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Llywodraeth Cymru  
Welsh Government

Welsh Government

Consultation – summary of responses

## Provisional Local Government Settlement 2016-2017

March 2016

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

## **Summary of Main Comments**

NB: The following reflect the respondents' views and interpretations as given in their responses.

### **Monmouthshire County Council – Provisional Settlement Reduction of -3.1%**

Settlement - the Provisional Settlement announcement is a matter of concern with the prospect of difficult times ahead especially for Monmouthshire. The Council is conscious of pressures on household budgets and is doing its utmost to deliver balanced budgets but there will be inevitable pressure to raise Council Tax.

Floor funding - Comparing 'like for like', their reduction is 3.1% and as there is no floor, the Council's position as the worst funded council in Wales per head of population, has not been helped. This will mean key services will face extreme pressures in 2017-18.

Rural Stabilisation Grant - Monmouthshire supports the grant proposal put forward by WLGA as there is evidence that many rural issues are underplayed in the Welsh Index of Multiple Deprivation. These impacts on the formula and the lack of indicators to identify rural issues leave these authorities with greater reductions than the average. The average reduction of 1.4% with a range of 4% is excessive therefore the introduction of this Grant for the 4 rural authorities could limit the reduction to a more manageable level without affecting the settlement of other Authorities.

Education and Social Care - they note these budgets are priority however there is a need to distinguish between protecting services and protecting budgets. All service areas need to be reviewed to improve efficiency and effectiveness enabling these budgets to be contained but still provide priority outcomes. They would welcome maximum flexibility to manage their budgets.

Specific Grants - the Council supports and encourages the transfer of specific grants into the RSG and are disappointed at the current lack of progress. They would welcome more grants being transferred in providing the distribution remains on the same basis as the original grant whilst avoiding large changes at a late stage in the process.

Capital - Monmouthshire feels previous reductions in the capital funding are not addressed. This is a serious concern as Councils are struggling to raise capital receipts from asset sales. The need to invest in priority areas, for example 21<sup>st</sup> Century Schools and infrastructure, remains high with Welsh Government support remaining a critical success factor.

Overall comment - the Council finds it difficult to reconcile revenue and capital settlements with the increasing expectations and growing demand on local services. They face difficult decisions in reconciling their budgets and believe that the Welsh Government should recognise this and support all authorities whilst not promoting undeliverable policy expectations. Monmouthshire states it is a time for all to work together to minimise the impact of the downturn in public finances for the most vulnerable in society and the public that the Councils and the Welsh Government exist to serve.

## **Powys County Council – Provisional Settlement Reduction of - 4.1%**

AEF - Powys is extremely disappointed with the 4.1% AEF reduction and notes that once again, it is the lowest across Wales. It is even more unpalatable when compared with the average 1.4% reduction across Wales. Over the past 9 years, Powys has received the smallest increase in funding at 0.5% in cash terms which represents a 20% real term reduction. The average figure for Wales has been a 9.8% increase with the largest being 18.9% and they comment that they are by far, facing the biggest financial challenge in Wales this decade.

Powys' commitment to protect some services supported by additional funding has put further strain on its resources and increases the reduction imposed on the authority - it notes other authorities who anticipated larger reductions may now have a contingency to meet their commitments.

Floor funding - Powys feels that the floor provision for the past two years has recognised that the settlement formula is flawed and though it does not work for other authorities, it has been a vital element for Powys. It notes that this is not an appropriate permanent solution but it has assisted in mitigating the effect of a formula that doesn't fully take account of the cost of delivering services in rural areas. This is recognised in the 'Rural Stabilisation Grant' proposal which they fully support and welcome as a favourable outcome which addresses the issue in the short term. In the longer term, the development of the formula has highlighted the cost of travel time in providing social services and delivering services in rural authorities, therefore for Powys, the proposed change would be an additional £2.994m.

Specific Grants - it welcomes the transfer of grants into the settlement and highlights the need for it to continue, resulting in the reduction of the administrative and audit fee burden.

Future funding - Powys feels that the one-year funding provision does not provide clarity for Authorities to effectively plan their financial management over the medium term. Confirmation of funding beyond one year would reduce the uncertainty and improve financial planning.

