

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2016/2017

COUNCIL

26TH OCTOBER, 2016

**REPORT OF THE GROUP
DIRECTOR, CORPORATE &
FRONTLINE SERVICES**

Agenda Item No.8
THE COUNCIL'S 2017/18 REVENUE BUDGET – THE PROVISIONAL SETTLEMENT

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1.0 PURPOSE OF THE REPORT

1.1 This report provides Members with information in respect of the 2017/2018 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 2017/2018 Local Government Settlement, announced by the Cabinet Secretary for Finance and Local Government, on the 19th October 2016.

2.2 Note that the Final 2017/2018 Local Government Settlement is expected on the 21st December 2016.

2.3 Note that the general budget strategy consultation, subject to Cabinet approval, will commence on the 7th November 2016 and will close on the 19th December 2016.

3.0 BACKGROUND

3.1 On the 19th October 2016, the Cabinet Secretary for Finance and Local Government (Mark Drakeford AM) announced the Provisional 2017/2018 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.

3.2 The "headlines" of the Provisional 2017/2018 Settlement are as follows:-

- a. The overall reported increase in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2017/2018 (of unhypothecated funding) at an all Wales level, is +0.1% (+£3.788M), but this is before new responsibilities are taken into account totalling £4.800M.
- b. The provisional reported settlement for Rhondda Cynon Taf, shows an increase of +0.2% which is better than the average of +0.1%. Settlement figures across the twenty two local authorities in Wales range from at best +0.9% to at worst -0.5%.
- c. A 'floor' protection has been included for 2017/18 and is set at -0.5% and is funded from resources outside of the Settlement.
- d. The Settlement includes 'transfers in' of £3.082M in respect of the Delivering Transformation Grant (£2.830M), Deprivation of Liberty Standards (£0.184M), Blue Badge Additional Funding (£0.011M) and Food Hygiene Rating Scheme (£0.057M).
- e. The Settlement includes 'transfers out' of £1.000M for the Education Workforce Council Teachers Registration Fees.
- f. The settlement includes 'new responsibilities' of £4.800M in respect of Increased Capital Limits for Residential Care (£4.500M) and War Disablement Pension Disregard (£0.300M).
- g. The settlement contains no indication of future year settlement levels i.e. 2018/19 and beyond.
- h. We are still awaiting details on many specific grants with information on 11 grants not available at this time. For those that have been announced and are comparable to 2016-17, there is a reduction in the total amount of around 1%.
- i. The Council's General Capital Funding allocation is increased slightly by 0.06% (£0.068M) to £11.232M.

4.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2017/2018 PROVISIONAL SETTLEMENT

- 4.1 The Provisional Settlement is significantly better than this Council and in general Local Government across Wales anticipated.
- 4.2 Throughout this financial year, Members have received updates on the projections of the Council's revenue budget position for the period to 2019/20, as part of our Medium Term Service Planning arrangements.

The latest of these assessments was considered by Cabinet on the 22nd September 2016 where, based on the financial projections at that time, a starting point budget gap of £21.519M was projected.

- 4.3 Financial projections, in light of the better than anticipated Settlement have now been updated. The assumed modelled increase in Council Tax for 2017/18 has been lowered to 2.5%, the increase to school budgets has been adjusted to a +1.5% (significantly higher than other Council Services will receive) and assumptions in relation to the costs of the Local Government Pension Scheme have been updated pending further information from the Council's Actuary. 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 2017/18 to £13.818M. The September update to Cabinet included savings already realised in respect of Minimum Revenue Provision (MRP) for 2017/18 of £3.143M and additional in year efficiency measures already actioned this year of £1.856M. Taking these secured savings into account, leaves an initial budget gap of £8.819M. Also included within the MTFP update were efficiency savings 'targets' totalling £6M. Services are currently identifying options to achieve these savings and are confident that these targets will be met in full.
- 4.4 After applying the efficiency targets in full, the remaining budget gap totals **£2.819M**. 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.
- 4.5 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 employer Pension Fund contributions linked to the current valuation process (as referenced above in paragraph 5.3), the financial impact of the decision by Welsh Government to cease the Communities First programme and the assessment of changes in levels of specific grants that are currently funding key services.

