

Alun Davies AC/AM
Ysgrifennydd y Cabinet dros Lywodraeth Leol a
Gwasanaethau Cyhoeddus
Cabinet Secretary for Local Government and Public
Services



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref WAQ76110 / WAQ76117

Janet Finch-Saunders AM
Janet.Finch-Saunders@Assembly.Wales

9th March 2018

Dear Janet

With reference to your recent Written Assembly Questions, please find attached the information requested on:

- 1. The Distribution Sub-Group Work Programme 2018 for the Finance Sub-Group of the Local Government Partnership Council.*
- 2. The full responses of each council to the Provisional Local Government Settlement Consultation 2018-19.*

In addition to the above responses, also attached is the response from Vale of Glamorgan which was not included in the Consultation Summary of Responses published on the internet due to being received after the closing date of the consultation.

I trust this information answers your questions.

I will place this information in the library.

Yours sincerely,

Alun Davies AC/AM
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Gwasanaethau Cyhoeddus
Cabinet Secretary for Local Government and Public Services

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Distribution Sub Group Work Programme 2018

The work programme for 2018 is in two parts covering the short-term and longer term considerations in relation to the development of the formula. The first section considers those items that have been identified as needing to be considered in order to ensure future settlements (2019-20 and 2020-21 settlements) take account of issues affecting it. The second section considers those aspects of the current formula which it is recommended be reviewed over a longer timescale to ensure the formula is continually improving and remains relevant and fit for purpose.

Shorter Term Considerations

Item	Description	Resource	Timing / action
General Items			
Post-16 Learning Difficulties and/or Disabilities Specialist Placements	<p>Consideration is being given to changing the arrangements for Post-16 Learning Difficulties and/or Disabilities Specialist Placements. These considerations follow on from the proposals for a new statutory framework for supporting children and young people with additional learning needs (ALN) contained in the Additional Learning Needs and Education Tribunal Bill which was introduced into the National Assembly for Wales on 12 December 2016.</p> <p>DSG will need to consider the distributional implications of the proposal to transfer responsibility to local authorities for managing these specialist placements.</p>	Simon / Rob	Not transferring until 2019-20 at earliest. For consideration by DSG from March 2018 [SE/RH]
Supported Housing	Responsibility for part of the supported housing element of housing benefit is transferring from the DWP to the Welsh Government. One of the options is to transfer this funding into the settlement.	LGFP / Policy team	Unlikely to happen before 2020-21 at the earliest. Oral item for May 2018 [SE/RH]
Welfare Reform	<p>As benefit-related data are key components of the settlement, there is a continued need for DSG to monitor the emerging impact of welfare reform on the data used in the formula. In particular, DSG will need to consider the potential definitional changes to the free school meals eligibility indicators.</p> <p>As well as short term consideration of the implications of the changes to the UK Government welfare support, consideration also needs to be given to the</p>	LGFP	DSG to consider from March 2018 [AC/SE]

Item	Description	Resource	Timing / action
	changes beyond 2018-19 which affect the distribution of resources to local authorities, such as the changes to housing benefit due to be implemented for 2019-20.		
Assumed interest rate for the debt financing element of the formula (Pool Rate)	DSG receives an annual update on the calculation of the notional interest rate assumption used in the settlement model to calculate the element of the settlement that relates to debt financing costs. There is a need to review the assumptions that underpin this component, in particular the approach to reversing out the self-financed borrowing element from the model to ensure the assumptions underpinning the calculation of the interest rate continues to be consistent with the overall borrowing position.	LGFP / Pool Rate working group	DSG to consider the advice of the Pool Rate Working Group in summer 2018 [SE/AW]
Tax base data	Investigation into the distributional implications of changing the council tax increase assumption in the formula. Investigation into the treatment of discretionary discounts in the tax base used for calculation in the settlement.	LGFP	Start now. Investigate with possibility of taking paper to March meeting [SH/SE]
Free School Meal Indicator	DSG has expressed concerns at the volatility of this indicator. Analysis will be carried out to look at the potential for greater stability.	LGFP	March [JL/SE]
Review of the Revenue Outturn and Revenue Account data within the SSA Build	The Revenue Outturn and Revenue Account data within the SSA Build have not been reviewed for a number of years. The DSG specified in 2017 that they would like to consider this in more detail – particularly the ‘other service’ category.	LGFP	March [SH/AC]
Homelessness	The homeless data has been frozen, since the 2016-17 Settlement. DSG noted that, in the long term, options need to be considered for future settlements. Review the homelessness data, post changes to housing legislation.	LGFP	March / July [JL/SE]
Specific Grants			
Welsh Independent Living Grant	To consider the distribution of the grant in 2019-20 and future years, following the transfer of this funding into the settlement on an actual basis in 2018-19.	LGFP / Policy team	Oral item January. Further paper from May [SE/RH]

