

**URGENT BY REASON OF THE NEED TO ENSURE THAT A RESPONSE IS
SUBMITTED TO WELSH GOVERNMENT BY 20TH NOVEMBER, 2018**

Agenda Item No.

THE VALE OF GLAMORGAN COUNCIL

CABINET: 19TH NOVEMBER 2018

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 14TH NOVEMBER, 2018

“ PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2019/20 (MD) –

The Corporate Performance and Resources Scrutiny Committee were requested to consider a proposed response to Welsh Government in relation to the Provisional Local Government Settlement for 2019/20. The Head of Finance, in presenting the report, referred to the proposed draft response attached at Appendix A, advising that the response outlined what had already been done to reduce spend in the Council and the additional costs the Council was facing in the coming financial year which had not been reflected in the provisional settlement.

By way of background Committee was advised that when announcing the Provisional Local Government Settlement for 2019/20 on 9th October the Minister had launched a six week consultation period with responses being required by Welsh Government no later than 20th November, 2018. The final settlement from Local Government was noted to be published on 19th December, 2018.

In terms of the detail, the overall settlement proposed an average reduction of 0.3% across Local Authorities in Wales and for the Vale the reduction was 0.7% equating to a cash reduction of £1.037m. Taking into account inflation and other known pressures such as national pay inflation and the non-funded teachers' pension scheme, the budget reduction equated to 4.2%.

In conclusion, the draft response requested that the following be considered:

- Immediate transfer of the £15m budget for schools to the RSG;
- The removal of all grant conditions on the £30m announced for social care so that it could concentrate on core children's and adult services;
- The designation of the £30m aligned to the Regional Partnership Boards to be set as a "Local Government Preventative Services Fund";
- The raising of the floor from -1.0% and a settlement that reflected the general inflationary uplift.

In considering the report a Member queried information that they had been made aware of regarding a potential further £58m to be shared between Welsh Local Authorities and queried whether the Cabinet had received this information and

whether this had been discussed with the WLGA and whether any further information had been received with regard to the ICF. Reference was also made by some Members to the way Welsh Government treats Local Government and Health Boards in particular when running deficit budgets particularly in view of the challenges facing local Government regarding Education and Social Services budgets. The Head of Finance stated that she had also heard that £58m was being discussed but had no further information on this but that if it was received, she would prefer that it was placed within the RSG as this would enable the Authority to use the funding in the best way to support local needs. With regard to the ICF, again no further information had been received to date.

Following consideration of the response, the following suggestions were put forward by Members of the Committee :

- That on the third page of the letter, after the fourth paragraph, a table be inserted summarising what the previous paragraphs equated to for clarification purposes
- Consideration be also given to providing comparisons in the letter with other Local Authorities and the Vale;

A Member also commented that it would be useful if the report identified services the Council may be considering relinquishing and was advised that the budget report that was due to be submitted to Cabinet the following week would focus minds on such aspects. A couple of typographical errors in the letter were also noted with the Head of Service advising that these had already been identified and the final response would be amended accordingly.

Having fully considered the report, it was subsequently

RECOMMENDED – T H A T notwithstanding the couple of typographical errors the comments of the Scrutiny Committee outlined above be referred to Cabinet for consideration for inclusion in the response to Welsh Government.

Reason for recommendation

Having considered the contents contained therein.”

Attached as Appendix – Report to Corporate Performance and Resources Scrutiny Committee: 14th November, 2018

The Vale of Glamorgan Council

Corporate Performance and Resources Scrutiny Committee: 14th November 2018

Report of the Managing Director

Provisional Local Government Settlement 2019/2020

Purpose of the Report

1. To present to Scrutiny Committee (Corporate Performance and Resources) the proposed response to the Welsh Government in relation to the Provisional Local Government Settlement for 2019/2020.

Recommendations

1. That Scrutiny Committee (Corporate Performance and Resources) consider and comment on the response to the Provisional Local Government Settlement 2019/2020, attached to this report as Appendix A.
2. That any comments be referred to Cabinet ahead of the response being submitted to Welsh Government by 20th November 2018

Reasons for the Recommendations

1. To ensure that Members are able to comment on the proposed response to Welsh Government.
2. To enable a considered response to be submitted as part of the consultation process

Background

2. On 9th October 2018 the Welsh Government published the Provisional Local Government Settlement 2019/2020. The settlement indicates the anticipated level of funding for Local Government for the coming year. At the time of the announcement, details with regards to level of grants being paid to Local Government were not available.
3. The announcement on 9th October launched a 6 week consultation period and responses are required by Welsh Government no later than 20th November 2018. The final settlement for Local Government will be published on 19th December 2018.

