

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2017-2018**

**COUNCIL**

**18<sup>th</sup> October 2017**

**REPORT OF:**

**THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES**

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	<b>AGENDA ITEM NO.11</b>
<b>THE COUNCIL'S 2018/19 REVENUE BUDGET – THE PROVISIONAL SETTLEMENT</b>	

**1.0 PURPOSE OF THE REPORT**

1.1 This report provides Members with information in respect of the 2018/2019 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 2018/2019 Local Government Settlement, announced by the Cabinet Secretary for Finance and Local Government, on the 10<sup>th</sup> October 2017.

2.2 Note that the Final 2018/2019 Local Government Settlement is expected during December 2017.

2.3 Note that the general budget strategy consultation will commence during November, the details of which will be considered by Cabinet on the 26<sup>th</sup> October 2017.

**3.0 REASONS FOR RECOMMENDATIONS**

3.1 To update Members on the implications of the Provisional Settlement for 2018/19 following receipt of information on the 10<sup>th</sup> of October 2017.

## **4.0 BACKGROUND**

- 4.1 On the 10<sup>th</sup> October 2017, the Cabinet Secretary for Finance and Local Government (Mark Drakeford AM) announced the Provisional 2018/2019 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.2 The "headlines" of the Provisional 2018/2019 Settlement are as follows:-
- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2018/2019 (of unhypothecated funding) at an all Wales level, is -0.5% (-£19.090M), but this is before new responsibilities are taken into account totalling £6.000M.
  - b. The provisional reported settlement for Rhondda Cynon Taf, shows a decrease of -0.2% which is above the average of -0.5%. Settlement figures across the twenty two local authorities in Wales range from at best +0.2% to at worst -1.0%.
  - c. A 'floor' protection has been included for 2018/19, set at -1.0% and is funded from resources outside of the Settlement.
  - d. The Settlement includes 'transfers in' of:
    - £35.000M in respect of the Waste Element of the Single Revenue Grant
    - £26.889M in respect of Welsh Independent Living Grant
    - £19.000M in respect of Social Care Workforce Grant
    - £7.415M in respect of Looked After Children
    - £3.000M in respect of Carers' Respite Care Grant
    - £0.412M in respect of Social Care for prisoners in the secure estate
  - e. The settlement includes 'new responsibilities' of £6.000M in respect of Homelessness Prevention.
  - f. The settlement contains an indicative 2019/20 settlement level at an all Wales level of -1.5%.
  - g. We are still awaiting details on specific grants.
  - h. The Council's General Capital Funding allocation is decreased slightly by 0.16% (£0.018M) to £11.214M.

**5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2018/2019 PROVISIONAL SETTLEMENT**

- 5.1 The Provisional Settlement is better than this Council and in general Local Government across Wales anticipated.
- 5.2 Throughout this financial year, Members have received updates on the projections of the Council's revenue budget position for the period to 2020/21, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Cabinet on the 18<sup>th</sup> July 2017 where, based on the financial projections at that time, a starting point budget gap of £18.458M was projected for 2018/19.
- 5.3 Financial projections, in light of the better than anticipated Settlement have now been updated. This has included additional costs in respect of updated living wage calculations, more detail on the impact on specific contractual inflationary rises and changes in anticipated specific grant levels. In addition, during the current year, a number of decisions have been taken that deliver savings this year and next and which now must be factored into the base. These savings include changes in social care charge levels, leisure fees, changes in placement and accommodation provision for Children Looked After and on going savings arising from our investment in street lighting. The impact of these changes, along with the impact of the additional Welsh Government grant, results in a reduction in the initial budget gap for 2018/19 to £9.834M.
- 5.4 Members will note that the July update also included an efficiency savings 'target' of £6M. Services are currently identifying options to achieve these savings and are confident that this target will be met in full.
- 5.5 After applying the efficiency target in full, the remaining budget gap totals **£3.834M**. 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.
- 5.6 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 changes agreed nationally to employee terms and conditions.

## **6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2018/2019**

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 2018/2019 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 2018/2019 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 2018/19.
- 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 £998k (at current tax base levels), but will also cost £235k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £763k, 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.

### **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 The better than anticipated settlement level for 2018/19 and the inclusion of an indicative allocation for 2019/20 has allowed some further refinement of our Medium Term Financial Plan, although assurances on the robustness of indicative allocations and future year projections remains a key risk. Work is now underway to revisit all of the assumptions through to 2020/21 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 2018/19 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 Proposals for budget consultation processes in respect of 2018/19 will again include:

- The use of an online budget simulator
- Town Centre roadshow events
- A young persons consultation event
- Consultation with OPAG
- Use of Social Media to promote and capture feedback
- Community Engagement

9.2 The general budget consultation will also incorporate for 2018/19 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 The budget consultation process is due to begin in November 2017 and the detailed requirements will be considered by Cabinet at its meeting on the 26<sup>th</sup> of October 2017.

