

Number: WG34186



Llywodraeth Cymru
Welsh Government

Welsh Government

Consultation – summary of response

Provisional Local Government Settlement 2018-2019

February 2018

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

OGL © Crown Copyright Digital ISBN 978-1-78903-553-7

Summary of Main Comments

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

Monmouthshire County Council – Provisional Settlement of -1.0%

Settlement – Monmouthshire feel that the settlement is disappointing for local government across Wales following the reductions Councils have experienced in recent years, and that additional money received from the UK Government has been used in ways that do not meet the needs of the people in Wales.

They comment that yet again they have received one of the worst settlements in Wales receiving 1% less than 2017-18 with the settlement continuing an eight year run of local government real term funding reductions. This represents a reduction of 3.7% as the current rate inflation of 2.7% isn't taken into account. The average cut to the Welsh Councils is 0.5% whereas Monmouthshire's 1% decrease, along with five other counties, is the biggest in Wales. The settlement has done nothing to alleviate their position as the worst funded Council in Wales per head of population with the average per capita funding in Wales being £1,339 compared to £1,001 for Monmouthshire

The Council continues to be conscious of household budget pressures and are doing their utmost to deliver a balanced budget which will inevitably put pressure on Council Tax rises.

Monmouthshire welcomes a funding floor commitment. Looking ahead to future years, the prospect of ongoing austerity remains which is set against very real pressures in services that are already stretched.

They welcome the indicative 2019-20 revenue settlement however the provision of indicative settlements for the next three years would help Councils plan for the future.

As a rural authority they face particular challenges in offering services like social care, waste collection and transport & highways across a wide area. They prioritise the maintenance of locally accessible services to combat rural isolation and call on the Welsh Government to base the fund on a fairer system and acknowledge the problems that rural Authorities face when providing these services.

Funding – they call for more transparency around some of the provisional settlement figures as it suggests a funding increase of £62m for education and £24m for social services, however there are no additional resources to protect them or an explanation on how the figures were calculated. They state that the all-Wales local government settlement has quite simply been reduced by 0.5%.

Specific Grants - they support and encourage the transfer of specific grants into the RSG but are disappointed that more progress has not been made. They would welcome more grants being transferred providing the distribution remains on the same basis as the original grant to prevent large changes at a very late stage in the process.

Capital – Monmouthshire comments that previous reductions in the capital funding have not been addressed and is still a serious concern especially when Councils are struggling to raise capital receipts from asset sales. The need to invest in priority areas, for example 21st Century Schools, waste management, carbon reduction and infrastructure, remains high, with Welsh Government support remaining a critical success factor.

Overall comment - despite the known and understood reasons for the level of the settlement, the Council finds it difficult to reconcile revenue and capital settlements with the increasing expectations and growing demands on local services. They will face difficult decisions in reconciling their budgets next year and in the medium term. It is important the Welsh Government recognises this and supports local authorities who face difficult times whilst not promoting undeliverable policy expectations. They comment it is a time for all to work together to minimise the consequences of the downturn in public finances on the most vulnerable in society and to send clear and consistent expectations to the public that the Councils and the Welsh Government exist to serve.

Torfaen County Borough Council – Provisional Settlement of -0.8%

Settlement – the Council comments that the Settlement provides a 0.5% cash reduction at an all Wales level with the decrease coming after eight years of real term reductions. They feel that no financial acknowledgement has been provided of the inflationary pressures being experienced by all council functions. The continued attrition to the unhypothecated funding will result in challenging decisions at a time when supporting vital services are becoming much more necessary – this is further compounded by local government funding receiving a lower settlement compared to other parts of the Welsh Government's budget.

Education and Social Care – they note the Welsh Government's narrative of the pressures that education and social services face but it is not clear how the £104million increased funding is represented within the 0.5% funding reduction. Also, the importance of the additional £6million for homelessness prevention introduced an unnecessary amount of confusion regarding ring fencing the resource.

