



RHONDDA CYNON TAF

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

RECORD OF DECISIONS OF THE EXECUTIVE

DECISION MADE BY: Cabinet DATE DECISION MADE: 21st January, 2014

Agenda Item 1

SUBJECT:

The Council's 2014/2015 Revenue Budget

**Cabinet Members Present
County Borough Councillors:**

P.Cannon (Chairman), R.Bevan, (Mrs.)A.Davies, M.Forey,
(Mrs.)E.Hanagan, C.Middle, A.Morgan, M.Webber and C.J.Willis

**Apology for Absence
County Borough Councillor:**

A.Christopher

Note: In the absence of the Chair, County Borough Councillor A.Christopher, the Vice-Chair, County Borough Councillor P.Cannon took the Chair.

1. DECISION MADE:

Agreed –

- To note the procedures relating to revenue budget construction, the budget consultation process and reporting to Council, are laid down in the “Budget and Policy Framework”, contained within the Council’s Constitution.
- To adopt the draft 2014/2015 revenue budget strategy, detailed in Appendix 1 and exemplified in Appendix 3 of the report, as the basis of the revenue budget strategy for the financial year ending 31st March, 2015, that it would wish to recommend to Council, subject to consideration of the results of the second stage of the budget consultation exercise. (A copy of the **DRAFT** revenue budget strategy for 2014/2015 (stage 2 of the consultation process) is attached to this Decision Notice and will be considered at the following Scrutiny meetings: Environmental Services, 27th January; Community and Children’s Services, 28th January; Education and Lifelong Learning, 29th January Corporate Services, 30th January; and the Overview and Scrutiny Committee, 4th February, 2014).
- To conduct an appropriate second stage of its budget consultation exercise, prior to submitting its final report to Council.
- To approve the draft timetable for setting the 2014/2015 revenue budget, as shown at Appendix 8 to the report.
- That the Council continue to support the medium term financial strategy aimed at maximising ongoing efficiency in service delivery, delivering inescapable and targeted service cuts and other decisions that maintain the financial integrity of the Council whilst still aiming as much as possible to protect jobs and key services.

2. REASON FOR THE DECISION BEING MADE:

- The need to provide Cabinet Members with information in respect of the 2014/2015 final local government settlement, to assist them with their deliberations, prior to constructing the revenue budget strategy for the financial year ending 31st March, 2015, which Cabinet will recommend to Council for approval.

3. CONSULTATION UNDERTAKEN PRIOR TO DECISION BEING MADE:

- Scrutiny Committees and School Budget Forum and online consultation as identified in Appendices 4, 5 and 6 of the report.

4. PERSONAL INTERESTS DECLARED:

None

5. DISPENSATION TO SPEAK (AS GRANTED BY STANDARDS COMMITTEE):

N/A

6. (a) IS THE DECISION URGENT AND NOT TO BE THE SUBJECT OF ANY CALL-IN BY THE OVERVIEW AND SCRUTINY COMMITTEE:

YES NO ✓

Note: This decision will not come into force and may not be implemented until the expiry of 5 clear working days after its publication i.e. **Thursday, 30th January, 2014** to enable it to be the subject to the Call-In Procedure in Rule 17.1 of the Overview and Scrutiny Procedure Rules.

6. (b) IF YES, REASONS WHY IN THE OPINION OF THE DECISION-MAKER THE DECISION IS URGENT:

N/A

6. (c) SIGNATURE OF MAYOR OR DEPUTY MAYOR OR HEAD OF PAID SERVICE CONFIRMING AGREEMENT THAT THE PROPOSED DECISION IS REASONABLE IN ALL THE CIRCUMSTANCES FOR IT BEING TREATED AS A MATTER OF URGENCY, IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULE 17.2:

N/A

.....
(Mayor)

.....
(Dated)



.....
(Proper Officer)

22nd January, 2014

.....
(Dated)

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013-2014- REPORT NO.