Relevant Issues and Options

4. In terms of the detail, the overall settlement proposes an average reduction of 0.3% across local authorities in Wales. In the Vale of Glamorgan the reduction is 0.7%, which equates to a cash reduction of £1.037m. In real terms, taking into account inflation and other known pressures such as national pay inflation and the non funded teachers pension scheme, the budget reduction is more akin to 4.2%
5. In line with a previous commitment, funding has been made available to ensure that no authority sees a reduction of greater than 1% compared to its 2018/19 allocation. As the proposed reduction in the Vale of Glamorgan is below the -1% threshold, the authority will not receive any further support through the settlement process.
6. Whilst the provisional settlement concerns the 2019/2020 financial year, understanding the context within which the recent announcement has been made is essential to appreciating the impact this proposed reduced level of funding will have on local services and, therefore, local tax payers. In this Council revenue savings in excess of £50m have been identified, and delivered, since 2010/2011. This is on a net revenue budget of £ £222m in the current financial year.
7. Elected members will be aware that this Council has made significant changes to the way in which it operates in order to continue to deliver the services that our residents deserve and value. However, the significant financial pressures that this authority is now facing in the coming financial year will leave this Council with little choice other than to withdraw some services as the Council struggles to balance its budget going forward.
8. A response has been drafted to respond to the Provisional Settlement and this is attached at Appendix A. The response outlines what has already been done to reduce spend in this Council and also outlines the additional costs that the Council is facing in the coming financial year which are not reflected in the provisional settlement.
9. The draft response concludes by requesting the following be considered :
 - Immediate transfer of the £15m budget for schools to the RSG
 - The removal of all grant conditions on the £30m announced for social care so that it can be concentrated on core children's and adult services
 - The designation of the £30m aligned to the Regional Partnership Boards to be set as a "Local Government Preventative Services Fund"
 - The raising of the floor from -1.0% and a settlement that reflects the general inflationary uplift

Resource Implications (Financial and Employment)

10. The proposed Welsh Government settlement and the impact of that settlement are matters that are considered within the body of this report and are matters covered in the proposed response to Welsh Government. In terms of this specific report, there are no direct resource implications.

Sustainability and Climate Change Implications

11. There are no direct climate change implications, as a result of this report.

Legal Implications (to Include Human Rights Implications)

12. There are no legal implications as a direct result of this report.

Crime and Disorder Implications

13. There are no Crime and Disorder implications as a result of this report.

Equal Opportunities Implications (to include Welsh Language issues)

14. There are no Equal Opportunity implications as a result of this report.

Corporate/Service Objectives

15. Funds allocated in the budget contribute to the wide range of Corporate/Service objectives as set out in the Corporate Plan.

Policy Framework and Budget

16. The matter is for Executive Decision by Cabinet.

Consultation (including Ward Member Consultation)

17. Ward members have not been consulted as the issue affects all areas of the Council.

Background Papers

Welsh Government Provisional settlement 2019/20

Contact Officer

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Head of Finance

Officers Consulted

Corporate Management Team

Responsible Officer:

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Date/Dyddiad: 5 November 2018

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Dear Mr. Edwards

PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2019/2020

When he announced the Provisional Local Government Revenue and Capital Settlements for 2019/2020 on 9th October 2018, the Cabinet Secretary for Local Government and Public Services, Alun Davies, launched a six week period of formal consultation. This letter is both my response to that draft settlement and a response issued on behalf of the Vale of Glamorgan Council, given that the response has been considered by the Council's Corporate Performance and Resources Scrutiny Committee and the Council's Cabinet.

Whilst the provisional settlement concerns the 2019/2020 financial year, understanding the context within which the recent announcement has been made is essential to appreciating the impact this proposed reduced level of funding will have on local services and, therefore, local tax payers. Local Authorities are currently in the eighth year of austerity which has had a significant impact on the financial resilience of authorities to respond to the ever increasing challenges that are being faced. During this period of austerity, local public services in Wales have faced cuts of at least £1bn.