5.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2017/2018

- 5.1 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 2017/2018 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 2017/2018 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;
- 5.2 This outline strategy will provide an effective and pragmatic framework for the delivery of a fair and equitable Council budget.

5.3 Council Tax Levels

- 5.4 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 +2.5% for 2017/18, as referenced in paragraph 5.3. This reflects the better than anticipated Settlement and Welsh Government's

expectations that this should mean lower increases in Council Tax for residents in 2017/18.

- 5.5 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 £989k (at current tax base levels), but will also cost £240k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £749k, 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.

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 2017/18 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 2019/20 will be updated and reported to Members when this work is completed. Whilst the Provisional Settlement for 2017/18 is on average 'cash flat' (albeit this is still a real term reduction after pay and non pay inflation is factored in), the indications are that the levels expected in 2018/19 and 2019/20 are expected to be challenging. It therefore remains the case that we must continue to identify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2017/18 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 EQUALITY & DIVERSITY IMPLICATIONS

- 7.1 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.

8.0 CONSULTATION

8.1 The proposed budget consultation process for 2017/18 is detailed in a separate report that was considered by Cabinet on the 25th October 2016 the proposals to 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

8.2 The general budget consultation will also incorporate again for 2017/18 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.

8.3 It is proposed that the budget consultation will begin on the 7th of November 2016 and will run until the 19th of December.

9.0 FINANCIAL IMPLICATIONS

9.1 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.

10.0 LEGAL IMPLICATIONS or LEGISLATION CONSIDERED

10.1 There are no legal implications aligned to this report

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

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

12.0 CONCLUSIONS

12.1 The Cabinet Secretary for Finance and Local Government announced the Provisional 2017/2018 Local Government Settlement on the 19th October 2016.

- 12.2 The reported Provisional Settlement provides an increase in revenue funding for the Council of +0.2%, and an increase in capital support of +0.06%.
- 12.3 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 2017/18 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 2017-18**

DATE **19 October 2016**

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

Following my announcement yesterday of a one-year revenue budget for 2017-18 and four-year indicative capital budget, I am today publishing my proposals for local government funding in 2017-18. These include the provisional allocations of core revenue funding for each of the 22 county and county borough councils.

These allocations may be revised for the final settlement. However, I am confident they provide a robust basis for local authorities to plan their budgets for the next financial year.

I propose to set local government revenue funding for 2017-18 at £4.107 billion. This represents an increase of £3.8 million compared to 2016-17. This takes account of our agreement with Plaid Cymru to provide local government with an additional £25 million through the settlement to support the delivery of vital services. In addition, we are providing £1 million for school transport and £3 million to support town centre car parking.

This is a good settlement for local government, particularly given the many competing pressures on the Welsh Budget. It constitutes the first increase in the settlement for local government since 2013-14 and is considerably better than most in local government have been expecting.

Also, through this settlement I am providing an additional £25 million in recognition of the importance of strong local social services to the long-term success of the health

service in Wales and in recognition of the growing pressures which social services face.

This settlement delivers the funding towards our commitments in *Taking Wales Forward*. Firstly, the settlement includes £4.5 million to fund the commitment to increase the capital limit used by local authorities who charge for residential care from £24,000 to £30,000. This is the first step in the delivery of our commitment to have a limit of £50,000. Secondly, the settlement provides £0.3 million to fund the commitment to introduce a full disregard of the War Disablement Pension in financial assessments for charging for social care. Thirdly, I am providing £2.3 million of additional funding outside the settlement to ensure that no authority sees a reduction of greater than 0.5% compared to its 2016-17 settlement allocation and, where relevant, top-up funding.

Capital funding for 2017-18 amounts to £442 million. Within this, General Capital Funding for 2017-18 is unchanged at £143 million.

In setting their budgets and council tax levels for next year, I expect every authority to take account of all the funding streams available to them and to consider carefully how to secure best value for Welsh taxpayers through effective and efficient service provision. We offer considerable flexibility to authorities in Wales, which is not available to their counterparts in England, to exercise autonomy and responsibility in managing their finances.

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 2017-18 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 2017-18 is £3.1 million of funding previously provided through specific grants. This includes £2.85 million of funding previously provided via the social services *delivering transformation grant*; £184 thousand to support *deprivation of liberty safeguards*; £57 thousand to deliver the *food hygiene rating scheme*; and £21 thousand additional funding for the *blue badge scheme*.