COUNCIL

26th February 2014

PART 1	AGENDA ITEM NO.
THE COUNCIL'S 2014/2015 REVENUE BUDGET STRATEGY	

DRAFT REPORT OF:

THE CABINET

**AUTHOR: Steve Merritt – Group Director Corporate Services Tel. No.
01443 424026**

1.0 PURPOSE OF THE REPORT

The report provides information on the implications for the Council of the local government settlement for 2014/2015. It also sets out the recommendations of the Cabinet in response to this Council's resourcing requirements, in order to assist Members to determine specific service allocations within the Council's Revenue Budget, together with the level of Council Tax, for the year ending 31st March 2015.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1** Note the written statement from the Minister and the table on the 2014/2015 local government settlement, reproduced at Appendix 1;
- 2.2** Approve Tables 1a and 1b in Section 12 of the report as the basis of allocating resources to the Individual Schools Budget (ISB), to other Council Services, and to meet its corporate financing requirements;
- 2.3** Agree the Council Tax increase for the financial year ending the 31st March 2015 is 4.5%;
- 2.4** Agree the Council's overall budget for 2014/2015, in order to set the Council Tax for the forthcoming financial year by the statutory deadline of the 11th March 2014;

3.0 BACKGROUND

- 3.1 At the Council meeting on the 25th September last year, the Council's Section 151 Officer presented the Council's audited accounts, which reported General Fund Balances amounting to £11.204M.
- 3.2 Given the continuing financial pressures the Council is working under, the continuing growth in the quantum of our budget and the potential risks that lie ahead, it remains the 151 Officers view that the Council should hold a minimum of £10M as General Fund Balances, (i.e. its working balance). This is at a level we have held for some years, although this minimum is set in the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward. Given the current level of General Fund Reserves, the minimum level required and budget forecasts for this financial year (as reported via the Quarterly Performance Reports), it is seen as acceptable and prudent, to reduce the present General Fund Balance by £1.2M and add this to the "Transitional Funding Reserve" that will be described in more detail below.
- 3.3 Members will be aware that in addition to General Fund Reserves, the Council also holds a number of earmarked reserves that are kept under continuous review and are assessed each year by the Wales Audit Office. Included in these Reserves as at 31st March 2013, is a Medium Term Financial Planning and Service Transformation Reserve (totaling £8.8M) which has been established to support transitional funding as part of the Council's Medium Term Service Planning arrangements, that is, to help smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. Given the proposed additional allocation from General Fund Balances (as per 3.2 above), the total Medium Term Financial Planning and Service Transformation Reserve available to support medium term budget decisions, would equate to £10M.
- 3.4 The Wales Audit Office continues to emphasise that we must remain disciplined at this crucial time, if we are to maintain our long-term goal of driving forward continuous improvement of key services, though this becomes increasingly harder to achieve with such severe financial pressures.
- 3.5 The Wales Audit Office assessment is an accurate one and it is important that Members continue to take their fiduciary duty extremely seriously. The challenge, therefore, is to construct a prudent, equitable and fair revenue budget for the financial year ending the 31st March 2015. This must involve an approach which publicly demonstrates sound financial stewardship; which does not take unnecessary risks; which maximises income generation; and which delivers the much needed services that are required and we can afford as well as protecting as many jobs as possible.

- 3.6 For some ten years we have incorporated the key principle of continuing to deliver significant levels of efficiency savings which have protected jobs and services. This has meant the removal of an “efficiency” sum of over £60M from our base budget. Whilst efficiencies will still be delivered, the level that can be generated without impacting on services has to be set realistically into the medium term.
- 3.7 Following the establishment of the overall financial position, the Cabinet, assisted by the senior management team was able to commence initial work on its budget strategy for 2014/2015. The broad objectives of next year’s proposed strategy are to:
- (i) Retain the support of the Wales Audit Office for the approach the Council has adopted to securing strong financial management;
 - (ii) Continue with the delivery of our key services and protect as many local jobs as possible even with diminishing financial resources; and
 - (iii) Take a responsible attitude towards agreeing the level of the Council Tax.

