

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 19 NOVEMBER 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **PROVISIONAL LOCAL GOVERNMENT SETTLEMENT
AND THE IMPLICATIONS FOR THE 2014/15 BUDGET**

1.00 **PURPOSE OF REPORT**

- 1.01 To provide Cabinet with details of the Provisional Welsh Local Government Settlement 2014/15 and invite a response to be agreed by Cabinet for submission to Welsh Government.
- 1.02 To provide Cabinet with an update on the latest position on the Council Fund Revenue Budget 2014/15.

2.00 **BACKGROUND**

- 2.01 The Provisional Local Government Settlement for 2014/15 was announced by Welsh Government on 16th October 2013. The consultation period on the provisional settlement is open until 20th November 2013.
- 2.02 At this stage the figures are provisional only with the final settlement expected to be received on 11th December 2013.
- 2.03 An update of the latest Medium Term Financial Plan (MTFP) 2014/15 – 2018/19 as at 30th September was reported to Cabinet on 15th October 2013.

3.00 **CONSIDERATIONS**

LOCAL GOVERNMENT PROVISIONAL SETTLEMENT 2014/15

Aggregate External Finance (AEF)

- 3.01 The provisional settlement details reported that the Council's allocation of Aggregate External Finance (AEF) (made up of Revenue Support Grant and National Non Domestic Rates) has decreased by 3.6% for 2013/14. Across Wales there is an overall decrease of 3.5%

- 3.02 However, this does not take into account any adjustment for the treatment of Council Tax Reduction Scheme (CTRS) of £22m across Wales which has come into the settlement or the additional £4m included across Wales for the third year of the Highways Borrowing initiative. After taking these into account the actual year on year reduction in AEF for Flintshire is 4.1%.
- 3.03 Flintshire's allocation of AEF is £192.873m and this equates to £1,254 per capita, ranking Flintshire 19th out of the 22 authorities in Wales. This is in line with Flintshire's ranking in previous years.
- 3.04 The Settlement also provided indicative figures for 2015/16 which show an average further decrease across Wales of 1.55%. However, these figures will be subject to change as a result of the potential further UK budget revisions. Whilst helpful, they can only be taken as a guide to future year's planning as policy decisions are debated and agreed at UK level and by the Welsh Government.

Damping Mechanism (Floors)

- 3.05 To mitigate the year on year impact on some local authority's a damping mechanism has been applied. The damping threshold means that no authority will experience a reduction of more than 4.75% on their 2013/14 allocations, when adjusted for transfers. The Council's who are supported through the floor are Powys, Denbighshire and Ceredigion.

Standard Spending Assessment (SSA)

- 3.06 Flintshire's SSA has decreased by 1.8% over 2013/14 to £254.357m, which equates to a reduction of £4.778m. The average reduction in SSA across Wales is 1.4%.

Transfers into the Settlement

- 3.07 The Settlement advised of the following four transfers into the Settlement from other funding sources:-

First Steps Improvement Package

An amount of £3.2m has been transferred in across Wales in response to additional costs incurred in relation to the implementation of the First Steps Improvement Package, in particular the £50 cap on weekly charges for non-residential social services. Flintshire has previously dealt with this service pressure in earlier budget rounds so there is no requirement to 'passport' this element to the service area.

Administration Subsidy (Council Tax Reduction Scheme)

An amount of £5.2m has been transferred in across Wales based on the 12 month average of the latest Department for Works and Pensions (DWP) council tax benefit caseload data. The funding is currently provided directly by DWP and will transfer to the Welsh Government for 2014/15. The estimated impact for Flintshire is £0.092m and this amount will be transferred to the Benefits Service to fund the shortfall.

Private Finance Initiative

An amount of £30.9m has been transferred in across Wales based on existing PFI scheme contract commitments. As Flintshire has no such contracts there is no impact for the Council.

Public Facilities Grant

There is a minor transfer in of £0.2m across Wales for Public Facilities Grant which has no direct impact for Flintshire.

Council Tax Reduction Scheme (CTRS)

- 3.08 Funding has been included in the Settlement to continue to maintain council tax support at up to 100% depending on eligibility in 2014/15. For 2014/15, £244m has been included in the RSG for CTRS. In 2013/14, £222m was included in RSG and £22m provided by specific grant. Therefore, whilst the level of benefit to individuals can be up to 100% the funding for the scheme has not increased year on year to take account of changing caseload or increases in council tax in either year.