## **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/ SIP / 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 Overview and Scrutiny committee recently considered the Chief Executive's report - 'Delivering the Corporate Plan – The Way Ahead' at its meeting on the 2<sup>nd</sup> of October 2017. This report 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 2018/19 and into the Medium Term, the need to deliver services differently will mean 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 Further reports setting out projects that will deliver the modernisation and improvement of services will be presented to Members over the coming months.

### **13.0 CONCLUSIONS**

13.1 The Cabinet Secretary for Finance and Local Government announced the Provisional 2018/2019 Local Government Settlement on the 10<sup>th</sup> October 2017.

13.2 The reported Provisional Settlement represents a decrease in revenue funding for the Council of -0.2%, and a slight decrease in capital support of -0.16%.

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 2018/19 that both maintains, as far as possible, key services and jobs as well as ensuring the ongoing financial stability of the Council.

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Llywodraeth Cymru  
Welsh Government

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## **WRITTEN STATEMENT BY THE WELSH GOVERNMENT**

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**Title**            **Provisional Local Government Settlement 2018-19**

**Date**            **10 October 2017**

**By**                **Mark Drakeford AM**  
**Cabinet Secretary for Finance and Local Government**

Building on my announcement last week of the Welsh Government 2018-19 Draft Budget, today I set out details of the core funding allocations for local authorities for 2018-19. This statement also sets out an indicative overall settlement for the following year. This will provide local authorities with a firm basis to take forward their own budget setting process for the next couple of years.

Adjusting for transfers, core funding for local government in 2018-19 will reduce by 0.5 per cent on a like-for-like basis compared to the current year. The indicative settlement for the following year is a further reduction of 1.5%. This includes the impact on the Welsh Government budget of the £3.5 billion unallocated cuts which the Chancellor of the Exchequer intends to impose in 2019-20.

If the Chancellor follows our advice and does not proceed with the cuts in the Autumn Budget then my first priority will be to look again at the cuts we have been forced to make, including for local government.

This is a realistic settlement that continues to protect local government from significant cuts against a backdrop of reducing budgets from the UK Government. This means local authorities will have £4.2 billion to spend on delivering key services next year. This includes £1.8 million floor funding to ensure that no authority has to manage with a reduction of more than 1% to its Revenue Support Grant next year.

Within the settlement funding has been provided for essential public services such as education and social care. The school element of the settlement has been increased by £62 million in 2018-19. This ensures that we maintain the assumed Welsh Government share of core spending on schools at the level of 2017-18. In 2019-20 this rises to £108 million, reflecting our commitment to continued investment in education and to prioritise schools funding within a tighter overall settlement.

The social care element of the settlement will be increased by £42 million in 2018-19. This means we will maintain the assumed Welsh Government share of core spending on social care at the level of 2017-18. In 2019-20 this will increase to £73 million, reflecting, even within a still tighter overall settlement, our recognition of the need to invest in social care.

The settlement also includes an additional £6 million to support delivery of local services to meet homelessness prevention duties, on top of the £6 million built into the settlement in 2017-18.

Alongside the settlement we are providing £600,000 to support local government to eliminate charging for child burials. This recognises and builds on the positive steps already taken by many councils in Wales and puts in place 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.

I have already confirmed that the Welsh Government will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2018-19. We are again providing £244m for CTRS in the Local Government Settlement. The arrangements for 2019-20 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 on 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.

While Welsh local government continues to be protected from the impact of austerity explained elsewhere, I recognise that this settlement is still a real terms cut in core funding, when authorities face real pressures from such things as an ageing population, pay and other inflationary pressures.

Therefore, it is vital that we continue to work together to deliver efficiencies. I have listened carefully to the case made by Welsh councils that one way in which this can be achieved is through reducing the administrative costs associated with specific grants and to provide greater flexibility to authorities in using these resources. This settlement includes over £90 million of funding which is currently being provided as specific grants. Included within this are £30 million of social care grants, the £27 million provided currently for the Independent Living Grant and £35 million of the Single Revenue Grant.

In addition to consolidating grants into the local government Revenue Support Grant (RSG) we are amalgamating other grants, supported by outcome frameworks. This increases the flexibility for local authorities and reduces the administrative burden associated with grant funding.

Further details of the grants for local government will be published alongside the detailed draft Budget information on 24 October.

The recently published Cwm Taf Collaborative estate pilot has demonstrated there are clear opportunities for the public sector throughout Wales to make efficiencies through the better use of its land and building assets. I previously made £2m available in this financial year to support the asset mapping agenda being delivered through the National Assets Working Group. Officials will shortly be writing offering financial support to facilitate better property data capture and asset mapping, enabling improved knowledge of the collective public estate, which as well as potentially identifying opportunities for further efficiencies will also highlight opportunities to integrate and improve delivery of services.