4.0 THE 2014/2015 LOCAL GOVERNMENT SETTLEMENT

- 4.1 On the 11th December 2013, the Minister for Local Government and Government Business (Lesley Griffiths AM) announced the 2014/2015 local government settlement. The Minister’s statement and key tables are attached at Appendix 1.
- 4.2 The “headlines” of the final 2014/2015 settlement are as follows:-
- i. The overall decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2014/2015 (of unhypothecated funding) at an all Wales level, is -3.4% but as reported at Provisional Settlement stage, adjustments for Council Tax Reduction Scheme support and Local Government Borrowing Initiative funding for Highways have not been taken into account and therefore the true adjusted position is a decrease of -3.9%.
 - ii. The final settlement for Rhondda Cynon Taf, shows a decrease in funding of -3.1%, though again, as per above, the true adjusted figure is -3.7% which needs to be set against the context of inflation currently running at around +2-3% and significant increases in service demand and subsequent financial pressures.

- iii. The final settlement also includes an indicative decrease of -1.4% for 2015/2016. Significant financial pressures are therefore forecast to continue into the medium term for the Council.
 - iv. The final settlement includes the Outcome Agreement Grant outside of RSG. This amounts to £2.504M and will only be received if the Council meets its Outcome Agreement targets.
 - v. 'Reported' settlements across the 22 local authorities range from at best -1.0% to at worst -4.6%, 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 -4.6%. The 'floor' has protected three Councils – Ceredigion, Denbighshire and Powys. This Council's contribution to the floor is £0.404M.
 - vi. The Settlement includes a number of stated 'transfers in'. For this Council, these equate to:
 - First Steps Improvement Package - £0.250M
 - Council Tax Reduction Scheme Administration Subsidy - £0.475M
 - Private Finance Initiative - £2.747M
 - vii. As yet we have not had all of the detail in respect of the specific grants this Council will receive from the estimated total of in excess of £750M across Wales. This is very important as many of these grants support key services provided by the Council.
 - viii. The Council's General Capital Funding allocation is reduced by 1.1% (£0.134M) to £11.194M. The indicative figures show no further cut in 2015/2016.
- 4.3 The overall impact of the Final settlement, compared with Provisional, is that funding available to the Council has increased by some £0.733M.

5.0 RECENT BASE BUDGET UPDATES

- 5.1 Budget assumptions used in compiling the "Base Budget" for the Council are constantly being reviewed and updated. In recent weeks a number of adjustments have been identified that will impact on the estimated budget requirement for 2014/2015. These are:
- *Funding provided to Schools* – as part of the review of school admission arrangements (Service Change, phase 1) it has become clear that we are able to amend the basis on which we

allocate employee related funding to schools whilst still enabling them to carry out their statutory responsibilities. Consequently the base budget requirement for schools will be reduced by £1.5M.

- *Fire Service Levy* - The Fire Service Levy has reduced by £0.730M from the original assumption used in the budget modelling (letter received 16th December 2013). The main reason for this reduction is linked to a population fall for this Council, along with the Vale of Glamorgan, whilst the other eight Councils covered by South Wales Fire Service have seen their populations rise and hence their relative share of the costs increase.
- *Schools Protection* - Following the Final Settlement, further work has now been undertaken to update the protection requirements in respect of schools in line with the Welsh Government's direction. Updated calculations now indicate that full protection can be delivered for £0.700M less than originally estimated.
- *Senior Finance Management Structure* – As per the Council report on the 27th November 2013, changes to the Senior Finance Management structure has resulted in a £0.100M saving.
- *Transfers in* – Following review at Final Settlement, the transfer in of "First Steps" grant has been reassessed and has resulted in a £0.250M reduction to base budget requirements.
- *Fees & Charges* – As part of the original 'Base Budget' assumptions, Fees and Charges were increased in line with RPI. Given the size of the budget gap faced by the Council over the next 4 years, it is considered not unreasonable to increase Fees and Charges, in total, by an average of 3% above RPI during that period. This will deliver in the region of £0.500M additional income in 2014/15 and each subsequent year up to 2017/18.
- *Pensioners Council Tax Reduction Scheme Grant* – It will be noted from the Ministers Statement that the Pensioners Council Tax Reduction Scheme Grant has now been added to the general settlement and that it has been left to individual councils to decide whether they continue to provide the additional payment to pensioners over and above the means tested Council Tax Benefit already paid to them. It is proposed that that for 2014/2015, a maximum of £50 is paid to pensioners over and above their means tested benefit, on condition that they have a remaining liability of £50 or more; or equalling the value of their remaining liability if it is less than £50. It is also proposed that this scheme does not continue beyond 2014/15. For information, the maximum individual payment in the current year, i.e.

