



CABINET

Date of Meeting	Tuesday, 19 January 2016
Report Subject	Provisional Local Government Settlement
Cabinet Member	Leader of the Council
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The Welsh Government published the Provisional Local Government Settlement for the 2016/17 financial year on 9 December. The detail and implications of the Settlement for Flintshire are summarised in this report. The Settlement is open to consultation until 20 January, and the Final Settlement will be published in early March. The outline of a Council response is set out in the report.

RECOMMENDATIONS

1	Cabinet is invited to provide a response to the consultation based on the outline set out in the report.
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REPORT DETAILS

1.00	REFORM OF LOCAL GOVERNMENT
1.01	The annual Local Government Settlement announced by Welsh Government sets out the financial resources local government will receive the following year, both across the sector and council by council.
1.02	The Provisional Local Government Settlement for 2016/17 was announced on 9 December. The Settlement is open to consultation until 20 January. The Final Settlement will be announced in early March. It is not usual for the Final Settlement to change significantly from the Provisional.

1.03	A presentation was made to Cabinet (15 December) and Corporate Resources Overview and Scrutiny Committee (18 December) on the Provisional Settlement and its impacts for Flintshire. The presentation materials are attached. The Settlement provides the context for the setting of the Council Fund Revenue Budget for 2016/17 which is the subject of a separate and more detailed report on the agenda for this Cabinet meeting.
1.04	The detail of the Settlement can be accessed by following the hyperlink within the background documents section.
1.05	<p>The Welsh Local Government Association (WLGA) made the following statement in receiving the news on the Provisional Settlement:-</p> <p><i>"The system used to fund local councils in Wales is based on a complex array of grant arrangements and while many Welsh councils will today cautiously welcome the Welsh Government's draft budget for its focus on preventative public services such as social care, we await further detail of how the budget can help to alleviate some of the mounting pressures on critical local services. A full and detailed settlement for local government in Wales will not be published until tomorrow and we now need to consider today's draft budget announcement in much finer detail.</i></p> <p><i>The WLGA has only recently published its Localism 2016-21 manifesto, which offers a 40 point plan for public services in Wales. Key to our call was the need to refocus resources on the local public services that make such an important contribution to alleviating the build-up of costly pressures elsewhere in the system such as in our NHS, and also the need for councils to be offered far greater financial flexibility in the future. It is heartening to hear these points acknowledged so strongly by Welsh Government within today's draft budget announcement.</i></p> <p><i>We have been clear that there is a need to rewrite the rulebook on how our councils are funded if we are to avoid a similar situation to that in England, where local public services have been cut to the bone and a number of councils face the very real possibility of being unable to meet even their most basic statutory duties. Today's announcement offers a glimmer of hope that a different reality can be written for vital local public services in Wales."</i></p>
1.06	<p>An outline of a suggested response for Cabinet is set out below.</p> <p>The Settlement for 2016/17</p> <ul style="list-style-type: none"> • Welcome the recognition by Welsh Government of the case made by local government and by Flintshire for some funding protection, as reflected in the lower Revenue Support Grant reductions (of a -1.4% average reduction for local government and a -1.5% reduction for Flintshire) • Press Welsh Government for a lower reduction in the new Single Environment Grant than the proposed reduction (of -6.7% and £0.210M for Flintshire) due to its likely impact on key local public

	<p>services</p> <ul style="list-style-type: none"> • Express concern over the risk of any further above average reductions which may yet be intended for unpublished specific grants • An end to further in-year specific grant reductions as has been the experience during 2015/16, as such short-term reductions and their impacts on services are impossible to plan for • The newly announced joint health-social care additional funding to be made equally accessible for current and emerging service demands with the minimum of bureaucracy <p>Future Settlements</p> <ul style="list-style-type: none"> • Restate the critical importance of the removal of social care and other charging caps • Restate the unsustainability of the Council Tax Reduction Scheme (CTRS) and the principle that national welfare schemes should be funded nationally in their entirety • Aggregate External Finance (AEF) reduction from 2017/18 onwards to be maintained at this limited level or a reduced level for local government to be sustainable • The medium term reform of local government funding to be a commitment of the new Welsh Government from May 2016. The work of the Independent Commission for Local Government Finance in Wales, which is due to report by March, should be instrumental in proposing such reforms <p>Immediate National Budget Work for 2016/17</p> <ul style="list-style-type: none"> • Work through the Welsh Local Government Association, Welsh Government and Betsi Cadwaladr University Health Board to secure access to a proportion of the new funds announced for the NHS and Social Care to help alleviate the cost pressures in Social Care in 2016/17 • Flintshire to formally apply for an exemption from social care charging caps to introduce a cost recovery plan within 2016/17
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2.00	RESOURCE IMPLICATIONS
2.01	The implications of the Settlement for the Council are significant. The Settlement for 2016/17 is an improved position on the previously forecasted position. Refer to the separate report on the Council Fund Revenue Budget, on the agenda for this meeting, for more information and analysis.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Council is being consulted by Welsh Government as the proposer of the Provisional Settlement. The consultation is an open public consultation.
4.00	RISK MANAGEMENT
4.01	There are significant risks to the Council caused by the annual reductions in national funding for public services as set out in the Council's Medium Term Financial Strategy.
5.00	APPENDICES
5.01	Presentation on the Provisional Local Government Settlement 2016/17 made to the Cabinet (15 December) and Corporate Resources Overview and Scrutiny Committee (18 December).
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Provisional Settlement http://gov.wales/about/cabinet/cabinetstatements/2015/lqsettlement1617/?lang=en</p> <p>Medium Term Financial Strategy Parts 1 and 2 http://www.flintshire.gov.uk/en/Resident/Medium-Term-Financial-Strategy/Medium-Term-Financial-Strategy.aspx</p> <p>Medium Term Financial Strategy Executive Summary http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/Summary-Medium-Term-Financial-Strategy.pdf</p> <p>Contact Officer: Colin Everett Chief Executive</p> <p>Telephone: 01352 702101</p> <p>Email: chief.executive@flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	<p>Budget: a statement giving the Council's policy and service commitments and choices and how they will be funded for a financial year. It includes both revenue and capital.</p> <p>Local Government Finance Settlement: This sets out what the Welsh Government is to allocate to each local authority in Wales. It is issued in two stages. This year, the Provisional (or draft) Settlement was announced</p>

for consultation on 9th December, with the final Local Government Finance Settlement being due to be announced in March 2016.

Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.

Council Fund: the majority of the Council's revenue expenditure covering all services except Council Housing for which there is a stand-alone and ring-fenced account called the Housing Revenue Account (HRA).

Annual Settlement: the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget, and to individual councils one by one. The amount of Revenue Support Grant (RSG) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.

The Welsh Local Government Association (WLGA): the representative body of principal council, fire and rescue authorities and the national parks in Wales.

Single Environment Grant: a new consolidated specific grant which brings together a number of existing specific grants, such as the Sustainable Waste Management Grant, which are provided by Welsh Government to local authorities to co-fund specific services such as recycling.