Item	Description	Resource	Timing / action
Community Grants Flexible Funding Review	DSG to keep abreast of the flexible funding review and to consider any distributional issues as appropriate	Policy team	Oral item January [RH/SE]
Other potential transfers into and/or out of the settlement	To consider other potential transfers into the settlement at the appropriate juncture.	LGFP / Policy teams	Monitor situation with policy.
Annual standing papers			
PLASC data updates	An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities.	LGFP	July
RO/RA data updates	An annual standing paper looking at the implications of updating the RO and RA data in the settlement formula on the distribution to authorities.	LGFP	July / September
DSG Progress Report	A report of the progress of the DSG against the 2018 work programme up to July 2018, for presentation at the Finance Sub Group (FSG) meeting on 11 July.	LGFP	May (or late June via correspondence)
DSG Report	The final report of the DSG to be signed off by the Finance Sub Group (FSG) on 27 September 2018.	LGFP	September

Longer Term Considerations

Item	Description	Resource	Timing / action
Education Formula	A technical sub group of DSG has been considering the potential for developing an alternative approach to the education formula within the model, based on building it up using unit cost measures for the main components of education spending.	LGFP / Local Government DSG members	DSG to consider from March and Review progress at the November meeting [AC/SH]
Modernising Waste Formula	<p>The current waste formula was designed in 2002 and does not reflect the manner in which waste services have been transformed to place greater emphasis on recycling and reuse. This affects the way waste is collected and disposed of.</p> <p>A technical sub group of DSG has been considering the data analysis and modelling assumptions needed to develop a revised formula.</p>	LGFP	DSG to consider from March and Review progress at the November meeting [SE/JL]
Enabling Local Government Reform	Funding arrangements need to be considered to ensure they remain fit for purpose.	TBC	TBC
Taking Wales Forward	The Welsh Government's 'Taking Wales Forward' includes commitments to reform local government funding arrangements and to put in place a floor for future local government settlements. Both these commitments have potential implications for the work of DSG. The work programme therefore needs to include engagement with these elements of work at the appropriate time.	LGSF	TBC
Simplification	Since the last overarching review of the formula methodology, a number of additional services have been added to the model to ensure the formula takes account of changes in local authority responsibilities. With the greater focus on the fitness of the formula for the future because of local government reform and 'Taking Wales Forward' commitments, this is an appropriate time to consider the scope for simplifying the formula without materially changing the way it reflects the relative need to spend.	LGFP	TBC [SH/AC]

From: Eynon, Ian <Ian.Eynon@pembrokeshire.gov.uk>
Sent: 20 November 2017 16:50
To: Local Government Settlement
Cc: Ruloff, Jenny; Haswell, Jonathan
Subject: FW: SETTLEMENT 2018-19; CONSULTATION

If you have received this email in error, please notify us by telephone on 01437 764551 and delete it from your computer immediately. Os ydych chi wedi derbyn yr e-bost hwn trwy gamgymeriad, byddwch cystal â rhoi gwybod inni trwy ffonio 01437 764551. Wedyn dylech ddileu'r e-bost ar unwaith oddi ar eich cyfrifiadur.