2013/2014, is just over £90. The total cost of this proposal is £0.200M in 2014/2015.

- 5.2 In total, the measures listed above in 5.1, plus other minor amendments will mean that the funding gap for 2014/2015 is reduced from £19.6M (at Provisional Settlement) to £15.2M and the estimated four year gap is reduced to £64.2M

6.0 THE FINANCIAL IMPLICATIONS OF THE 2014/2015 SETTLEMENT FOR RHONDDA CYNON TAF

- 6.1 The settlement indicates that our 2014/2015 RSG and NDR funding will total £367.332M, including the support for the Council Tax Reduction Scheme.
- 6.2 In anticipation of the 2014/2015 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-
- National wage awards and pension costs;
 - Non-pay (i.e. goods and services) inflation, including energy;
 - Corporate financing requirements and levies;
 - Full year effects of additional burdens imposed on the Council.
- 6.3 The aggregate outcome of Points 6.1 and 6.2 above, including a Council Tax increase set at 4.5%, using the final tax base for 2014/2015, would produce an initial gap between required and available resources of some £14.4M.

7.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2014/2015

- 7.1 It will not be easy for us to develop an equitable and deliverable revenue budget strategy given the -3.7% cut in funding from the Welsh Government and the significant pressure upon many of our services together with a limited ability to increase Council Tax income, and a low tax base. Within these parameters, we will therefore need to take appropriate decisions to ensure that next year's budget is equitable for all, does not compromise our financial stability, and if at all possible protects as many key services and safeguards as many jobs as we can.

- 7.2 I touched upon the Council's overall financial position in Section 3 of the report. In my view, it is vital that the strategy adopted for 2014/2015, takes account of the importance of sound financial management, including the level of General Fund balances and appropriate use of the "Medium Term Financial Planning and Service Transformation Reserve" as transitional funding, whilst targeting any available resources toward our high priority, customer-focused public services.
- 7.3 Every year, there are certain corporate financial provisions that must be "top sliced" locally, before service budgets can be allocated. Next year will be no different. There will be a requirement for:
- a) A provision to meet levies from External Bodies;
 - b) A provision for Capital Charges;
 - c) A provision for all other "Miscellaneous Finance" items (Audit Fees, Insurance Costs, Bank Charges, etc.) which are non-specific to any particular Service Group; and
 - d) Resources to fund the Council Tax Reduction Scheme.
- 7.4 After setting aside appropriate sums for corporate financial requirements, Members can then fully assess the issues and opportunities for the budget as a whole.
- 7.5 The initial net budget position following on from the above is a "funding gap" of some £14.4M. It is also estimated that the gap will rise over four years to an estimated £63.4M if our base budget is not reduced. It is proposed that this exercise is dealt with in two parts – firstly, setting the schools budget, and secondly assessing the options for filling any remaining gap for 2014/2015.

8.0 THE INDIVIDUAL SCHOOLS BUDGET (ISB)

- 8.1 How the Council deals with the allocation of resources to be delegated to local Schools' budgets will, as always, be particularly important.
- 8.2 Members have always viewed our schools as being a key priority and have ensured that they have been treated favourably in comparison with other council services. The Council also has to give due regard to the direction by Welsh Government to protect Schools by requiring a funding increase of 0.9% as compared to the decrease of -3.7% faced by the Council as a whole. The net effect of delivering the Welsh Government's expectations is that schools will contribute nothing towards bridging the overall funding gap of £14.4M.
- 8.3 It will then be for schools' governing bodies to manage the service implications in the same way that Cabinet has to do with the rest of the Council budget, but in the knowledge that they have received funding

at a level well above the Welsh Government's 2014/2015 local government settlement.