To put us in the best place to prepare for more challenging times ahead, it is vital that we press ahead with our plans for local government reform, to provide the mechanisms to deliver systematic and mandatory regional working. This, along with the greater freedoms such as through making available to authorities the general power of competence, are essential for ensuring that local authorities continue to be financially sustainable and deliver effective and resilient services.

Working with wider public sector partners is also important. Local authorities have shown their ability to work with Local Health Boards through the Integrated Care Fund. Now authorities need to meet their statutory obligations in terms of pooling budgets for key services. My colleague, the Minister for Social Services and Public Health is making a separate statement today on progress with health and social care integration.

Attached to this statement is a summary table setting out the settlement allocations by authority. The allocations are derived from 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 six authorities. One authority, Cardiff receives an overall increase in its 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 website:

<http://gov.wales/topics/localgovernment/finandfunding/settlement/lg-settlement-2018-19/?lang=en>

I expect each local authority to engage meaningfully with their local communities as they consider their budget priorities.

The setting of council tax is the responsibility of each local authority and I expect them to take account of the full range of sources of funding available to them, as well as the pressures they face, in setting next year's council tax.

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

In addition authorities will have access to capital funding and innovative financing support for capital for a range of specific projects including 21st Century schools, flood prevention and housing.

This announcement commences the formal six-week consultation on the provisional local government settlement. This will end on 21 November 2017.

I also publish today an update on our plans for reforming the local government finance framework to ensure it meets future needs. I welcome all comments and contributions to thinking on this important matter.

<http://gov.wales/topics/localgovernment/finandfunding/publications/?lang=en>

**[1315 words]**

**Summary Table:**

**2018-19 provisional settlement – comparison of the 2017-18 AEF including top-up funding (adjusted for transfers) and the 2018-19 provisional AEF and top-up funding, and distribution of the 2018-19 Council Tax Reduction Schemes funding (distributed within AEF)**

	<i>£000s</i>							
Unitary authority	2017-18 adjusted AEF plus top-up funding <sup>1</sup>	Of which top-up funding	2018-19 provisional AEF	2018-19 top-up funding	2018-19 provisional AEF plus top-up funding <sup>2</sup>	% change on adjusted 2017-18 AEF plus top-up funding	Rank	Council Tax Reduction Schemes (distributed within AEF)
Isle of Anglesey	94,978	0	94,924	0	94,924	-0.1%	2	5,187
Gwynedd	174,043	0	173,859	0	173,859	-0.1%	4	8,926
Conwy	154,313	0	152,405	365	152,770	-1.0%	17	8,976
Denbighshire	143,409	0	142,144	0	142,144	-0.9%	15	9,172
Flintshire	189,519	0	187,816	0	187,816	-0.9%	16	9,761
Wrexham	174,049	0	173,485	0	173,485	-0.3%	8	9,672
Powys	174,388	1,237	172,500	145	172,644	-1.0%	17	8,043
Ceredigion	100,200	0	99,905	0	99,905	-0.3%	7	4,881
Pembrokeshire	160,765	0	160,084	0	160,084	-0.4%	9	7,077
Carmarthenshire	259,147	0	257,960	0	257,960	-0.5%	12	14,249
Swansea	316,776	0	316,499	0	316,499	-0.1%	3	19,180
Neath Port Talbot	211,783	0	210,832	0	210,832	-0.4%	11	16,300
Bridgend	191,878	0	190,718	0	190,718	-0.6%	13	12,907
The Vale Of Glamorgan	152,666	0	151,996	0	151,996	-0.4%	10	9,063
Rhondda Cynon Taf	362,790	0	362,219	0	362,219	-0.2%	5	21,772
Merthyr Tydfil	90,589	391	89,656	27	89,683	-1.0%	17	5,643
Caerphilly	268,282	0	265,493	107	265,600	-1.0%	17	13,302
Blaenau Gwent	110,870	0	108,871	890	109,761	-1.0%	17	8,261
Torfaen	131,805	0	130,800	0	130,800	-0.8%	14	7,996
Monmouthshire	93,939	0	92,761	238	93,000	-1.0%	17	5,649
Newport	212,234	0	211,682	0	211,682	-0.3%	6	10,362
Cardiff	436,913	0	437,867	0	437,867	0.2%	1	27,619
<b>All Unitary Authorities</b>	<b>4,205,337</b>	<b>1,628</b>	<b>4,184,476</b>	<b>1,772</b>	<b>4,186,247</b>	<b>-0.5%</b>		<b>244,000</b>

1. 2017-18 AEF adjusted for transfers of £91.7m into the Settlement and inclusive of £1.6m of top-up funding provided in 2017-18.

2. 2018-19 Provisional AEF including £1.77m top-up funding.