

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2015-16

COMMITTEE :

COUNCIL

16th December 2015

REPORT OF :

GROUP DIRECTOR CORPORATE AND FRONTLINE SERVICES

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PART 1	AGENDA ITEM NO.2
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THE COUNCIL'S 2016/2017 REVENUE BUDGET – THE PROVISIONAL SETTLEMENT
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1.0 PURPOSE OF THE REPORT

1.1 This report provides Council with information in respect of the 2016/2017 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 2016/2017 local government settlement, announced by the Minister for Public Services, on the 9th December 2015.

2.2 Note that the final 2016/2017 local government settlement is expected on the 2nd March 2016.

2.3 Note that the general budget strategy consultation commenced on the 16th of December 2015 and will close on the 18th January 2016.

3.0 BACKGROUND

- 3.1 On the 9th December 2015, the Minister for Public Services (Leighton Andrews AM) announced the provisional 2016/2017 local government settlement. The Minister's statement and key data table is attached at Appendix 1.
- 3.2 The "headlines" of the provisional 2016/2017 settlement are as follows:-
- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2016/2017 (of unhypothecated funding) at an all Wales level, is -1.4%.
 - b. The provisional settlement for Rhondda Cynon Taf, shows a decrease of -0.9% which is better than the average of -1.4%. Settlement figures across the twenty two local authorities in Wales range from at best -0.1% to at worst -4.1 (no 'floor' protection has been included for 2016/17).
 - c. The Settlement includes a 'transfer in' of £31.1M of funding previously provided through the Outcome Agreement Grant. The share for Rhondda Cynon Taf is £2.467M.
 - d. The settlement includes reference to additional funding for Social Services (£21M at an all Wales level) and Education (£35M at an all Wales level), with the latter linked to a protection requirement of 1.85% for 2016/17.
 - e. The settlement contains no indication of future year indicatives i.e. 2017/18 and beyond.
 - f. We are still awaiting details on many specific grants. At an all Wales level, 33 out of 44 specific grants have been announced and overall there is a total reduction of approximately 5%.
 - g. The Council's General Capital Funding allocation is increased slightly by 0.04% (£0.005M) to £11.159M.

4.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2016/2017 PROVISIONAL SETTLEMENT

- 4.1 Members have received regular updates on the projections of the Council's revenue budget position for the period to 2018/19, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Cabinet on the 10th November 2015, as part of the decision made to consult on a series of Service Change proposals linked to the Library Service, Youth Engagement and Participation Services, Supported Bus Routes and Day Nursery provision. In relation to 2016/17, the estimated funding gap at that time totalled £27.2M, based on a -4% estimated settlement. The impact of the Provisional Settlement has now been assessed and the result is a reduction in the initial budget gap for 2016/17 to £19.564M.
- 4.2 Clearly the Provisional Settlement is significantly better than this Council and in general Local Government across Wales anticipated (the total funding at an all Wales level is down £56.8M to £4,099M).
- 4.3 Whilst the settlement is better than expected, it is still a funding reduction, and should be set in the context increasing inflationary pressures and general demands on our 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 already in this financial year that will impact on the bottom line initial funding gap in 2016/17. These include changes agreed for Home to School Transport Services, investment in Street Lighting Services and reductions in senior management costs. The result of these decisions is that £2.049M of savings can now be factored into the budget gap assessment for 2016/17. The result of this is to leave a remaining funding gap at Provisional Settlement stage of **£17.515M** (this excludes proposals subject to public consultation exercises agreed by Cabinet on the 10th of November 2015).
- 4.5 In order to close a remaining budget gap of £17.515M in 2016/17, further savings 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.

5.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2016/2017

5.1 Against the backdrop of 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 2016/2017 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 2016/2017 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 1.85% for 2016/2017. This needs to be set in context against the overall decrease provided to this Council of -0.9%. 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.
- 5.7 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 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 £963k (at current tax base levels), but will also cost £239k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £724k, 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 As noted in paragraph 4.1 above, consultation activity, instigated by Cabinet at its meeting on the 10th of November 2015, is currently underway in respect of proposals relating to the Library Service, the Youth Engagement and Participation Service, Supported Bus Routes and Day Nurseries. The results of these consultation exercises are expected to be fed back to Cabinet in early 2016.
- 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 and how services are delivered. In recent months, the Council has undertaken a number of public engagement initiatives as part of its 'RCT Together' programme that have increased significantly the opportunities for residents to not only have their say on what matters to them but also for them to submit ideas and proposals on how services could be delivered differently.

- 5.11 For the budget consultation exercise this year, a budget simulator is being used to allow residents to interactively consider budget options. In addition to this, there will also be roadshow events and opportunities for key stakeholders to have an input into the budget setting process.
- 5.12 The general budget consultation will also incorporate again for 2016/17 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.
- 5.13 The general budget consultation 'went live' on the 16th of December 2015 and will run until the 18th of January 2016.

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 The better than anticipated settlement level for 2016/17 and the absence of any forward projections at this stage make future year projections very challenging. Work is underway across Local Government to model potential funding scenarios moving forward and our forecasts to 2018/19 will be updated and reported to Members when this work is completed. None of the scenarios modelled is likely to feature an increase in funding over the short or medium term. It therefore remains the case that we must continue to indentify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2016/17 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 2016/2017 local government settlement on the 9th December 2015.
- 7.2 The provisional settlement provides an actual decrease in revenue funding for the Council of -0.9%, and a slight increase in capital support of +0.04%.
- 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.



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Provisional Local Government Settlement 2016-17**

DATE **9 December 2015**

BY **Leighton Andrews AM, Minister for Public Services**

Today I am publishing my proposals for Local Government funding in 2016-17, including allocations of core funding for individual Local Authorities.