- 8.4 As previously referenced, this Council's settlement from WG was a decrease in resources of 3.7%. In cash terms our schools will receive well over £4M more than they would have if they had been treated in line with other council services.

9.0 BALANCING THE BUDGET

- 9.1 The position after allowing for the Welsh Government's required treatment of schools, leaves a gap of £14.4M.

- 9.2 Following careful consideration, the following approach is recommended:

- *Efficiencies* - It is proposed that a further tranche of £4M of efficiency savings is sought. This will mean that since 2004/2005 the budget has been reduced by over £64M (in the region of 15% of the base budget) without cutting frontline services or introducing compulsory redundancies.
- *Service Cuts and Charges* – The gap remaining after the introduction of efficiencies and the decision on the level of school support is £10.4M. The significance of this funding gap, and taking account of the financial outlook into the medium term, necessitates that cuts/changes to services, plus increased charges for services will have to be introduced to deliver a sustainable budget over the short and medium term. At present there are two phases of budget reduction proposals documented and at various stages of consideration. Phase 1 proposals have now been determined by cabinet for implementation and will provide a full year saving of £7.6M, with the part year saving for 2014/15 being £5.2M. Agreement to proceed to consultation stage on Phase 2 proposals has been approved by cabinet and subject to this consultation, could deliver a full year saving of £3.9M.
- *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – Notwithstanding the need to make service cuts / changes and charging decisions within a reasonable timeframe, robust analysis is needed to ensure that the right decisions are made. In addition, it is recognised that some decisions have longer lead in times than others. However, the Council does as previously indicated, have a "Medium Term Financial Planning and Service Transformation Reserve" available that can provide transitional resources to temporarily bridge any remaining gap. For 2014/15 the amount of transitional resources required to deliver a balanced budget

is £5.2M. The opportunity to employ such transitional funding does of course need to be considered only as a short term solution and permanent cuts/changes plus possibly additional charges for services will have to be introduced to deliver base budget reductions.

- 9.3 Delivery of the range of actions proposed in paragraph 9.2, will provide a balanced budget for 2014/2015.

10.0 Service Priorities

- 10.1 Even within this period of significantly reducing resources and hence financial pressure on all services, this Council remains committed as far as it possibly can to continue to deliver its key services, stronger communities and social justice. Above all we want to make Rhondda Cynon Taf a safer, healthier and wealthier place to live, work and learn.
- 10.2 However, we must deliver our objectives within the parameters of next year's local government settlement. For next year and into the medium term any available resources should be targeted at key service areas. Part of the first stage General Budget Consultation exercise has been to test the appropriateness of our key strategic priorities (our Wales Programme for Improvement (WPI) priorities). Feedback has been clear that these should remain our priorities, acknowledging the limited resources available.

11.0 THE 2014/2015 GENERAL BUDGET STRATEGY CONSULTATION PROCESS

- 11.1 Our General Budget Strategy Consultation approach this year has been amended to reflect the significant consultation activity already undertaken in relation to the Phase 1 Service Change proposals, and the next round of consultation activity for Phase 2 proposals. Given the degree of detailed service consultation undertaken, the General Budget Strategy consultation has been streamlined to focus on strategic service priorities, Council Tax levels and the discretions applicable in the Council's Council Tax Reduction Scheme design.
- 11.2 The consultation process for 2014/2015 was again in two stages, allowing consultees an opportunity to comment on the 2014/2015 local government settlement, as it affects Rhondda Cynon Taf, prior to Cabinet considering its initial budget strategy.
- 11.3 After the Cabinet itself had reflected on the local government settlement, and taken into account the feedback from the first stage of the Council's consultation exercise, it formulated its initial 2014/2015 revenue budget strategy. That initial strategy was then released,

immediately, to all the consultees, for further consideration (i.e. Stage II).

- 11.4 Finally, Cabinet considered the results of the second stage of the consultation exercise, prior to it recommending this revenue budget strategy to the Council. A summary of the views expressed during the second stage consultation exercise are included at Appendices 2 to 4.