Future funding – Torfaen states that once again the provision of a 'one year' settlement and an indicative all Wales assessment for 2019-20 is disappointing and does nothing to aid their medium term planning. Councils are expected to plan on a multi year basis and this is not helped without individual future Settlement allocations. The high level indication for 2019-20 is recognised but they remain concerned potential changes could be made when the detailed Final Settlement is announced. Torfaen hopes the aim in providing multi-year settlements means the 2018-19 final settlement will build upon the provisional announcement. This would give Authorities forward indications for a number of years allowing them to plan with some certainty and assist them in achieving an effective and joined up public service within the principles of the Well-Being Future Generations Wales Act.

Floor mechanism – they were pleased this was retained and that it was additional funding rather than through a 'top slice'.

Specific grants – despite there being much more grant information at an all Wales level, more information and a full schedule at authority level would be a further improvement. Torfaen felt that details of grants being reduced could have been available at the provisional settlement announcement so that the whole picture could be seen at a single point in time. They welcome the number of grants being transferred into the RSG as it will assist authorities to allocate priority to services and ensure resources are fully focused on outputs and user benefit rather than being partly used for administrative/control purposes.

Capital – Torfaen comment that their General Capital Funding was disappointing as the real spending resource continues to be eroded following five years of standstill funding, giving them very little resources to maintain their assets outside 21st Century Schools Programme. This is further compounded by the All Wales reduction in allocations to specific capital grant resources, e.g Local Transport Fund and Flying Start grant.

Council Tax - they are pleased the Council Tax levels remain a matter for the Authority and they continue to be very conscious of households pressures. They are doing their utmost to deliver a balanced budget however the continued funding reductions will put pressure on Council Tax rises.

Overall – Torfaen will look, as always, to be responsible in its budget decisions and the need to be honest with stakeholders that the continuing austerity funding environment will require very difficult choices.

Pembrokeshire County Council – Provisional Settlement of -0.4%

AEF – they comment that though the 2018-19 AEF is less than anticipated, any reduction is significant especially with ongoing demographic and legislative pressures in Adult Social Care. Rural local authorities face additional pressures regarding community based social services and the provision of rural Schools. They feel that the AEF does not take into account additional financial burdens Pembrokeshire Council faces in 2018-19 and in the future. This is namely workforce costs (pay awards, insurance contributions etc), prices and inflation, as well as the loss

of specific grant and demographic pressures. The 2019-20 indicative settlement implies a sixth year of AEF reductions for them which will lead to service level and/or service quality reductions, with the worst case scenario being possible cessation of services.

The disparity in the AEF per capita of £580 between the highest and lowest authorities cannot be justifiable or sustainable and should be addressed as the difference between Pembrokeshire, Carmarthenshire and Ceredigion could present risks to their regional working and collaboration. The AEF formula does not tackle the seasonal population increase which needs to be urgently addressed.

Future funding – the 2019-20 indicative settlement is useful and is required for their Mid Term Financial plan to ensure accuracy.

Specific grants – they are pleased to see grants being transferred into the Provisional Settlement however as many as possible should be transferred in the Final Settlement.

Council Tax – Pembrokeshire state they are being penalised for having the lowest Band D Council Tax (£883.15) in Wales and as the 'standard tax element' used in the funding formula is £1,166.72, the Welsh Government therefore assumes Council Tax income is raised at this level. They comment they are hit again as can only raise Council Tax by 5% in case of Welsh Government intervention and therefore don't raise as much additional income as other Councils with higher Council Tax levels. They derive limited benefit from the population mechanism within the formula to account for the substantial increases in population through the spring and summer. A mechanism needs to be developed allowing Authorities freedom to develop medium term plans that would protect and enhance Local Services with appropriate Council Tax increases without any artificial cap.

Council Tax Reduction Scheme – This has increased for 2018-19 however the £7.077m will not cover their annual expenditure - for 2017-18 this is being projected as £7.428m.

General - despite the abolition of Cleddau Bridge tolls, Pembrokeshire note there is no mention of it in the Provisional statement. The financial implications and risks of this announcement need to be made clear to enable discussions to develop between the Council and Welsh Government.

They support the Welsh Language developments however funding reductions will have a detrimental effect on equality of Provision that they are able to offer. All Authorities unfortunately have different levels of demand and Provision which may need to be recognised in the formula. They state that they look forward to an improved Final Settlement.