Fao. Mr. Simon Edwards

Dear Sir,

Pembrokeshire County Council's response to your Consultation on the 2018-19 Provisional Local Government Revenue & Capital Settlement is detailed below:-

- Whilst the headline reduction in AEF for 2018-19 is less than anticipated in the Council's MTFP, any reduction is still significant, especially with the ongoing demographic and legislative pressures in Adult Social Care and the additional pressures faced by rural local authorities, e.g. providing community based social services for older people over large geographic and sparse areas, and the provision of rural Schools.
- The AEF does not take into account the additional financial burdens to be faced by the Council in 2018-19 and beyond, namely the increases in workforce costs (pay awards, potential removal of the pay cap and increases in the national living wage, national insurance contributions and the employers pension contributions), prices and inflation, and loss of specific grant and demographic pressures.
- This is the Council's fifth year of reductions in the AEF and the indicative settlement for 2019-20 indicates that there will be a sixth. It is therefore inevitable that continual annual reductions in the AEF will lead to a reduction in service levels and/or service quality, and in the worst case scenario, the cessation of services.
- The disparity in AEF per capita of £580 between the highest and lowest in Wales cannot be justifiable or sustainable and needs to be addressed. In respect of Pembrokeshire, the disparity between its low funding per capita and that of its neighbouring authorities Carmarthenshire and Ceredigion could present risks to regional working and collaboration in the future.
- The indicative settlement for 2019-20 is useful, but indicative settlements for the term of the MTFP are required to ensure its accuracy.

- It is pleasing to see that specific grants are being transferred into the provisional settlement and Welsh Government should be encouraged to transfer as many specific grants as possible into the final settlement.
- Pembrokeshire is penalised for having the lowest Band D Council Tax in Wales of £883.15, as the “standard tax element” for Councils used in the funding formula is £1,166.72 and therefore Welsh Government assume that Council Tax income is raised at this level. Pembrokeshire is hit again in that it can only raise Council Tax by 5%, in case of Welsh Government intervention, and this does not raise as much additional income as other Councils with higher levels of Council Tax (*A 5% increase in Council Tax for Pembrokeshire would raise £44. Neat Port Talbot could raise £44 from a 3.05% increase and could raise £72 from a 5% increase. Pembrokeshire would need an 8.2% increase to match this level of additional income*). Pembrokeshire also only derives limited benefit from the population mechanism within the funding formula to account for the substantial increases in population throughout the spring and summer months. A mechanism needs to be developed to allow Authorities the freedom to develop medium term plans that would protect and enhance Local Services, with appropriate increases in Council Tax, without any artificial cap.
- Funding for the CTRS in 2018-19 has increased to £7.077m, however, this will not cover our annual expenditure (projected outturn for 2017-18 is £7.428m).
- There is no mention of the Cleddau Bridge in the provisional settlement despite the Welsh Government announcement of the abolition of tolls being made a week earlier without any reference to the Council, its Members or officers. The financial implications and risks of the announcement need to be made clear, to enable discussions between the Council and Welsh Government to develop.
- The current AEF formula does not sufficiently recognise the costs of seasonal increases in population during the Spring and Summer months. This needs to be addressed urgently.
- PCC supports the Welsh Language developments, however any reductions in funding are bound to have a detrimental effect on the equality of Provision we are able to offer. Unfortunately, all Authorities have differing levels of demand, and Provision which may need to be recognised in the formula.

We look forward to an improved Final Settlement.

Kind regards,

JON HASWELL
Director of Finance

From: Marc Jones <MarcJones@ynysmon.gov.uk>
Sent: 21 November 2017 14:39
To: Local Government Settlement
Cc: John Griffith; Llinos Medi Huws; Ieuan Williams; Gwynne Jones
Subject: 2018/19 Provisional Local Government Revenue and Capital Settlements

The following e-mail is Anglesey's response to the provisional settlement and is sent on behalf of Councillor John Griffith, who is the Portfolio Holder for Finance.

Mark Drakeford AM & Alun Davies AM
Cabinet Secretary for Finance and Cabinet Secretary for Local Government
Local Government Funding Policy Branch
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
21 November 2017

Dear Cabinet Secretaries,

RESPONSE TO THE PROVISIONAL LOCAL GOVERNMENT SETTLEMENT

Further to the provisional settlement issued on the 10 October 2017, the following is the Isle of Anglesey County Council's response to the formal consultation.