12.0 THE 2014/2015 MACRO REVENUE BUDGET

- 12.1 In England the Government has set aside monies to support Councils there who may wish to set very low levels of Council Tax - this is not the case in Wales.
- 12.2 In arriving at a sensible strategy for 2014/2015, the Cabinet has taken into consideration its key commitments, its views on service delivery and relevant charges for services and the need to minimise the tax burden on local residents. Consequently, and after careful deliberation, the Cabinet has concluded that it can devise a balanced revenue budget which will meet all of the fundamental requirements of its preferred strategy and set the Council Tax increase for next year at **4.5%**.
- 12.3 Table 1a below illustrates how the revenue resources available to the Council could be utilised, in order to restrict the Council's 2014/2015 Council Tax increase to 4.5%:

Table 1a: Suggested Resources in 2014/2015

	(£M)
2014/2015 Net Revenue Spending	465.603
LESS: Revenue Support Grant & NNDR Contribution	367.332
Sub total	98.271
LESS: Outcome Agreement Grant	2.504
LESS: Release of Earmarked Reserves	5.216
To be met from Council Taxpayers	90.551

- 12.4 Table 1b below, shows the overall effect on services of applying the principles of the Cabinet's recommended 2014/2015 budget strategy.

Table 1b: Application of the 2014/2015 Outline Budget Strategy

BUDGET REQUIREMENTS	2013/2014	2014/2015	Increase / (Decrease)
	£M	£M	£M
<u>Corporate requirements</u>			
Capital financing	24.261	24.042	(0.219)
Levies	12.175	11.689	(0.486)
Council Tax Reduction Scheme	22.061	23.504	1.443
Miscellaneous	14.174	9.228	(4.946)
	72.671	68.463	(4.208)
<u>Individual Schools budget (ISB)</u>			
Individual Schools Budget	149.394	137.671	(11.723)
<u>Other Council Services</u>			
Community & Children's Services	124.178	125.450	1.272
Corporate Services & Chief Executive's Division	32.327	32.571	0.244
Education & Life Long Learning Services	29.348	37.860	8.512
Environmental Services	61.285	63.588	2.303
<u>Net Revenue Spending</u>	469.203	465.603	(3.600)

13.0 COUNCIL TAX LEVELS

- 13.1 Because of the (Council Tax) gearing effect in Rhondda Cynon Taf, a 1% increase in the Council Tax would raise only an extra £0.641M for the Council (after the impact of increased costs of Council Tax Reduction Scheme) . Put another way, to balance the budget without the use of earmarked reserves (£5.216M) would result in an additional Council tax increase of just over 8% above that proposed (a total increase of 12.5%). In any event, any excessive increase would no doubt result in intervention by the Minister for Local Government and Government Business (Lesley Griffiths AM). Taking all this into account and the impact upon Council Tax payers and services levels an increase of 4.5% is proposed.
- 13.2 This proposed increase of 4.5% equates to just over £1 per week for someone living in a Band D property, and 69p for a person living in a Band A home. 43% of properties in Rhondda Cynon Taf are Band A.

14.0 SPECIFIC GRANTS

- 14.1 For next year, the Welsh Government is to provide over £750M in Specific Grants to Welsh Local Authorities.
- 14.2 The Cabinet, of course, are mindful of the opportunities that are likely to accrue, by the Council attracting specific grants to supplement its base revenue budget. Whilst specific grants dilute local accountability, the fact remains that in attracting such funding, it allows us to undertake projects that otherwise we may have had to defer, or cancel.
- 14.3 By their nature, specific grants tend to be time-limited, and involve an assessment process. It is important, therefore, that any specific grant funded programme complements the Council's locally determined priorities. In addition, even if they are initially successful in attracting specific grants, authorities are restricted in their ability to confidently forward plan, as they have no guarantee of ongoing (specific grant) funding. Consequently, because specific grants are time limited it is vital to develop appropriate "exit strategies".
- 14.4 The allocation of specific grants remains a key feature of the Welsh Government's annual local government settlements, albeit the WG is committed to reduce such hypothecation.

15.0 EQUALITY IMPACT ASSESSMENT

- 15.1 In developing these proposals an Equality Impact Assessment (EIA) has been undertaken to ensure that:
- i the Council meets the requirements of the Public Sector Equality Duties; and
 - ii due regard has been taken of the likely impact of the decision in terms of equality and discrimination.

