



RHONDDA CYNON TAF

CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

Bydd cyfarfod o'r CABINET yn cael ei gynnal yn Siambr y Cyngor, Cwm
Clydach, CF40 2XX
Dydd Mawrth, 16eg Hydref, 2018 am 1.00 pm

Dolen gyswllt: Emma Wilkins - Blaen Swyddog Busnes Rheoleiddiol a Gweithredol
(Rhif ffôn. 01443 424110)

EITEM HWYR

**15. CYLLIDEB REFENIW Y CYNGOR AR GYFER 2019/20 - Y SETLIAD
DROS DRO**

Derbyn adroddiad Cyfarwyddwr Cyfadran y Gwasanaethau Corfforaethol a Rheng Flaen sy'n rhoi gwybodaeth i'r Aelodau mewn perthynas â Setliad Llywodraeth Leol Dros Dro 2019-2020, a sylwadau cychwynol ar ei oblygiadau tebygol ar gyfer cynnal gwasanaethau'r Cyngor.

(Tudalennau 3 - 16)

Cyfarwyddwr Materion Cyfathrebu a Phennaeth Dros Dro'r Gwasanaethau
Llywodraethol

Cylchrediad:-

Y Cynghorwyr: Y Cynghorydd A Morgan (Cadeirydd)
Y Cynghorydd M Webber (Is-gadeirydd)
Y Cynghorydd R Bevan
Y Cynghorydd A Crimmings
Y Cynghorydd G Hopkins
Y Cynghorydd M Norris
Y Cynghorydd J Rosser
Y Cynghorydd R Lewis
Y Cynghorydd C Leyshon

Swyddogion:

Chris Bradshaw, Prif Weithredwr
Chris Jones, Cyfarwyddwr y Gwasanaethau Cyfreithiol a Llywodraethol
Christian Hanagan, Cyfarwyddwr Materion Cyfathrebu a Phennaeth Dros Dro'r Gwasanaethau Llywodraethol
Chris Lee, Cyfarwyddwr Cyfadran y Gwasanaethau Corfforaethol a Rheng Flaen
Gio Isingrini, Cyfarwyddwr Cyfadran y Gwasanaethau Cymuned a Gwasanaethau i Blant
Colin Atyeo, Cyfarwyddwr Eiddo'r Cyngor a Chaffael
Esther Thomas, Gyfarwyddwr Gwasanaeth Dros Dro ar gyfer Gwasanaethau Mynediad a Chynhwysiant
Jane Cook, Cyfarwyddwr Uwchadran Adfywio, Cynllunio a Thai
Nigel Wheeler, Cyfarwyddwr Gwasanaethau'r Priffyrdd a Gofal y Strydoedd
Paul Mee, Cyfarwyddwr – Iechyd a Diogelwch y Cyhoedd, a Gwasanaethau'r Gymuned.
Richard Evans, Cyfarwyddwr - Materion Adnoddau Dynol
Gaynor Davies, Cyfarwyddwr Addysg a Gwasanaethau Cynhwysiant
Simon Gale, Cyfarwyddwr Gwasanaeth – Materion Cynllunio

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

16th OCTOBER 2018

THE COUNCIL'S 2019/20 REVENUE BUDGET – THE PROVISIONAL SETTLEMENT

REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE LEADER OF THE COUNCIL

Author: Chris Lee – Group Director, Corporate & Frontline Services - 01443 424026

1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Cabinet with information in respect of the 2019/2020 Provisional Local Government Settlement, and initial comments on its likely implications for the delivery of Council services.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the Provisional 2019/2020 Local Government Settlement, announced by the Cabinet Secretary for Local Government and Public Services the 9th October 2018.
- 2.2 Note that the Final 2019/2020 Local Government Settlement is expected during December 2018.
- 2.3 Note that the general budget strategy consultation, subject to Cabinet agreement will commence on the 5th November 2018.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2019/20 following receipt of information on the 9th of October 2018.

4.0 BACKGROUND

4.1 On the 9th October 2018, the Cabinet Secretary for Local Government and Public Services (Alun Davies AM) announced the Provisional 2019/2020 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.