Firstly we welcome the fact that the Welsh Government has recognised that in order for Local Government to be able to undertake effective financial planning the settlement needs to give an indication of your intention for future years. Of course a further reduction of 1.5% in the revenue settlement will cause significant financial difficulties for local government given the scale of the reduction that has taken place over the past 5 years and the need to finance both pay and price inflation and the general demand for Council services, in particular in Social Care. As a result the true value of this reduction is significantly higher than 1.5% and we would ask that Welsh Government review how the reduction in the Welsh Block grant is allocated between the various services by Welsh Government. If the UK Chancellor's budget significantly changes this indicative figure we would be grateful if this information is passed on to Local Government as soon as possible.

The Council is concerned with the information that was included in the settlement which suggested that additional funding was provided to education and social care, when clearly what actually happened is that the Welsh Government maintained the funding provided to these areas to the 2017/18 level whilst reducing the overall settlement to local government. The wording of the statement was unfortunate and included phrases such as "increasing the school element" and "continue to invest" gave the wrong impression to the taxpayer. This makes it far more difficult for the Council to explain its financial position and why further cuts in services are required whilst still having to increase Council Tax levels. We would request that Welsh Government provide a further explanation with the final settlement and also be more open and transparent in its explanation in future years.

Again we welcome, the transfer of more specific grants into the settlement but again it is important to manage the transfer and to be open with local government about the Welsh Government's intention. It was again unfortunate that Welsh Government announced a level of protection for education in the draft settlement and then announced reductions in the Education Improvement grant some two weeks later. In addition the reduction in the Environment Single Revenue Grant of approximately £160,000 will make it increasingly difficult for the Council to continue to improve the waste recycled and to meet the challenging targets set by Welsh Government.

One final area of concern is in respect of the capital element of the settlement. The general capital grant and supported borrowing has remained unchanged for a number of years and the provisional settlement indicates that this will continue. We understand that significant capital funding has been allocated to programmes, such as the 21st Century Schools programme but the level of general capital funding has now reduced to such a level that it only allows us to invest capital resources into maintaining and upgrading existing assets (buildings, vehicles, IT infrastructure) and no funding is available to finance any new capital projects. This is restricting the Council's capability to modernise and improve the delivery of services. We would request that this policy is reviewed for future years.

You specifically requested comments on the effects on the proposed settlement on the opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. As a Council that operates a fully bilingual policy whereby service users are dealt with in the language of their choice, the proposed settlement has no impact on us. Clearly delivering a fully bilingual services does have cost implications for us and any way the settlement would recognise these increased costs would be welcomed and would allow the Council to ensure that it continues to meet this objective as we transform services and deliver more of them in a digital way.

In conclusion, although the reduction in the revenue settlement is small and lower than some forecasts, it still represents a real reduction in the funding available to local government and this cannot be made up by simply increasing Council Tax. The Council will have to continue to make reduction in service budgets which will be £2m in 2018/19 and we estimate that further cuts of around £4m will be required in 2019/20. The Council has reduced its budget significantly over the past 5 years but to achieve these level of savings, the Council must look to make savings in key services such as Education and Social Care, they cannot be protected, otherwise the level of funding for the other Council services will reduce to such a point where it will become very difficult to maintain the minimum statutory services.

Yours faithfully

Clr John Griffith
Portfolio Holder (Finance)

Marc Jones

Pennaeth Swyddogaeth (Adnoddau) – Swyddog Adain 151 /Head of Function (Resources) – Section 151
Officer

Swyddogaeth (Adnoddau)/Function (Resource)

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Via email

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21 November 2017
Mark Owen
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Dear Mr Edwards

Local Government Revenue and Capital Settlement 2018/19

Thank you for the opportunity to comment on the Provisional Settlement. These are the points raised in response to the consultation document dated 10 October 2017.

Welsh Government Budget

There are a number of grant transfers between the main expenditure groups which makes it difficult to make year on year comparisons. However, a major concern to the Council is the merger of the Supporting People programme with other Early Intervention, Prevention and Support programmes in 2019/20 and then subsequently reduced by £13.4m. The two year Budget agreement between Welsh Government and Plaid Cymru stated that there would be no cuts to the Supporting People grant.