16.0 CONCLUSIONS

- 16.1 The Council's overall financial position remains sound, with the level of General Reserves maintained at the minimum level of £10M.
- 16.2 The Minister for Local Government and Government Business (Lesley Griffiths AM), announced the 2014/2015 local government settlement on the 11th December 2013 with this Council's reduction in resources set at -3.7%.
- 16.3 The Cabinet's proposals properly address the corporate financial requirements of the Council and, after allocating an adequate financial uplift to the Individual Schools Budget, the sum £327.932M would

remain to fund all other services in 2014/2015. This resource can then be used to adequately fund pay increases and to support our key priorities.

- 16.4 As in the current year, Service Groups must adopt a vigorous procurement strategy to offset the effects of price inflation on non-employee related budgets.
- 16.5 The Cabinet has recommended setting 2014/2015 revenue spending at a level that will result in a Council Tax increase of 4.5%, for the financial year ending the 31st March 2015.
- 16.6 Whilst the Council's overall financial position remains sound, its level of General Fund Balances are not excessive. The Council must, therefore, retain its focus on holding a minimum level of General Fund Balances of £10M, in order to mitigate any risk of future budget instability. There is though the opportunity to pragmatically use the Medium Term Financial Planning and Service Transformation Reserve as transitional funding without prejudicing the Councils financial stability, or reducing our General Fund Balances below £10M.
- 16.7 Whilst the use of some £5.2M of transitional funding has been used to produce a balanced budget for 2014/2015, ongoing reliance on this funding source is clearly not a sustainable strategy. Important and very difficult decisions will need to be made by Members over the next year or so to ensure the Council still delivers its core services into the future.
- 16.8 There will be a need for positive and proactive management from senior officers and clear direction from Members to produce a financially sustainable budget into the medium term in this extremely difficult financial climate.

DRAFT



Llywodraeth Cymru
Welsh Government

APPENDIX 1

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE 2014-15 Final Local Government Revenue and Capital Settlements

DATE 11 December 2013

BY Lesley Griffiths AM
Minister for Local Government and Government Business

Today I am announcing the details of the Final Revenue and Capital Settlements for the 22 Unitary Authorities in Wales for 2014-15.

The Overall Settlement

In preparing the Final Settlement, I have given careful consideration to the responses I received to the consultation on the Provisional Settlement.

Next year, after accounting for transfers, Local Authorities in Wales will receive £4.264 billion in general revenue funding, a decrease of 3.4% compared with 2013-14. The overall change is slightly better than I announced at the Provisional Settlement, following my decision to dehypothecate £4 million of funding previously identified for the Council Tax Reduction Scheme Pensioner Grant. Whilst today's settlement represents a reduction in funding, it still reflects a balanced outcome for Local Government in Wales, given cuts imposed by the UK Government which will total a £1.7 billion reduction in the Welsh Budget by 2015-16. This Final Settlement demonstrates my commitment to increase flexibility, achieve fairness and provide additional support.

The Settlement includes £244 million for the Council Tax Reduction Scheme. It also

includes £5.2 million of additional funding for the Council Tax Reduction Scheme Administration Subsidy, which was previously provided to Local Authorities by the Department for Work and Pensions and has been passported into the Settlement.

Distribution between Authorities

Table 1 details the relative annual change in the revenue settlement for each of the 22 Authorities after adjusting for transfers.

Specific Revenue Grants

I am also providing Local Authorities with information on the specific grants they can expect to receive in 2014-15. Taken together, the information on Revenue Support Grant and specific grants provides Local Authorities with a comprehensive picture of the funding from the Welsh Government for 2014-15, and allows them to budget effectively. In addition to the funding, Local Authorities will receive through the Settlement, they will also receive over £700 million in specific grants.

Included within the RSG for 2014-15, is £39.3 million of funding previously provided through specific grants. From my own portfolio, I have decided to dehypothecate over £30 million previously identified for Private Finance Initiative (PFI) and the Public Facilities Grant. Also transferring into the Settlement for 2014-15, is an additional £3.2 million in relation to the First Steps Improvement Package and £5.2 million for the administration of Council Tax Reduction Schemes.