Highways Improvement – Local Government Borrowing Initiative

- 3.09 Also identified in the Settlement is an additional £4m across Wales to support the Local Government Borrowing Initiative for Highways Improvement, which for Flintshire equates to £0.192m. This will be the third and final year of this initiative and will support the borrowing costs of £2.7m of capital expenditure.

Protection for Schools and Social Care

- 3.10 The settlement includes protection for education funding equivalent to 1% above the uplift for the Welsh Government's revenue funding allocation from the UK Government which equates to 0.9%. It has been clarified since the settlement was announced that this uplift can include the pupil deprivation grant. By way of a monitoring mechanism, all councils have been required to complete a standard proforma in previous years and there will be a similar requirement for 2014/15 with a revision to the monitoring form being developed to incorporate the potential inclusion of the grant.

There was no equivalent protection identified in the Settlement for social care for 2014/15.

Specific Grants – Revenue

- 3.11 As in the past, the Settlement only provides limited details on the amounts to be received in respect of specific grants. However, it is envisaged that the majority of grants will continue to be received, although this will need to be closely monitored in terms of both availability and the amounts provided.

Unhypothecated Grants

- 3.12 The value of the Outcome Agreement Grant at the all Wales level has remained at £31.1m. Flintshire's allocation, subject to meeting performance criteria is £1.458m, a reduction of £0.009m on 2013/14.

Capital Settlement

- 3.13 For Flintshire, overall general capital funding has increased by £0.047m to £6.913m. This relates to an increase of £0.035m for Unhypothecated Supported Borrowing (to £4.298m) and an increase of £0.012m in General Capital Grant (to £2.615m).
- 3.14 In addition to general capital funding, there will be specific capital grants. No details are available for Flintshire at this stage.

Consultation Period

- 3.15 The formal consultation period runs from 16th October until 20th November 2013 and it is recommended that Cabinet members discuss and agree a formal response at the meeting for submission to Welsh Government.

Impact on the Budget Position 2014/15

- 3.16 Although the Settlement is broadly in line with the assumptions contained within the MTFP as at 30th September there are some direct impacts.

The amount of AEF has increased by £0.418m compared with the MTFP and there is also an improved position on Council Tax Reduction Scheme of £0.348m due to the funding included to maintain full entitlements. However, this is offset by the need to budget for the Administration Subsidy transferred into the Settlement of £0.092m and the final year of the Highways Improvement Initiative of £0.192m.

The overall impact for 2014/15 is that the projected budget gap reduces from £16.5m to £16.1m.

- 3.17 As part of the budget strategy for 2014/15 further review has taken place in relation to identified new pressures, including previous year items and it is anticipated that this will contribute some £0.600m which will reduce the budget gap to £15.5m.
- 3.18 The second revision of the Medium Term Financial Plan 2014/15 to 2018/19 set out an outline of the Organisational Change and Re-Design Plan to further modernise the organisation and secure major efficiencies in costs and overheads through the four Strategic Change Programmes of:
- i) Corporate Efficiency
 - ii) Functional Efficiency
 - iii) Organisational Design – Structure and Operating Model
 - iv) Organisational Design – Workforce

The Plan also included details of financial quantum targets for the five year strategy period and in detail for the first two financial years, 2014/15 and 2015/16.

- 3.19 The overall strategy for 2014/15 is to seek to maximise internal cost reductions as much as possible, in order to enable time for more detailed and thoughtful consideration to be given to longer term planning and service choices from 2015/16 onwards.
- 3.20 The organisational plan falls broadly into two areas. Firstly, identifying areas for Value for Money review through Corporate (greater reduction of procurement spend, internal systems and practice etc) and Functional Efficiencies. Secondly, through sensitive and carefully planned workforce changes and review of the operating model. Current planning assumptions are that the £15.5m budget gap will be met broadly from value for money and workforce in equal parts, accepting that workforce changes are likely to take longer to implement and are only likely to be effective for a part year in 2014/15.
- 3.21 November is a critical month in developing detailed proposals for full engagement with members through December. Inevitably, a strategy for dealing with such a substantial budget gap provides a significant and high risk challenge for the council. However, our aim continues to be to maximise savings, efficiencies and acceptable service reforms with a view to protecting services. Full details of the detailed budget proposals will be available in January 2014 leading to the budget debate in mid February.

4.00 RECOMMENDATIONS

4.01 Members are requested to:

- 1) Note the details of the Provisional Settlement.

- 2) Note the impact on budget 2014/15, current position and plans for Member engagement
- 3) Consider the formal response to WG on provisional settlement to be submitted by 20th November 2013.

5.00 FINANCIAL IMPLICATIONS

5.01 As detailed in the report.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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