includes a number of stated 'transfers in'. For this Council, these equate to:
 - LGBTI 21st Century Schools - £0.936M
 - Integrated Family Support Services - £0.280M
 - Autistic Spectrum Disorder - £0.040M
- d. The Settlement includes a number of stated 'transfers out'. For this Council, these equate to:
 - Student Finance Wales - £0.198M
 - Feed Safety Controls - £0.039M
 - National Adoption Service - £0.022M
- e. The settlement does not contain any details on our share of Outcome Agreement grant for next year (it is only included as part of the all Wales grant totals). We have assumed the continuation of this at £2.5M in our funding base and are urgently seeking confirmation of arrangements for 2015/16.
- f. The settlement contains no indication of future year indicatives i.e. 2016/17 and beyond.
- g. We are still awaiting details on many specific grants. At an all Wales level many grants are reducing, some significantly and some are being replaced altogether by other grants (at a lower value). Some grants are ending altogether most notably the Intermediate Care Fund (at £35M all Wales).
- h. The Council's General Capital Funding allocation is reduced by 0.3% (£0.039M) to £11.155M.

4.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2015/2016 PROVISIONAL SETTLEMENT

- 4.1 Members have received regular updates on the projections of the Council's revenue budget position for the period to 2017/18, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Cabinet on the 10th October 2014, where a series of Service Change proposals were agreed and a period of consultation was initiated on changes to funding arrangements for the provision of Nursery Education, changes to council funded Music Services and proposals to introduce charges within Parks and Countryside Services. Specifically in relation to 2015/16, the estimated funding gap at this time totalled £31.200M. The impact of the Provisional Settlement has now been assessed and the result is a marginal reduction in the initial budget gap for 2015/16 to £30.450M (this assumes receipt of the expected level of Outcome Agreement Grant as referenced in paragraph 3.2(e) above).
- 4.2 The Provisional Settlement announcement confirmed the significant financial challenge facing this and every local authority in Wales. The decrease of 3.8% for this Council follows a reduction of 3.7% experienced in the current year (2014/15). This level of year on year funding cuts is resulting in radical changes to how services are being delivered across our communities.
- 4.3 The funding cut again takes no account of inflationary pressures, many of which are particular to Local Government, for example, payments to providers of homes for the elderly, landfill taxes, and increases in energy costs. In addition, we are facing ever increasing demands on our services including the impact of demographic changes (more older people) and many more children requiring support and care. These ever mounting pressures have already resulted in recent years in the Council meeting significant efficiency and savings targets, plus having to increase the fees charged for some services.
- 4.4 This Council has continued to prioritise financial stability and sustainability, recognising the pressures identified and the limited availability of resources. For that reason, we have continued a thorough process of review across all services, and where appropriate, changes have been made to deliver savings. These changes include decisions taken this financial year that will impact on the bottom line initial funding gap in 2015/16 and are over and above those savings identified in the final 2014/15 budget strategy agreed by Council in February 2014. These included 'Medium Term Service Planning – Service Change Proposals – Phase 2' on the 8th January 2014, Medium Term Service Planning – Service Change Proposals – Leisure Services' on the 31st July 2014 and, 'Medium Term Service Planning – Service Change Proposals' agreed at Cabinet on the 10th October 2014. The result of these decisions is that £7.804M of savings can now be factored into the budget gap assessment for 2015/16. The result of this is to leave a

remaining funding gap at Provisional Settlement stage of **£22.646M** (this clearly excludes any proposals subject to public consultation exercises agreed by Cabinet on the 10th of October 2014).

- 4.5 In order to close a remaining budget gap of £22.646M in 2015/16, further service change proposals will be required and all opportunities to deliver greater levels of efficiency must be maximised. Members and officers will continue to work hard to balance the need to respond to service demands and deliver savings into the medium term. Further service change proposals will be presented to Members shortly.