## **Wrexham County Borough Council – Provisional Settlement Reduction of -1.3%**

Settlement - Wrexham is disappointed that in setting the budgets, the Welsh Government has made reductions to the Local Government element (-1.97% compared to 2015-16), resulting in the Settlement disproportionately impacting on local services.

School Protection - the continued school protection should be reviewed as it has a major knock-on impact on other services.

Social Services - despite an additional £21m being included within the Settlement, it does not recognise rising demands and increased complexity in Adult and Children Social Services.

Specific Grants - the Authority states that it is essential for more grant information be provided at the Provisional Settlement stage to enable the integrated planning of services. It is disappointed that the Single Environment Grant has not been transferred in and expresses concern at the proposed 6.3% reduction in this grant that supports vital services to the public and environment.

Council Tax - the Council is keen for the Welsh Government to provide adequate resources to enable Council Tax to be kept reasonably low. Sufficient resources should be provided so that the approach is closer to that as in England. This is particularly important to Authorities bordering England as the public cannot understand why incentives to keep council tax low in England are not passed on to Welsh Local Authorities.

New responsibilities - it is essential that these are fully funded within the Settlement. Sound evidence should be provided by the Welsh Government on the basis of any new funding linked to legislation.

Capital Settlement - it notes that the General Capital Grant remains at a low level and is disappointed that no specific Capital grant information is available given the infrastructure projects planned.

Council Tax Reduction Scheme - continued financial support is welcomed by Wrexham however it considers that the 2016-17 resource should be increased rather than continued at the same level as when introduced in 2013-14.

Forward Planning - English Authorities have the opportunity to take up a four year funding settlement to 2019-20 which will allow funding certainty and stability resulting in a more proactive planning of service delivery - Wrexham is of the view that the Welsh Government must consider providing the settlement earlier and offer any Council that wishes, the opportunity to take up multi-year funding.

### **Torfaen County Borough Council – Provisional Settlement Reduction of -1.7%**

Settlement - the Council was expecting and therefore planning on a much worse settlement than was actually received. It notes however that it still represents a cash and real terms reduction which results in difficult choices having to be made. Extra funding for schools and social care is welcomed as it recognises the role of social care in easing pressures on the NHS. Both of these areas feature heavily in Torfaen's budget and corporate plan, but the protection of these services provides a challenge for the choices in other service areas. Torfaen remains of the view that ring-fencing any budget can actually stifle innovation and reform.

Funding formula - the reductions across Authorities is significant ranging from -0.1% to -4%. This clearly affects Council choices making it more difficult to explain its budget plans to the public. They believe that the funding formula is in need of review.

Specific grants - Torfaen has welcomed the inclusion of the Outcome Agreement into the settlement and hopes further grants are included in future years. It considers it would free up the money from bureaucracy and increase flexibility. The Council is in favour of unhypothecated grants and due to the lateness of the final settlement this year, states that early clarity is essential, and ideally before the end of January.

It acknowledges that more general grant information has been provided at an all-Wales level but is disappointed in the continued lack of individual authority allocations. Again, early and full grant detailed information is imperative as much of it underpins core services and employment.

Financial planning - it is disappointed that the Settlement only covers one single financial year as this impedes good financial planning. Torfaen states that the lateness of the

spending review is not a valid reason for a lack of forward indications as local authorities have to financially plan over multiple years. They hope that in the future, the Welsh Government returns to forward settlement indications.

Council Tax - Torfaen are pleased that Council Tax level increases remain a matter for local policy choice but expect Council Tax levels to rise.

General comment - they reiterate that it continues to be more important than ever for the Welsh Government and all parts of the public sector to work collaboratively and in partnership to support the most vulnerable. It is essential that the Welsh Government and Local Government work in partnership and the better than expected settlement shows a more positive movement.

### **Flintshire County Council – Provisional Settlement Reduction of -1.5 %**

Overall - the Council welcomes the Welsh Government's recognition of some funding protection that is reflected in the lower Revenue Support Grant reductions whilst the financial challenges of principal councils are still observed. Flintshire seeks reassurance that additional funding for specific local authorities is met outside the Settlement with no impact on the AEF level for other Councils.