Within my own authority, revenue savings in excess of £50m have been identified, and delivered, since 2010/2011. This is on a net revenue budget of £222m in the current financial year. I am proud to say that the Vale of Glamorgan Council has continued to demonstrate sound financial management throughout this period with elected members and officers working hard to ensure that our residents continue to receive efficient and effective public services. That, however cannot and must not disguise the fact that providing essential public services is becoming increasingly difficult and that this authority, like many others face incredibly difficult and potentially damaging decisions if the funding situation does not improve with immediate effect.

It is accepted that Local Authorities need to change to meet the increased expectations of our residents. I have previously written to Welsh Government outlining our own transformation agenda, referred to as the Reshaping Services Strategy that this Council has had in place for the past 4 years. Through this Strategy, we have reviewed all of our activities to ensure we only provide the services and support that are required by our residents. This has resulted in varying service delivery models being adopted in different services, which has been a proactive response in a period of unprecedented financial pressure.

The outcome of this approach includes the establishment of five community libraries in the Vale which has ensured the continuation of library services in some of our smaller towns. When some local authorities have closed local libraries, we have managed to keep ours open by working in partnership with community groups. Our leisure services are now provided via a contract which has ensured the continued provision of valued services across the Vale of Glamorgan, meaning that our local centres have been retained, again when many other authorities are faced with closing local leisure centres. We have looked at income generation and introduced charges for services that previously were provided free of charge and sought sponsorship for key events. Whilst this has seen some financial return for the Council, it is far from the level required to ensure financial stability going forward. The authority is also working to ensure that, where possible, our services take advantage of new technology to give better access to services for our residents but also to streamline our processes to be as efficient as we can be.

In addition, the Council continues to work with other authorities to provide shared services and this has enabled the authority to continue to provide those services which faced significant resilience issues as a result of ongoing financial pressure. This Council is the host authority for the Shared Regulatory Service (Cardiff, Bridgend and Vale of Glamorgan), the Internal Audit Shared Service (Bridgend and Vale of Glamorgan and currently being extended) and the Regional Adoption Service. The quality of these services is evidenced via external review and inspection. Ongoing work with our local Health Board has seen the development of new services, many of which include staff from across the key agencies, to deliver vital support and care services across our area.

In summary, this Council has made significant changes to the way in which it operates in order to continue to deliver the services that our residents deserve and value. However, the significant financial pressures that this authority is now facing in the coming financial year will leave this Council with little choice other than to withdraw some services as the Council struggles to balance its budget going forward. Many non-statutory services are highly valued and are key contributors to build strong communities and are vital as preventative services. It is these very services that are now under threat as a direct consequence of year on year under funding. This is clearly regrettable and unfortunate, especially in the context of the Wellbeing of Future Generations Act.

Having outlined the context within which the Council is operating, I will outline some of the cost pressures in particular services that will have to be addressed in the coming financial year, many of which, I am sure will be of concern to other Local Authorities across Wales. In drafting the final settlement I would urge the Cabinet Secretary to consider the points below.

In terms of the detail, the overall settlement proposes an average reduction of 0.3% across local authorities in Wales. In the Vale of Glamorgan the reduction is 0.7%, which equates to a cash reduction of £1.037m. As our proposed reduction is below the -1% threshold, the authority will not receive any further support through the settlement process. Taking into account the detail that is contained later in this letter I would request that this is reconsidered.

I would point out that reduction of £1.037m ignores the impact of inflation on Council budgets the effect of which should not be underestimated. The workforce in any authority is key to the quality of service provision and the Vale of Glamorgan is no exception to this. However, the impact of pay inflation on the Council next year is £3.551m which is required to meet the requirements of the new pay structure. The impact of this pressure alone means a net reduction of 2.3% for this Council. Price inflation is also a significant pressure on our budget as more and more services are commissioned rather than provided directly. Currently, this pressure is not funded for 2019/2020 which will have a direct impact on the ability of the Council to provide much needed services.

For a number of years this Council supported our education service in accordance with the Minimum Funding Commitment for school funding, which was equivalent to 1% above the change in the Assembly's block grant funding allocation from the UK Government. Whilst this requirement is no longer in place, this authority has continued to prioritise funding for schools. This has been a financial pressure for the Authority and in the current financial year, the schools were required to meet some of their cost pressures to the value of £824,000. The Council has maintained its support to schools and they continue to be funded at £2.9m above their IBA. I would stress that this level of funding is required due to the very low level of funding received per pupil from Welsh Government to support pupils in this County and not in any way due to inefficiencies in the way in which schools in the Vale of Glamorgan are funded. This matter has been raised on numerous occasions with the Welsh Government, to no avail.