For the Final Settlement, I have also taken the decision to provide the funding previously identified for the Council Tax Reduction Scheme Pensioner Grant (£4 million) within the RSG instead of a specific grant.

Alongside the Settlement, additional £3.5 million which will be paid out in 2014-15 under a new Local Government Borrowing Initiative to part fund the Welsh Government element of the 21st School Programme. This will be provided outside of the settlement as a separate grant in 2014-15 as the distribution has not been finalised but will transfer into the RSG for 2015-16.

Protection for Schools

The Settlement reflects the Welsh Government's commitment to protect schools funding to ensure the delivery of the best outcomes for Welsh children. Together with an element of the Pupil Deprivation Grant, the settlement includes the resources necessary to protect funding for schools at 1% above the overall change in the Welsh Budget.

Damping

To mitigate the year-on-year impact on any individual Authority, I am implementing my proposal announced as part of the Provisional Settlement to apply a damping mechanism. After reviewing the consultation responses and the impact of recent data updates, I have taken the decision to maintain the damping threshold I set at the Provisional Settlement. This will mean no Authority will experience a reduction of more than 4.75% compared with their 2013-14 allocations when adjusted for transfers. In addition to this threshold, funding for the Local Government Borrowing Initiative for Highways and the Public Finance Initiative Grant are also being provided to Authorities in their RSG allocations. Overall, this means no Authority will experience a reduction of more than 4.6%, when adjusted for transfers.

Capital Settlement

The capital allocation for 2014-15, including specific capital grants will be £406.3 million, which represents a significantly better Settlement for Local Authorities than the indications provided last year.

The General Capital Fund totals some £143 million. This is unhypothecated capital funding, of which £54 million is paid as capital grant with the remainder, some £89 million, being provided as support for borrowing.

Further information

Further detailed tables will be published on the Welsh Government's website.

The motion for the National Assembly for Wales to approve the Local Government Finance Report for 2014-15 is scheduled for debate on 14 January 2014.

The information will provide authorities with the information they need to set their budgets and council taxes for the next financial year. I have set out clear expectations to Local Authorities regarding Council Tax increases and will be monitoring the situation closely. I remain willing to use the capping powers available to me if necessary.

WELSH LOCAL GOVERNMENT SETTLEMENT 2014-15

Table 1: Comparison between the 2014-15 Final AEF and 2013-14 AEF, after adjustments for transfers and taxbase changes

<i>£000s</i>				
Unitary authority	2013-14 final AEF*	2014-15 final AEF	% change	Rank
Isle of Anglesey	100,352	96,432	-3.9%	16
Gwynedd	182,254	174,971	-4.0%	17
Conwy	163,574	157,855	-3.5%	10
Denbighshire	152,198	145,170	-4.6%	22
Flintshire	199,984	192,942	-3.5%	11
Wrexham	181,360	175,208	-3.4%	8
Powys	190,789	182,077	-4.6%	20
Ceredigion	108,598	103,636	-4.6%	21
Pembrokeshire	173,154	166,716	-3.7%	13
Carmarthenshire	271,233	260,859	-3.8%	15
Swansea	328,183	318,224	-3.0%	6
Neath Port Talbot	217,923	209,769	-3.7%	14
Bridgend	200,300	194,863	-2.7%	3
The Vale Of Glamorgan	165,010	157,641	-4.5%	19
Rhondda Cynon Taf	379,245	367,332	-3.1%	7
Merthyr Tydfil	93,216	91,282	-2.1%	2
Caerphilly	280,676	272,584	-2.9%	5
Blaenau Gwent	117,403	113,097	-3.7%	12
Torfaen	140,260	135,487	-3.4%	9
Monmouthshire	101,985	97,509	-4.4%	18
Newport	217,013	214,826	-1.0%	1
Cardiff	448,303	435,986	-2.7%	4
Total Unitary Authorities	4,413,012	4,264,466	-3.4%	

* The published AEF for 2013-14 is subject to a number of adjustments for transfers and taxbase