5.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2015/2016

- 5.1 Against the backdrop of significant funding cuts, the Council must maintain its focus on robust financial management and stability, indeed, our very survival will depend on it. A key ingredient of this is the responsible approach taken to how we address the development of our annual budgets. Therefore, even allowing for the difficulties described earlier, we still, as in previous years, need to set parameters for producing the 2015/2016 budget and these are:-

- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards the key services required by our residents;
- b) Look to protect those key services and jobs wherever possible;
- c) Review **all** areas of service provision, including eligibility to those services and charging policies in place;
- d) Take maximum advantage of all new funding opportunities made available by the Welsh Government and others where it is in the best interests of the Council;
- e) "Top slice" appropriate necessary sums to fund corporate budgets;
- f) Fully allocate any sums "earmarked" for specific services which are demonstrably the direct result of legislative changes included in the 2015/2016 Local Government Settlement, in strict accordance with the guidance issued by the Welsh Government;
- g) Allocate to our Service Groups, initially, an adequate allowance for (inflationary) movements in employee costs;

- h) Continue to deploy our procurement strategy to offset the impact of certain supplies and services' inflation, in the coming financial year;
- i) Actively pursue efficiency in all areas of the Council;
- j) Provide comprehensive support to help achieve efficiency requirements in all areas of service, including our schools.

5.2 This outline strategy will provide an effective and pragmatic framework for the delivery of a fair and equitable Council budget.

5.3 The Individual Schools Budget (ISB)

5.4 It will be particularly important how the Council responds to School budgets, including the direction from Welsh Government to protect schools by requiring an increase of 0.6% for 2015/2016. This needs to be set in context against the overall decrease provided to this Council of -3.8%. School budgets currently account for approximately a third of the Council's overall budget.

5.5 Council Tax Levels

5.6 As is the case every year in respect of Council Tax levels, the Council will have due regard to the level of increase and the ability of residents to pay, but it also has to balance this against the need to fund important services. This is particularly important when viewed against significant cuts in revenue funding made available from Welsh Government.

5.7 The Local Council Tax Reduction Scheme (CTRS), a replacement for Council Tax Benefit, which was introduced in 2013/14, will continue on the same basis into 2015/16. The same basis in this case being, full entitlement for all eligible claimants within a national framework, and at the same level of funding as that provided in 2014/15. Costs therefore associated with Council Tax uplifts and increased caseloads remain a risk that the Council must fund. To illustrate the cost implications further, a 1% increase in Council Tax will generate an additional income for the Council of £865k (at current tax base levels), but will also cost £226k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £639k, or stated another way, one quarter of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

5.8 Consultation

- 5.9 Members will be aware that consultation activity as appropriate has previously been undertaken for decisions taken to date that have reduced the initial budget gap referred to in paragraph 4.1. In addition, further consultation is now underway for proposals relating to the funding arrangements for the provision of Nursery Education, changes to council funded Music Services and proposals to introduce charges within Parks and Countryside Services. The results of these consultation exercises are expected to be fed back to Cabinet in early 2015.
- 5.10 As well as consulting on specific service change proposals, the Council is also keen to consult with the public and other interested stakeholders on its general budget strategy. This has already been evidenced in the Public Engagement events held recently and in line with the ongoing commitment to engage further as part of identifying solutions to the budget problems we face. The Council's general budget consultation exercise is essential in supporting Cabinet's formation of its budget strategy. This exercise includes consideration of potential council tax levels, where resources should be prioritised and thoughts on ideas for delivering efficiency and other cost savings. The Council will again undertake this general budget strategy consultation and the first stage of this will be undertaken pre-Christmas to help inform the budget strategy proposals that will then be formulated early in the New Year. The consultation will include engagement with the public, the Council's Scrutiny Committees and other key stakeholder groups.