Isle of Anglesey County Council – Provisional Settlement of -0.1 %

Future funding – Isle of Anglesey welcomes the Welsh Government's recognition that the settlement needs to provide indicative intentions for future years in order to aid effective financial planning. A further 1.5% settlement reduction will cause significant financial difficulties given the scale of this over the past 5 years as well as the need to finance pay, price inflation and the general demand for Council Services, particularly Social Care. The Council states that the true value of this reduction is significantly higher than 1.5% and asks that the Welsh Government reviews how the Welsh Block grant is allocated between services. Following the Budget, they request that significant changes to the indicative figures are relayed to the all Authorities as soon as possible.

Additional funding– information included in the Settlement suggests additional funding was provided to Education and Social Care but it was clear that the funding provided was maintained only to these areas at the 2017-18 level whilst the overall settlement was reduced. They felt taxpayers were given the wrong impression with phrases used, i.e 'increasing the school element' and 'continue to invest' thus making it difficult for Councils to explain why cuts are needed whilst having to still increase Council Tax levels. They request a further explanation in the final settlement and for there to be more transparency and openness in its explanations in future years.

Specific grants – Isle of Anglesey welcome more grants being transferred into the RSG but state it is important to manage their transfer and for the Welsh Government to be open about their intentions. It was unfortunate that a level of protection for Education was announced which was

followed by reductions in the Education Improvement Grant. The reduction of the Single Revenue Grant will also make it increasingly difficult for them to carry on improving recycling of waste whilst trying to meeting the challenging targets set.

Capital – the General Capital Fund and supported borrowing has remained unchanged for many years and this looks to continue. Despite significant capital funding being allocated to programmes, e.g 21st Century Schools, the Council feels that the level of the General Capital Funding is at a level that only allows them to invest their funding in maintaining and upgrading existing assets with no funding to finalise new capital projects. This restricts them being able to modernise and improve delivery of services – they request the policy is reviewed for future years.

Welsh Language – the Council operates a full bilingual policy and service users are dealt with in a language of their choice therefore the provisional settlement has no impact on them. Delivering a fully bilingual service has cost implications and they would welcome it if the settlement recognised these costs thus allowing them to meet their continued objectives as they transform services and deliver in a more digital way.

Overall – Isle of Anglesey comment that though the settlement reduction is small and lower than some forecasts, it still represents a real reduction and cannot be made up by simply increasing Council Tax. Service budgets will continue to be reduced i.e £2m in 2018-19 with estimated further cuts of £4m in 2019-20. Over the past 5 years the Council has reduced its budget significantly and in order to maintain the level must look to make savings in Education and Social Care. They cannot be protected otherwise funding levels for other services will reduce to a level where it will difficult to maintain the minimum statutory services.

Wrexham County Council – Provisional Settlement of -0.3%

Budget – the number of grants transferred between the main expenditure groups makes it difficult to make year on year comparisons. A major concern is the merger of the Supporting People Programme with other Early Intervention, Prevention and Support Programmes in 2019-20 subsequently reduced by £13.4 million. The two year Budget agreement between the Welsh Government and Plaid Cymru stated that there would be no cuts to the Supporting People grant.

Tax Policy Report –increased demand for social care provision is a significant pressure for the Councils and current funding arrangements are unsustainable. They therefore support the principle of exploring potential financial levers including taxation to support social care provision in Wales.

Specific grants – Wrexham supports the transfer of the number of grants into the RSG, however the reduction in the Education Improvement Grant, the waste element of the Single Revenue Grant in 2018-19 and the proposed phasing to a formula basis for the Independent Living fund from 2019-20, will be a major financial pressure for them.

General Capital Grant – this remains at a low level and they are disappointed that specific grant information has not been made available given the planned infrastructure projects planned.

Council Tax Reduction scheme – the continued Welsh Government financial support is positive but the resource continues at the same level as when introduced in 2013-14 and is an additional pressure for them.

Forward Planning – though indicative Settlement figures have been provided for 2019-20 consideration must be given to providing earlier Settlement figures in future years. The Welsh Government should offer the Councils the option to take up a multi-year funding settlement which would provide funding stability and certainty, therefore enabling proactive planning of services.

Communication – Wrexham were disappointed that the media had been provided with Provisional Settlement details before they had been emailed to the Council. They therefore urge the Welsh Government to ensure this does not occur again with the publication of the final and future settlements.