There are two other key financial pressures which this Council is facing with regard to education services. Firstly, the impact of a change in the non-funded pension scheme for teachers. A change in the employer rate will commence from September 2019. For this authority this is an unfunded cost pressure of £1.8m in 2019/20 (amounting to a further 1.2% net reduction). The other significant cost pressure within the education service relates to ALN provision. The requirements of the Additional Learning Needs and Education Tribunal (Wales) Act 2018 are resulting in considerable financial pressures which are currently unfunded. This pressure, together with the growing numbers of children and young people presenting with increasingly complex needs, is a further financial pressure for this authority. The cost of meeting these needs in 2019/2020 is in excess of £1m.

The pressures on Social Care are acute and well documented. Firstly the requirement to meet the National Living Wage, HMRC regulations regarding travel time and registration requirements for care workers has a considerable impact on this budget in the Vale of Glamorgan as the majority of domiciliary support is out sourced. The cost of this alone is estimated to be £1m in the coming financial year. In addition, the increasing numbers of people aged 65 and over requiring complex care packages is growing. Within the Children and Young People service, a considerable amount of work has been done to continue to support families and keep children and young people at home. However, there is increasing pressure on this budget due to the increase in numbers of families

requiring support and the complexity of need within the children looked after population.

Whilst I fully support the funding being made available to the Health service in the proposed budget, I would strongly advocate that significant additional funding is made available to support Local Authority Social Care services going forward. Whilst our services are often labelled as preventative, for many people living in the community with highly complex care needs, our services are essential in ensuring that they can live and thrive within their own communities and are vital for everyday survival. The funding announced for social care is also welcomed, but the details of how that funding is to be used to provide support is not clear as yet. I would advocate that the funding is made available with as few terms and conditions attached to it as possible to allow Councils to allocate that money to meet the needs of their local population.

Furthermore, I advocate that the time is now here for local government services to be funded on a far more equal footing when compared with the National Health Service. If this is the case of local authorities 'asking for more' then I am not ashamed to ask. It is what is needed, if truly preventative services such as promoting active lifestyles, ensuring independent living, strong community cohesion, good quality housing and promoting health and wellbeing are to be delivered and are to survive into the long term, as is demanded by the Wellbeing of Future Generations Act.

The commitment of this Council to support education and social care budgets has resulted in considerable savings having to be met from other services, including public protection services, waste service and transport services. Reductions in these services means that we are facing a situation where we will soon be unable to work proactively and will only be able to react when things have gone wrong, which is not only an ineffective way of working, but also not an approach which an authority such as this would wish to contemplate. The waste management service is a complex one and one which our residents are particularly quick to respond to if the service fails or reduces in any way. The loss of recycling income and the continued erosion of the Single Revenue Grant is a considerable financial pressure on this service. We are a high performing low cost authority for this service in the Welsh context therefore it is not possible to respond to these pressures through increased efficiencies.

Having taken into account the pressures that I have outlined above, I would request that as you finalise the budgets in the coming weeks you consider again the quantum available for Local Government in the coming years as I acknowledge that the issues outlined above will be faced by all authorities.

The low level of funding to local government has made headlines recently, with the First Minister announcing in October that if any new money found its way to Wales, local Council's would be 'front of the queue'. Now that substantial new money has been announced in the UK Government's budget, I trust that the commitment given will be honoured.

I was a signatory to a letter the WLGA recently wrote to the First Minister in response to the provisional settlement 2019/2020. Having outlined the position in my particular authority, I would repeat the request that was made in that letter, namely that the following changes to the settlement be considered :

- Immediate transfer of the £15m budget for schools to the RSG

- The removal of all grant conditions on the £30m announced for social care so that it can be concentrated on core children's and adult services
- The designation of the £30m aligned to the Regional Partnership Boards to be set as a "Local Government Preventative Services Fund"
- The raising of the floor from -1.0% and a settlement that reflects the general inflationary uplift

Yours sincerely

Councillor John Thomas
Leader of the Council

DRAFT