In total, this means that annual funding of over £194 million has been transferred into the settlement since 2011-12.

The change in arrangements for the registration of the education workforce has resulted in a transfer out of the settlement of £1 million formerly provided in respect of teacher registration fee subsidies.

Alongside the settlement, I am publishing as much information as possible about other Welsh Government grant schemes planned for 2017-18. This will assist local authorities in preparing their budgets for next year. A further update will be included with the final settlement in December.

My Ministerial colleagues and I are considering whether further flexibility might be offered in relation to certain grant funding for 2017-18 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 2017-18.

In proposing the allocations for individual authorities, I have listened to the advice of the Distribution Sub Group (DSG) and Finance Sub Group. I am implementing the recommendations set out in the DSG annual report, phasing in the agreed changes to the social services formulae over two years, to help smooth the re-distributional effect of these changes.

This distribution reflects our most up-to-date assessment of relative need, based on a wealth of information about the demographic, physical, economic and social characteristics of every authority in Wales.

In line with the Welsh Government Draft Budget, I am unable to provide indications beyond 2017-18.

Conclusion

Today's announcement marks the start of a six-week consultation period which ends on 30 November 2016. After this, I will consider whether further amendments are to be made before making my final determination in December.

[859 words]

Table 1: 2017-18 provisional settlement – comparison of the 2016-17 AEF including top-up funding (adjusted for transfers) and the 2017-18 provisional AEF and top-up funding and distribution of the 2017-18 Council Tax Reduction Schemes funding (distributed within AEF)

								<i>£000s</i>
Unitary authority	2016-17 adjusted AEF plus top-up funding ¹	Of which top-up funding	2017-18 provisional AEF	2017-18 top-up funding	2017-18 provisional AEF plus top-up funding ²	% change on adjusted 2016-17 AEF plus top-up funding	Rank	Council Tax Reduction Schemes (distributed within AEF)
Isle of Anglesey	91,975	0	92,289	0	92,289	0.3%	7	5,165
Gwynedd	167,028	0	168,590	0	168,590	0.9%	1	8,949
Conwy	149,508	0	150,101	0	150,101	0.4%	6	8,936
Denbighshire	139,677	0	140,349	0	140,349	0.5%	4	9,323
Flintshire	184,835	0	184,989	0	184,989	0.1%	10	9,651
Wrexham	169,856	0	168,826	181	169,007	-0.5%	19	9,748
Powys	170,503	1,952	168,276	1,374	169,650	-0.5%	19	8,073
Ceredigion	97,056	436	97,808	0	97,808	0.8%	2	4,773
Pembrokeshire	156,973	0	156,599	0	156,599	-0.2%	16	6,984
Carmarthenshire	251,810	0	251,794	0	251,794	0.0%	12	14,007
Swansea	307,936	0	309,385	0	309,385	0.5%	5	19,063
Neath Port Talbot	205,682	0	206,797	0	206,797	0.5%	3	16,242
Bridgend	187,608	0	187,513	0	187,513	-0.1%	13	12,926
The Vale Of Glamorgan	150,521	0	150,169	0	150,169	-0.2%	15	8,883
Rhondda Cynon Taf	353,944	0	354,778	0	354,778	0.2%	9	22,082
Merthyr Tydfil	89,236	0	88,205	585	88,790	-0.5%	19	5,718
Caerphilly	263,424	0	262,693	0	262,693	-0.3%	17	13,574
Blaenau Gwent	109,310	0	108,617	147	108,764	-0.5%	19	8,165
Torfaen	129,365	0	128,747	0	128,747	-0.5%	18	7,994
Monmouthshire	91,599	111	91,622	0	91,622	0.0%	11	5,731
Newport	209,247	0	209,013	0	209,013	-0.1%	14	10,339
Cardiff	426,539	0	427,976	0	427,976	0.3%	8	27,673
All Unitary Authorities	4,103,632	2,499	4,105,134	2,286	4,107,420	0.1%		244,000

1. 2016-17 AEF adjusted for latest tax-base, transfers of £3.1m into and £1m out of the Settlement and inclusive of £2.5m of top-up funding provided in 2016-17.

2. 2017-18 Provisional AEF including £2.3m top-up funding.