Overall – the Council refers to the Minister’s statement on the increase to the Education and Social Care parts of the Settlement in 2018-19. As the overall change in AEF is £19m they comment that clearly there was a considerable amount of financial information missing when the settlement and budget were announced – authorities would have found this useful to have known.

Correspondence between the Cabinet Secretary for Education and the WLGA Leader clarified that the level of cuts was greater than had been indicated in the publicity surrounding the announcements at the time of the settlement. There must be clarity in the information provided so that Councils can incorporate it into the budget and Medium Term Financial Plans.

Ceredigion County Council – Provisional Settlement of -0.3 %

The Council is facing increasing cost pressures as a result of continued public service cuts and have suffered significant reductions for the past 5 years. This along with inflationary pressures has resulted in a 25% reduction, with the Medium Term Financial Strategy forecasting cuts up to £18m. The new legislative requirements such as the Social Services and Wellbeing Act, Future Generations Act and Welsh Language Act has caused extra pressures for them.

Sparsity – they are pleased that sparsity issues have been recognised in the distribution formula but this year's settlement sees a further 0.3% reduction in their total funding. This is insufficient to ensure statutory services are protected as they are facing increased cost pressures of over 5% as well as being informed of the need to plan for a further 1.5% funding reduction in 2019-20.

Grants – Ceredigion are disappointed the transfer of social care grants that were in addition to the RSG for 2017-18 are now included in the 2018-19 settlement. They feel it is a further reduction in monies available that provides essential care for older people in rural communities. They comment it was announced as new money as a result of recognised social care budget pressures and question why this extra money has been withdrawn, especially as the pressures remain with the service area under enormous financial strain.

Overall – following statements from the Education and Social Care Cabinet Secretaries that additional monies are allocated within the Revenue Support Grant (RSG) they cannot see that the funding is available in this Settlement. They comment that it is not hypothecated and any funding uplift for these services means other statutory services would have cuts in the region of £2.5m.

Significant reductions and changes made to the RSG has left a shortfall. This will take time to consider and implement and a longer period in time is needed to plan for than the budget setting period allows.

General Capital Fund – they note the GCF is to be maintained but it is a cut in real terms coming after a long sustained period of flat allocations following three years of cuts. The Council is maximising capital receipts and prudential borrowing within its policy framework and affordability levels.

Cardiff County Council – Provisional Settlement of 0.2 %

Settlement funding – the Council received feedback from the Welsh Government regarding the Settlement and their initial understanding was that for 2018-19 they would receive extra £954,000 in cash terms though this was eroded to £118,000 due to homelessness responsibilities. They are left to absorb additional pressures of over £22m in 2018-19 having found £105m savings over the past three years along with a £76m budget gap over the medium term. Cardiff's continued population increase, though reflected in the settlement, comes with increasing cost pressures of demand for services.

Pressures - existing pressures, particularly in Schools and Social Services, account for almost 65% of Cardiff's net budget which increases annually due to price and demand pressures, hence an additional £104 million for these areas would have been welcomed. Cardiff were therefore disappointed to receive clarity that this is not additional money when compared to current overall funding levels.

Schools and Social Services - the Council comments that other services that contain significant areas of statutory duty are being squeezed in order to cope with unfunded pressures in Schools and Social Services. If the UK budget and Welsh Government Settlement bring additional unfunded responsibilities then the medium term (which is already a serious concern) will become a matter for grave concern. They feel that reality contradicts the public's perception that these services are receiving multi million pound increases.

Significant reductions to the Education Improvement and Single Revenue grants along with lack of clarity around the bidding process for the latter, has raised significant concerns due to the potential impact on these services. This has been further escalated by the reduced element of the Education Improvement Grant 'transferred' into the RSG. They think it is unclear why it did not follow the standard practice of transfer with the associated base line adjustment and question why there are specific directions on its use when the RSG is non-hypothecated.

General Capital Fund – since 2010-11 this has reduced by more than a third in cash terms whilst construction costs and inflation over this time has had a further adverse impact on the capital programme capacity. Revenue affordability of borrowing to supplement the programme is severely restrained yet a degree of additional borrowing is inevitable so as to maintain operational assets, which in turn places further strain on revenue budgets.