4.2 The "headlines" of the Provisional 2019/2020 Settlement are as follows:-

- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2019/2020 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is -0.3% (-£12.296M).
- b. The provisional reported settlement for Rhondda Cynon Taf, shows an increase of +0.3% which is above the average of -0.3%. Settlement figures across the twenty two local authorities in Wales range from at best +0.4% to at worst -1.0%.
- c. A 'floor' protection has been included for 2019/20, set at -1.0% (top up funding in total £2.495M).
- d. The Settlement figures for 2019/20 include £13.7M and £7M respectively to fund the teachers pay award agreement (nursery to year 11) and the increased costs of Free School Meals. For both elements, specific grant arrangements are being put in place for 2018/19 (£8.069M and £4M respectively for teachers pay award and Free School Meals).
- e. The settlement is one year only i.e. it doesn't contain an indicative 2020/21 settlement level.
- f. We are still awaiting details on specific grants, including details on the recent announcements of £30M targeted funding for Social Care and £15M to invest in school standards and removing barriers to learning. More information on grants is expected by the end of October 2018.
- g. The Council's General Capital Funding allocation is decreased slightly by 0.9% (£0.106M) to £11.108M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2019/20 PROVISIONAL SETTLEMENT

- 5.1 The Provisional Settlement is better than modelled in the most recent Medium Term Financial Plan, but still presents the Council with a significant challenge in terms of preparing a balanced budget for 2019/20.
- 5.2 Throughout this financial year, Members have received updates on the projections of the Council's revenue budget position for the period to 2021/22, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 25th July 2018 where, based on the financial projections at that time, a starting point budget gap of £9.922M was projected for 2019/20. This gap was after the agreement of £7.027M of savings already planned for 2019/20 which are summarised in Table 1 below:

Table 1: Budget Modelling Assumptions 2019/20 as at July 2018

	2019/20
	£'000
Budget Gap Annual	16,949
<u>Budget Reduction Measures</u>	
General Efficiencies - Target	- 6,000
Sporting Exemption (VAT)	-600
Social Care Charges wef October 2018 (full year impact in 2019/20)	-314
Management Structure full year savings	-113
Total Budget Reduction Measures	- 7,027
Remaining Budget Gap	9,922

- 5.3 Financial modelling and subsequent projections have now been updated. This has included additional costs in respect of updated employee cost calculations (including recent announcements in respect of the implications of the teachers pay award), updated modelling on the demographic impact on demand for services such as Domiciliary Care and additional service requirements in areas such as Street care and Waste Services. In addition, some areas have been reduced as part of reassessing the risk associated with budget requirements, including contract fees and the impact of grant reductions. The net impact of base changes along with the positive impact of the Welsh Government provisional settlement, results in a reduction in the initial budget gap for 2019/20 to **£5.920M**.
- 5.4 In order to close the remaining budget gap, further savings proposals will be required and all opportunities to deliver even greater levels of efficiency must be maximised. In addition, through proactive delivery of savings in year, transitional funding is also available to support the strategy. Members and officers will continue to work hard to balance the need to respond to service demands and deliver savings into the medium term.
- 5.5 Members should note that the budget position is constantly being reviewed in respect of expenditure and income assumptions as part of the normal budget strategy preparation work. Examples of this include confirmation required on the financial impact of any changes in levels of specific grants that are currently funding key services and any further changes agreed nationally to support employee costs. Specifically at this stage, the financial impact of changes to the costs of Teachers Pensions has been excluded from the financial modelling.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2019/2020

6.1 Against the backdrop of continuing financial challenges, the Council must maintain its focus on robust financial management and stability. A key ingredient of this is the responsible approach taken to how we address the development of our annual budgets. Therefore, we still, as in previous years, need to set parameters for producing the 2019/2020 budget and these are:-

- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards our key priorities;
- 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 2019/2020 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) Allocate an appropriate level of funding to support our schools;
- i) Continue to deploy our procurement strategy to offset the impact of certain supplies and services' inflation, in the coming financial year;
- j) Actively pursue efficiency in all areas of the Council, for example through continuing our work on digitalisation, reducing office accommodation and increasing employee productivity;