6.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

- 6.1 Whilst inevitably the primary focus is on setting out an annual budget strategy and required Council Tax levels for the forthcoming financial year, the medium term service planning emphasis has been a cornerstone of robust financial management at this Council.
- 6.2 Whilst the further into the future you project, the less certain some of the projections become, it remains my present view that a budget gap of approximately £62M is the position we face over the next three years i.e. by 2017/18 (this is based on the £70M initial gap less the £7.8M actioned and described in paragraph 4.4 earlier).

- 6.4 Given the size of the budget gap faced and the timescale requirements for implementing service changes, Cabinet have determined to receive reports on potential service change / cut proposals as soon as these become available. This will continue to be the case and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2015/16 by March of next year, we must also be mindful of the medium and longer term requirements to reshape services and lower our cost base significantly.

7.0 CONCLUSIONS

- 7.1 The Minister for Public Services announced the provisional 2015/2016 local government settlement on the 8th October 2014.
- 7.2 The provisional settlement provides an actual decrease in revenue funding for the Council of -3.8%, and a reduction in capital support of -0.3%.
- 7.3 The Public Sector is facing a sustained period of reduced resources and it will take all of the skills and positive direction of Members and officers of the Council to set a budget that both maintains, as far as possible, key services and jobs as well as ensuring the ongoing financial stability of the Council.
- 7.4 The Cabinet will review the feedback we receive from the initial general budget strategy consultation and then, with the Council's Corporate Management Team use this and the data in the Medium Term Financial Plan to produce a draft budget that can be used to consult upon during January 2015.



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Provisional Local Government Settlement 2015-16**
DATE **8 October 2014**
BY **Leighton Andrews AM, Minister for Public Services**

Today I am publishing my proposals for Local Government funding in 2015-16, including allocations of core funding for individual Local Authorities. As is usual, allocations may be revised for the Final Settlement. However, I am confident they provide a robust basis for Local Authority financial planning.

I propose to set Local Government revenue funding at £4.124 billion. This represents a decrease of 3.4% (£146 million) compared with 2014-15.

To limit the change for any individual authority, I will apply a damping mechanism so that no authority will see a reduction of more than 4.5% compared to 2014-15 (after adding funding for the Local Government Borrowing Initiatives and the Private Finance Initiative). Capital funding for 2015-16 will amount to £400 million. We have recognised the importance of strong local social services to the long-term success of the health service in Wales. I am providing an additional £10 million in recognition of this.

We also continue our commitment to protect schools funding. The Settlement includes resources to protect funding for schools at 1% above the overall change in the Welsh Revenue Budget.

As a consequence of UK Government decisions, by 2015-16, the Welsh Government budget will be around 10% lower in real terms than it was in 2010-11. However, we have protected Local Government from the bulk of these cuts. Over the past five years, spending per head on local services in England has decreased by around 7% in cash terms, whilst in Wales it has increased by 3%.

When drawing up budget plans for 2015-16, I expect Local Authorities to take account of all their income streams such as council tax and income from fees and charges. Whilst the Revenue Support Grant is the largest single source of funding for Local Authorities, it is not the only one.

In setting council tax levels for 2015-16, I urge Local Authorities to think seriously about the funding challenges they face, and to balance this with a consideration of the financial burden on households. We offer considerable flexibility to Authorities in Wales which is not available to their counterparts in England, where restrictive freezes apply.

I am proud of our commitment to maintain full entitlements for eligible applicants under the Council Tax Reduction Scheme, and I am supporting Local Government to deliver the scheme in 2015-16 by again distributing £244 million within the Settlement. Local Authorities must take account of the effect of the scheme in making their decisions about council tax levels.

Transfers and revenue grants

Included within the provisional RSG for 2015-16, is £13.5 million of funding previously provided through ring-fenced grants. This includes £8 million to support the costs of financing 21st Century Schools, an increase of £4.5 million from last year. Other transfers into this year's Settlement include £4.6 million for regional Integrated Family Support Services and £880,000 for the development of Autism Spectrum Disorder strategies.

In total, this means that over this Assembly term, £160 million has been transferred into the Settlement.