AEF – the Council is encouraged that the Provisional Settlement includes an indicative average AEF for 2019-20 though the highlighted position is even more challenging than 2018-19. They note the intention to review current indications alongside the £3.5 billion unallocated UK Budget cuts and would urge the Welsh Government to take into account the stark position facing Welsh authorities over the medium term.

Overall – they welcome moving towards greater clarity over the medium term however progress in later years appears to come at the expense of 2018-19. They found it disappointing that after seeking clarification, the precise nature of the 'additional funding' provides no additional cash along with an expectation to use existing resources to offset the Education Improvement Grant.

Blaenau Gwent County Borough Council – Provisional Settlement of -1.0%

Settlement – the Council were pleased that the overall outcome from the settlement was much better than anticipated and had been planned for in their Medium Term Financial Strategy. At an all-Wales level, they felt there are many positive aspects, notably a realignment of resources for Education and Social Services, stability within the allocations for the Council Tax Reduction Scheme, further funding flexibilities within specific grants and a floor mechanism.

The in-year review of the impact an increase to the capital limit used for charging for residential care, with the possibility of a further increases in time for the final settlement announcement, is noted.

Blaenau Gwent welcomes the inclusion of a floor mechanism as they are one of a half dozen authorities that will benefit from it.

The indicative reduction for 2019-20 will inform budget planning for the medium term.

The Council comments that the inclusion of specific grant information at an early stage is a key developmental opportunity that needs further consideration, mainly as it will assist in their budget planning and has workforce implications.

Welsh Local Government Association (WLGA)

Settlement – WLGA state that there is an underpinning issue of working harder to create a fuller understanding of how the settlement is put together prior to its publication. They comment that the Financial Sub Group is a useful forum but the outcome of the published provisional settlement is not dissected or discussed in advance and they feel there should be no surprises when it is published. The 'additional allocation' announcement for education and social services and how it

was achieved caused confusion and dispute. They respect the integrity of the Welsh Government budget process but feel that this level of misunderstanding should not occur.

This is the eighth year that local government has experienced real term reductions in core funding, and services that local communities rely on are left to absorb the pressures. Most of these relate to workforce costs and when funding reductions are added to existing pressures, cuts and efficiencies of around 4.5% of their net budgets must be found. Children's services are becoming the biggest area of financial challenge followed by adult social care and an increase in rough sleeping. Councils are also facing additional burdens such as pay pressures.

Welsh local government has a significant number of lower paid staff and whilst English Councils seek the privatisation route to direct services, Welsh Councils have kept on a larger proportion of front line workers. The introduction of the National Living Wage along with the re-numeration of 'sleep ins' for Social Care providers has placed a new burden on Councils (new guidance published that workers are entitled to National Minimum Wage or National Living Wage for the entire time they are working even though they are asleep) . Some providers already increased their charge to Councils whilst others are contemplating administration and bankruptcy.

Though future forecasts from respected bodies, e.g Health Foundation, CIPFA indicate that the sustainability of local services are in question, the Councils continue to pursue a route to save money and transform their services despite the 'austerity challenge'.

Capital – WLGA note that capital investment and preventative services, e.g social services, have an important role to make to the long term economic growth and well-being of Wales with local infrastructure being vital to this growth. Significant additional capital resources (£300m) is available to the Welsh Government over the next three years which could be used for 21st Century Schools and the Flood and Coastal Programme. They feel that this would ease the high local authority match funding elements as current levels could become unaffordable for many authorities in the future.

Future funding – they are encouraged by the publication of the 2019-20 indicative figures having always supported multi year settlements since it was introduced in the late 2000s and consider it could be extended to specific grant funding. It is becoming increasingly important to improve financial planning and multiyear settlements as it provides an appropriate funding framework for Councils.

Grants – they will always support greater financial flexibility through the merger and incorporation of grants into the Settlement. They feel that the Funding Flexibilities initiative is heading in the right direction but there has been little or no vital political engagement.

Overall – they look forward to joint working in the near future on increasing financial flexibilities in order for Councils to respond to local needs not just in relation to specific grants, but also around charging for social care.