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

6.3 Council Tax Levels

- 6.4 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. The 'modelled' increase assumed at this time is +3% for 2019/20.
- 6.5 The Local Council Tax Reduction Scheme (CTRS), will continue to operate within a national framework, and at the same level of funding as that originally provided for through Revenue Support Grant in 2014/15. Costs therefore associated with Council Tax uplifts and changing 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 £1,064k (at current tax base levels), but will also cost £238k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £826k, or stated another way, 22 per cent of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

7.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

- 7.1 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.
- 7.2 Work is now underway to revisit all of the assumptions through to 2021/22 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2019/20 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.

8.0 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are no immediate equality and diversity implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself and will be reported on later in the process.

9.0 CONSULTATION

- 9.1 The proposed budget consultation process for 2019/20 will again include:
- The use of an online budget simulator
 - Town centre and community roadshow events
 - A young person's consultation event
 - Consultation with OPAG
 - A Cabinet Engagement event
 - Use of social media to promote engagement and capture feedback
- 9.2 The general budget consultation will also incorporate for 2019/20 the requirements to consult on discretions available locally for the Council Tax Reduction Scheme as well as views on the Council's corporate priorities going forward.
- 9.3 Subject to Cabinet agreement, the budget consultation process will begin on the 5th November 2018 and further details will be made available shortly.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The Financial modelling assumptions and implications are set out in the detail of this report. Cabinet are not being asked to make any new financial decisions at this stage.

11.0 LEGAL IMPLICATIONS or LEGISLATION CONSIDERED

- 11.1 There are no legal implications aligned to this report

12.0 LINKS TO THE COUNCIL'S CORPORATE PLAN / OTHER CORPORATE PRIORITIES/ FUTURE GENERATIONS – SUSTAINABLE DEVELOPMENT

12.1 The budget strategy is a key enabler for the delivery of the Council's Corporate Plan and wider partnership objectives.

12.2 The report 'Delivering the Corporate Plan – The Way Ahead' highlighted the need to deliver services differently into the future given the continued reduction in resources available to this Council. In setting out budget strategy options for 2019/20 and into the Medium Term, the need to deliver services differently will mean that that we must focus on, and invest in, the following key priority areas:

- Digitalisation
- Commercialisation
- Early Intervention and Prevention
- Independence
- Efficient and Effective Organisation

12.3 Reports setting out projects that will deliver the modernisation and improvement of services will continue to be presented to Members over the coming months.

13.0 CONCLUSIONS

13.1 The Cabinet Secretary for Finance and Local Government and Public Services announced the Provisional 2019/2020 Local Government Settlement on the 9th October 2018.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +0.3%, and a slight decrease in capital support of -0.9%.

13.3 The Public Sector continues to face a sustained period of financial challenge in terms of available resources. The Council's primary objective continues to be setting a budget in 2019/20 that both maintains, as far as possible, key services and jobs as well as ensuring the ongoing financial stability of the Council.



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

Title **Provisional Local Government Settlement 2019-20**

Date **9 October 2018**

By **Alun Davies AM**
Cabinet Secretary for Local Government and Public Services

Following the announcement last week, by the Cabinet Secretary for Finance, of the outline Draft Budget 2019-20, details of the core funding allocations for local authorities for 2019-20 are published today. The Welsh Government's budget statement sets out the context for this year's local government settlement – the uncertainty surrounding the arrangements for leaving the EU, the forthcoming UK Autumn Budget and the UK Government's planned Spending Review in 2019, and the continuing constraints on public spending. These same factors form the backdrop for local authorities' own budget-setting processes for the coming financial year. Adjusting for transfers, the core revenue funding for local government in 2019-20 will reduce by 0.3% on a like-for-like basis compared to the current year.