The late timing of the UK Government's Spending Review has presented significant challenges for the preparation and publication of the Welsh Government Draft Budget and the 2016-17 Local Government Settlement.

I am publishing the Provisional Local Government Revenue and Capital Settlements for 2016-17 the day after the announcement of the Welsh Government's Draft Budget. This is the earliest opportunity which is possible in the circumstances.

The later announcement of this Settlement means that it makes use of the most up-to-date data in the calculations. I intend to keep any revisions between Provisional and Final Settlement to a minimum, affording Local Government a more robust basis from which to start planning their budgets.

I propose to set Local Government revenue funding at £4.099 billion. This represents a decrease of 1.4% (£57 million) compared to 2015-16. This is a considerably better Settlement than Local Government was expecting and is good news for local services in Wales.

Due to the close proximity of the Settlement announcement to the publication of the Draft Budget, I am not yet in a position to release details of capital grants for 2016-17. However, I can confirm that General Capital Grant for 2016-17 remains at £54 million for the fourth year running.

This Government recognises the crucial role Local Authority social services play in improving outcomes for the most vulnerable and we have included an additional £21 million through this year's Revenue Settlement in recognition of this.

Building on our investment in previous years, we have continued our commitment to prioritise funding for schools with an additional £35 million in this year's Settlement.

We have protected the funding for Local Government in Wales over the course of this Assembly term. This means that Local Government in Wales has not been subject to the level of cuts experienced by Councils in England. As a consequence of UK Government decisions, since 2010-11, spending on local services in England has **decreased** by around 10% in cash terms, while in Wales it has **increased** by 2.5%.

For 2016-17, I expect every Authority to take account of all the available funding streams in considering service provision and setting their budgets and Council Tax. 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 2016-17, 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.

I am proud of our commitment to, once again, maintain full entitlements for eligible applicants under the Council Tax Reduction Scheme, and I am supporting Local Government to deliver the scheme in 2016-17 by distributing £244 million within the Settlement. Local Authorities must take account of the scheme when making their decisions about council tax levels.

Transfers and revenue grants

Included within the provisional RSG for 2016-17 is £31.1 million of funding previously provided through the Outcome Agreement Grant. This demonstrates my commitment to offer Local Authorities the maximum amount of flexibility in how they set their budgets.

In total, this means that annual funding of over £190 million has been transferred into the Settlement since the beginning of the 2010 Spending Review.

Alongside the Settlement, I am publishing as much information as possible on other Welsh Government grant schemes planned for 2016-17 in order to assist Local Authorities in preparing their budgets for next year. Included within this is £63 million of funding for the Single Environment Grant. The recent publication of the Draft Budget means that details of some grant schemes, in particular some of the larger schemes, have yet to be agreed. I will include more information with the Final Settlement. My Ministerial colleagues and I are considering whether further flexibility might be offered in relation to certain grant funding for 2016-17 and beyond. Our conclusions will be published as part of the information accompanying the Final Settlement.

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 2016-17.

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 2016-17.

Conclusion

Today's announcement marks the start of a six-week consultation period which ends on 20 January 2016. After this, I will consider whether further amendments are to be made before making my final determination in early March.

Table 1: 2016-17 Provisional Settlement - Comparison of the 2015-16 AEF (adjusted for transfers) and the 2016-17 Provisional AEF and Distribution of the 2016-17 Council Tax Reduction Schemes funding (distributed within AEF)

Unitary authority	<i>£000s</i>					
	2015-16 AEF (adjusted for transfers)	2016-17 Provisional AEF	% change on 2015-16	Rank	Council Tax Reduction Schemes (distributed within AEF)	Percentage share
Isle of Anglesey	93,841	91,925	-2.0%	17	5,099	2.1%
Gwynedd	169,847	166,990	-1.7%	14	8,884	3.6%
Conwy	152,740	149,429	-2.2%	18	8,938	3.7%
Denbighshire	141,294	139,602	-1.2%	10	9,275	3.8%
Flintshire	187,535	184,743	-1.5%	12	9,762	4.0%
Wrexham	172,036	169,761	-1.3%	11	9,983	4.1%
Powys	175,692	168,488	-4.1%	22	8,082	3.3%
Ceredigion	100,010	96,570	-3.4%	21	4,779	2.0%
Pembrokeshire	161,375	156,932	-2.8%	19	7,090	2.9%
Carmarthenshire	254,306	251,685	-1.0%	8	14,184	5.8%
Swansea	310,525	307,754	-0.9%	5	18,984	7.8%
Neath Port Talbot	206,637	205,567	-0.5%	2	16,041	6.6%
Bridgend	189,561	187,508	-1.1%	9	12,695	5.2%
The Vale Of Glamorgan	153,530	150,443	-2.0%	16	8,893	3.6%
Rhondda Cynon Taf	357,009	353,769	-0.9%	6	22,295	9.1%
Merthyr Tydfil	89,848	89,188	-0.7%	4	5,831	2.4%
Caerphilly	265,723	263,293	-0.9%	7	13,483	5.5%
Blaenau Gwent	110,959	109,252	-1.5%	13	8,391	3.4%
Torfaen	131,538	129,296	-1.7%	15	7,909	3.2%
Monmouthshire	94,379	91,439	-3.1%	20	5,671	2.3%
Newport	210,565	209,133	-0.7%	3	10,270	4.2%
Cardiff	426,860	426,285	-0.1%	1	27,461	11.3%
Total Unitary Authorities	4,155,809	4,099,052	-1.4%		244,000	100.0%