Transfers out of the Settlement include £2.5 million for the centralisation of student finance administrative services and the transfer of Local Authority responsibilities to the Student Loans Company (Wales), £490,000 for Animal Feed Control and £540,000 for training educational psychologists.

Alongside the Settlement, I am publishing information on other Welsh Government grant schemes planned for 2015-16. I hope to add to this information for the Final Settlement.

A number of Ministers have agreed to review their grant schemes to try to provide greater funding flexibility for Local Government. The Minister for Education and Skills has reviewed hypothecated education grants and amalgamated ten grants into a single Education Improvement Grant for schools worth over £140 million for 2015-16.

Individual Authority allocations

Table 1 sets out the proposed distribution of Aggregate External Finance (comprising Revenue Support Grant and redistributed Non Domestic Rates) between the 22 Authorities for 2015-16.

This distribution reflects our most up to date assessment of relative need, based on a wealth of information on demographic, physical, economic and social characteristics across Wales.

In line with the Welsh Government Draft Budget, I am unable to provide indications beyond 2015-16 due to the lack of information regarding UK Government spending plans.

Conclusion

Today's announcement marks the start of a six-week consultation period which ends on 19 November 2014. After this, I will consider whether further amendments are to be made before making my final determination in early December.

Table 1: 2015-16 Provisional Settlement - Comparison of the 2014-15 AEF (adjusted for transfers) and the 2015-16 Provisional AEF and Distribution of the 2015-16 Council Tax Reduction Schemes funding (distributed within AEF)

Unitary authority	2014-15 AEF		2015-16 Provisional AEF	% change on 2014-15	Rank	Council Tax Reduction Schemes (distributed within AEF)		Percentage share
	(adjusted for transfers)	£000s				Schemes (distributed within AEF)	Percentage share	
Isle of Anglesey	96,628	92,887	92,887	-3.9%	16	5,228	2.1%	
Gwynedd	175,110	168,060	168,060	-4.0%	17	8,899	3.6%	
Conwy	157,963	151,154	151,154	-4.3%	20	8,911	3.7%	
Denbighshire	145,441	140,116	140,116	-3.7%	14	9,244	3.8%	
Flintshire	193,137	186,506	186,506	-3.4%	12	9,958	4.1%	
Wrexham	175,308	170,307	170,307	-2.9%	5	10,035	4.1%	
Powys	182,395	174,316	174,316	-4.4%	21	8,068	3.3%	
Ceredigion	103,889	99,256	99,256	-4.5%	22	4,732	1.9%	
Pembrokeshire	167,223	160,260	160,260	-4.2%	18	7,192	2.9%	
Carmarthenshire	261,141	252,446	252,446	-3.3%	7	14,244	5.8%	
Swansea	318,434	307,713	307,713	-3.4%	8	18,981	7.8%	
Neath Port Talbot	210,186	205,133	205,133	-2.4%	1	15,644	6.4%	
Bridgend	195,160	188,543	188,543	-3.4%	10	12,577	5.2%	
The Vale Of Glamorgan	157,889	152,507	152,507	-3.4%	11	8,957	3.7%	
Rhondda Cynon Taf	367,802	354,369	354,369	-3.7%	13	22,157	9.1%	
Merthyr Tydfil	91,583	89,228	89,228	-2.6%	3	5,872	2.4%	
Caerphilly	272,730	263,497	263,497	-3.4%	9	13,437	5.5%	
Blaenau Gwent	113,283	110,084	110,084	-2.8%	4	8,440	3.5%	
Torfaen	135,813	130,806	130,806	-3.7%	15	7,984	3.3%	
Monmouthshire	97,831	93,619	93,619	-4.3%	19	5,902	2.4%	
Newport	214,920	209,410	209,410	-2.6%	2	10,177	4.2%	
Cardiff	436,298	423,703	423,703	-2.9%	6	27,360	11.2%	
Total Unitary Authorities	4,270,161	4,123,920	4,123,920	-3.4%		244,000	100.0%	

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