After the announcement of the Final Budget last year, despite the additional £40 million to support ongoing pressures in local government, authorities were facing the prospect of a 1.0% reduction in core funding for 2019-20, equating to a £43 million reduction in cash terms. We have worked hard, across Government, to offer local government the best settlement possible in the current financial climate, and we have made further allocations to the local government settlement to mitigate most of the reduction local government had been expecting.

In 2019-20, local authorities will receive £4.2 billion from the Welsh Government in core revenue funding and non-domestic rates to spend on delivering key services. This includes £2.5 million of floor funding, fully funded by the Welsh Government, to ensure that no authority has to manage with a reduction of more than 1.0% in its Aggregate External Finance next year.

Within this settlement, we have provided funding for additional costs arising from changes by the UK Government through the teachers' pay award, and to reflect the importance of local government's role in the health and social care system. We are also providing funding for our proposals for new eligibility criteria for free school meals given the continued rollout of Universal Credit by the UK Government.

Specifically, in line with the proposals in our recent consultation, we are making an additional £7 million available to local authorities, through the settlement, for free school meals in 2019-20, based on the latest forecasts. We will also be providing additional funding of £4 million to local authorities in 2018-19 for free school meals via a grant scheme. This will support local authorities in meeting the costs associated with our proposed threshold and transitional protection measures.

We are directing all of the £23.5 million announced by the UK Government on 13 September, to fund the school teachers' pay award. For 2018-19, £8.7 million will be made available via specific grants. £13.7 million has been included in the settlement for 2019-20 to fund the increase in teachers' pay in maintained schools from nursery to year 11, and the remaining £1.1 million will continue to be delivered outside the settlement, as a specific grant, for teachers in school sixth forms.

In recognition of the important role local authorities play in delivering core social services and the preventative approach at the heart of delivery, this settlement contains a further £20 million to help ease those pressures.

As the budget announcement set out, we have been able to restore funding to a number of grants to local authorities and made other funding decisions from which local authorities will directly benefit. An additional £30 million targeted funding for social care outside the settlement is being made available, bringing the total additional investment in social care in 2019-20 to £50 million compared to previously published plans for the year.

The importance of education is reflected in an additional £15 million, allocated through the Education Main Expenditure Group, for schools. We are committed to investing in raising school standards and removing barriers to learning to support young people to reach their potential.

Alongside the settlement we are, again, providing £600,000 to support local government to eliminate charging for child burials. This recognises and builds on the positive steps already taken by all councils in Wales and continues to ensure a fair and consistent approach across Wales.

This Welsh Government remains committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit.

We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2019-20 and are again providing £244 million for CTRS in the local government settlement in recognition of this. The arrangements for 2020-21 onwards will be determined as part of our wider considerations about how to make council tax fairer.

Prior to the final settlement, we will consider further evidence collected about the financial impact of increasing the capital limit used in charging for residential care. This will allow a decision to be taken on the next stage of increasing this limit to deliver our commitment to raise it to £50,000 during the lifetime of this government and to reflect any financial implications of that decision for 2019-20 in the final settlement.

While we have worked hard to offer local government the best settlement possible, I recognise that this settlement is a real terms cut in core funding, when authorities face real pressures from things such as an ageing population, pay awards and other inflationary pressures. Therefore, it is vital that we continue to work together to deliver efficiencies and develop more effective ways of delivering services.

I have listened carefully to the case made by Welsh councils that one way in which efficiencies can be realised is through reducing the administrative costs associated with specific grants and to provide greater flexibility to authorities in using these resources to support vulnerable people. On 3 October, I jointly announced, with the Minister for Housing and Regeneration, that we are amalgamating a number of grants and will be establishing a Children and Communities Grant (bringing together seven existing programmes) and a single Housing Support Grant (bringing together a further three programmes) from 1 April 2019. This will increase flexibility for local authorities and help to reduce the administrative burden associated with grant funding.

Further details of the grants for local government will be published alongside the detailed Draft Budget on 23 October.

Attached to this statement is a summary table setting out the settlement allocations by authority. The allocations are derived using the formula agreed with local government. As a result of the formula and related data, the table shows the range of the funding allocations. The inclusion of additional resources to support a floor arrangement benefits five authorities. Six authorities receive an overall increase in their settlement on a like-for-like basis.