Grants - it requests that the level of funding reductions proposed within the Single Environment Grant is reduced due to its likely impact on key statutory public services. The proposed decrease has caused a new cost pressure for 2016-17 which will have to be met from other sources at the expense of other key services.

Flintshire remains concerned about further reductions in unpublished specific grants and seeks reassurance that making further in-year specific grant reductions will end. Flintshire requests that newly announced joint health-social care additional funding is equally accessible for current and emerging social care demands.

Future settlements - the Council states there is shared recognition that the Settlement funding system is in need of reform and it awaits the recommendations of the 'Independent Commission for Local Government' and the 'Ministerial Future Funding Outlook Group'. It is critical that the need for certainty of financial planning and less challenging reform, is not lost.

Social Care - it wishes to see the removal of social care and other charging caps. This will enable authorities to make local charging decisions for services where the recovery of costs is a critical consideration for sustaining services.

Council Tax Reduction Scheme – it requests this is reviewed for 2017-18 and that the scheme is fully funded as a national welfare scheme.

Aggregate External Finance - they request that any AEF reduction from 2017-18 onwards is maintained at the 2016-17 level (as a minimum) but preferably at a reduced level.

Funding - the Council requests the incoming Welsh Government make the short and medium term reform of local government funding a priority commitment.

## **Blaenau Gwent County Borough Council – Provisional Settlement Reduction of -1.5 %**

Overall - the Council was pleased to note that in Blaenau Gwent's case, the overall settlement reduction was lower than expected. It notes the timetable management for setting the 2016-17 budgets and the Provisional Settlement has been challenging but that it will revert back to its normal timetable for 2017-18. It commends the inclusion of the 2016-17 tax-base data to minimise turbulence between the Provisional and Final Settlement. Blaenau Gwent comments that the non setting of a floor mechanism for the Provisional Settlement implies the same for the Final Settlement.

Specific Grants - Blaenau Gwent is concerned about anticipated/planned grant reductions that do not actually materialise. Some grants may be reduced that it is unaware of, or not planned for or unexpected. As this makes service planning difficult, a review of communication between the Welsh Government and Local Government is suggested.

Grant transfers - the Council notes the consideration of further funding flexibility and the potential transfer into the settlement of part/all of the Education Improvement Grant.

Social Care - it also notes that additional funding for social care was being included in the Settlement. It is unsure however if the intended outcome is to provide general or specific support for the new cost pressure of the introduction of the mandatory living wage. It feels that the additional funding would only fund 40% of this cost pressure which will rise as the living wage increases.

Future funding - Blaenau Gwent comments that as there are no indicative future funding reductions in the Settlement. It hopes that all can work together to enable meaningful planning in the medium term.

## **Pembrokeshire County Council – Provisional Settlement Reduction of -2.8 %**

Aggregate External Finance - Pembrokeshire was pleased that its AEF reduction was less than anticipated particularly with the ever-increasing demographic pressures in Adult Social Care. However, it comments that the reduction does not take into account additional financial burdens forced upon the Council in 2016-17 so the real reduction is far higher. It is the third year of significant reductions in AEF with no anticipated improvement in the foreseeable future. This will result in reductions in service and quality levels and in the worst case scenario, the cessation of services.

Grants - it is apparent that rural authorities are again receiving the worst financial settlements. Pembrokeshire is ranked 19<sup>th</sup> in terms of the Settlement and this does not recognise additional pressures faced by the rural authorities. The Council urges the Welsh Government to identify a mechanism to address this and hope that the Rural Stabilisation Grant, which would benefit Pembrokeshire County Council, will be evident in the Settlement.

Future Planning - the Council notes that as there are no future indicative figures being included in Settlement, it is virtually impossible to develop Medium-Term Financial Plans with any accuracy. Therefore closing the funding gap becomes harder, with planning cost reductions and efficiencies taking longer. It will base its Plan on an annual reduction in AEF of 4.5% in line with Welsh Government indications. It urges the Government to provide indicative settlement indications for future years in the Final Settlement.