Further details on the settlement will be sent to all local authorities and published on the Welsh Government's website:

<https://gov.wales/topics/localgovernment/finandfunding/settlement/lg-settlement-2019-20/?lang=en>

I know that authorities will need to make choices in setting their budgets. They will need to engage meaningfully with their local communities as they consider their budget priorities. The setting of budgets, and in turn council tax, is the responsibility of each local authority and authorities will need to take account of the full range of sources of funding available to them, as well as the pressures they face, in setting their budgets for the coming year.

With regard to capital funding, this settlement maintains the general capital funding at £143 million for the next two years. This provides clarity and certainty on future funding for authorities' own capital spending priorities.

In addition, we are providing £60 million over three years for a local authority road refurbishment scheme to help repair the damage caused by a series of hard winters and this summer's heatwave.

This announcement commences the formal six-week consultation on the provisional local government settlement. This will end on 20 November 2018.

SUMMARY TABLE

2019-20 Provisional Settlement – comparison of the 2018-19 AEF including top-up funding (adjusted for transfers) and the 2019-20 provisional AEF and top-up funding, and distribution of the 2019-20 Council Tax Reduction Schemes funding (distributed within AEF)

	<i>£000</i>							
Unitary authority	2018-19 adjusted AEF plus top-up funding ¹	Of which top-up funding	2019-20 provisional AEF	2019-20 top-up funding	2019-20 provisional AEF plus top-up funding ²	% change on adjusted 2018-19 AEF plus top-up funding	Rank	Council Tax Reduction Schemes (distributed within AEF)
Isle of Anglesey	96,120	0	95,076	83	95,159	-1.0%	18	5,131
Gwynedd	175,631	0	174,303	0	174,303	-0.8%	17	8,829
Conwy	154,017	39	151,964	513	152,477	-1.0%	18	9,030
Denbighshire	143,514	0	142,817	0	142,817	-0.5%	11	9,000
Flintshire	189,714	0	187,599	218	187,817	-1.0%	18	9,578
Wrexham	175,138	0	174,084	0	174,084	-0.6%	14	9,489
Powys	174,503	0	171,779	979	172,758	-1.0%	18	8,208
Ceredigion	101,541	0	101,274	0	101,274	-0.3%	8	5,001
Pembrokeshire	162,247	0	161,656	0	161,656	-0.4%	9	7,385
Carmarthenshire	260,174	0	258,831	0	258,831	-0.5%	13	14,169
Swansea	319,970	0	319,988	0	319,988	0.0%	7	19,081
Neath Port Talbot	212,919	0	213,406	0	213,406	0.2%	4	16,381
Bridgend	192,141	0	190,920	0	190,920	-0.6%	15	13,080
The Vale Of Glamorgan	152,959	0	151,923	0	151,923	-0.7%	16	9,049
Rhondda Cynon Taf	365,177	0	366,380	0	366,380	0.3%	3	21,681
Merthyr Tydfil	90,549	0	90,852	0	90,852	0.3%	2	5,690
Caerphilly	267,986	0	266,680	0	266,680	-0.5%	12	13,021
Blaenau Gwent	110,627	717	110,099	0	110,099	-0.5%	10	8,185
Torfaen	131,914	0	132,065	0	132,065	0.1%	6	8,116
Monmouthshire	93,559	51	91,920	703	92,623	-1.0%	18	5,702
Newport	213,423	0	213,759	0	213,759	0.2%	5	10,216
Cardiff	442,312	0	443,970	0	443,970	0.4%	1	27,979
All Unitary Authorities	4,226,136	807	4,211,345	2,495	4,213,840	-0.3%		244,000

Note: Total may not sum correctly due to rounding

1. 2018-19 AEF adjusted transfers of £12.069m (at 2018-19 prices) into the Settlement and inclusive of £807 thousand of top-up funding provided in 2018-19.

2. 2019-20 Provisional AEF including £2.495m top-up funding.

Tudalen way