## Welsh Local Government Association

General - WLGA states that Local Government in Wales is a vital partner for the Welsh Government in delivering broad social and economic outcomes with Councils making a crucial contribution to all areas. The local services that they provide are the bedrock for safer and more cohesive and equal communities, and make an invaluable contribution to the environment and society. Consideration should be given to devolving powers to Councils including the retention of business rates growth. They comment that the Welsh Government and the Settlement should recognise that a council making cuts needs to increase its reserves to reflect the unpredictability of its budget.

Health and Social Care - it welcomes the recognition in the Provisional Settlement of the need to invest in key preventative services that shows a clear slowing down of local authority budget cuts over the last 2 years. Though they still face an overall reduction of -1.4%, it is less drastic than previous years and will allow Councils to invest more in local services such as education and social care. This will be a way of improving future well-being for the Welsh NHS and protect local public services. It urges the Welsh Government to ensure that the bureaucracy for accessing additional joint Health and Social Care funding is kept to a minimum.

Councils have borne the brunt of austerity and have played a part in delivering savings. Since 2009-10, they have achieved around £720m in efficiency savings mostly through pay restraints and reductions in posts. About 15,000 posts have been lost since 2009-10 and this seems likely to continue on the same scale for the next 4 years - the local government workforce has therefore been reduced by 20% over a decade.

Many of the initiatives for addressing local authority budget shortfalls can be identified from their medium term financial plans, and a recent KPMG report on corporate support services has identified £33m of savings in the last two financial years. During this time, it was also noted that service performance indicators improved including the gap between the best and worst performing authorities.

WLGA's main concern with the Provisional Settlement relates to the range of settlements across the 22 authorities as a result of the removal of the floor protection. Its particular concern is for the most severely hit with falling populations and where the settlement reductions exceed -3%, eg. Powys County Council (-4%). WLGA agrees with the Distribution Sub Group independent members of the need for a fundamental review of the distribution formula.

They consider that all specific grants should be transferred into the RSG and are glad to see the inclusion of the Outcome Agreement in the Settlement. The commitment for the further review of specific grants is encouraging, however much still needs to be done in this area. Grants can be high risk funding streams that can be subject to above average reductions, sometimes in-year and late notifications.

The WLGA recognises that the Welsh Government also faces real term budget reductions. It is not just seeking to achieve better funding but wants to pursue a new relationship with the Welsh Government so that accurate and transparent information is reported with maximised flexibility.

A greater focus on the long term could provide motivation for the Welsh Government to provide a clear indication of future settlements. Councils more than ever, need clear multi-year settlements so that funding and local service delivery can be planned in advance.



## **Society of Local Authority Chief Executives and Senior Managers (SOLACE)**

General comment - SoLACE welcomes the recognition the Welsh Government has made for some funding protection notably in education and social care, which has been reflected in the lower Revenue Support Grant reductions. It also welcomes the relative protection for certain specific grants but challenge the disproportionate funding protection level within the Single Environment Grant. This will impact on key statutory public services and so nationally set performance targets will not be met. Urgent action is requested over the ongoing specific grant review as a major reform is needed.

SoLACE is disappointed that the Sustainable Waste Management Grant was not transferred into the RSG at full financial level as originally agreed. It remains concerned over any above average reductions for yet unpublished specific grants and seeks reassurance that further in-year specific grant reductions will come to an end. Any short-term reductions will impact on service continuity and planning.

Funding Flexibility - it requests greater freedom and flexibilities for local authorities to enable them to make their own local funding decisions.

Aggregate External Finance – SoLACE requests that AEF reductions for 2017-18 and onwards are kept at levels lower than the 2016-17 Provisional Settlement in order for Local Government to be sustainable.

Future Settlements - it notes that there is a shared recognition by local government and the Welsh Government that the funding system is in need of reform. SoLACE awaits the outcome of the recommendations of the Independent Commission for Local Government Finance in Wales. It urges the incoming Welsh Government to make the short and medium reform of local government funding a priority commitment.