Tax Policy Report

The increase in demand for social care provision is a significant pressure for the Council and current funding arrangements are unsustainable. The Council therefore supports the principle of exploring potential financial levers including taxation to support future social care provision in Wales.

Specific Grants

The transfer of a number of grants into the Settlement is supported. 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 onwards will be a major financial pressure for the Council.

Rydym yn croesawu gohebiaeth yn Gymraeg.
Byddwn yn ymateb i unrhyw ohebiaeth yn Gymraeg ac ni fydd hyn yn arwain at unrhyw oedi.
We welcome correspondence in Welsh.
We will respond to any correspondence in Welsh and this will not lead to any delay.

Capital

The General Capital Grant remains at a low level and it is very disappointing that no information has been made available on specific capital grants given the infrastructure projects planned.

Council Tax Reduction Scheme

The continued financial support by Welsh Government for this scheme is positive, however, the fact that the resource continues at the level when it was first introduced in 2013/14 is an additional financial pressure for the Council.

Forward Planning

Although an indicative overall settlement figure has been provided for 2019-20, the Welsh Government must consider providing the Settlement earlier in future years and also offer any council in Wales that wishes to take it up a multi-year funding settlement. Multi-year settlements can provide the funding certainty and stability to enable more proactive planning of service delivery.

Communication

The Minister's Statement refers to an increase to the School and Social Care elements of the Settlement in 2018/19 by £62m and £42m respectively. As the overall change in AEF of £19m (-0.5%) then clearly there was a considerable amount of financial information missing when the provisional settlement and budget were announced, which would have been useful to authorities. The subsequent letter from the Cabinet Secretary for Education to the Leader of the WLGA clarified that the level of cuts was greater than indicated in the publicity surrounding the announcements at the time of the settlement. There must be clarity in the information provided as Councils need to incorporate this into their budget, Medium Term Financial Plans and be certain in the messages that are being provided to both Members and the School Budget Forum.

Yours sincerely



Head of Finance

Your re/Eich cyf:
Our ref/Ein cyf: DL/2
Date/Dyddiad: 16th November 2017

Please contact/Cysyllter â David Lilly
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Sent by email only to – LGFPSettlement@gov.wales.

Simon Edwards,
Local Government Funding Policy Branch,
Welsh Government
Cathays Park
CF10 3NQ

Dear Simon,

**PROVISIONAL LOCAL GOVERNMENT REVENUE AND CAPITAL SETTLEMENTS
2018/19**

Thank you for the opportunity to comment on the Provisional Local Government Settlement announced on the 10th October 2017. This letter sets out Torfaen's response to the provisional settlement.

The 2018/19 provisional settlement announcement provides a cash reduction of 0.5% at an all Wales basis, with this decrease coming after eight years of real terms reductions whilst providing no financial acknowledgement of the inflationary pressures being experienced by all council functions. Ultimately the continued attrition to the unencumbered funding will result in challenging decisions for this and the other 21 local authorities, at a time when supporting vital services are becoming more and more necessary. This continuing difficult position is further compounded by the fact that local government funding appears to receive a lower funding settlement when compared to other parts of the Welsh Government's budget, even though its services often directly support and negate the services provided by, for example, the NHS.

We note your narrative recognition of the growing pressures which education and social services face but it is not clear how the "increased funding" of £104million highlighted in the announcement is represented within the funding reduction of 0.5%. Also the prominence of the commentary on the additional £6million for homelessness prevention introduced an unnecessary degree of confusion around the perceived need (or not) to ring-fencing this resource.

The receipt, again, of only a detailed 'one-year' settlement and an indicative all Wales assessment for 2019/20 continues to be disappointing, and does not help our medium term service planning. Our Council, and indeed our regulators, expect us to plan on a multi-year basis and this is not helped without individual council level forward allocations from the Welsh

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Government. Whilst the high level indication for 2019/20 is recognised, the concern remains that there is a potential for changes to be made to the forward indication when the actual detailed funding announcements are received. It is hoped that the Cabinet Secretary's aim providing multi-year settlements will mean that the final 2018/19 settlement will build upon the high-level provisional announcement and give individual council forward indications for a number of years from which we can plan with some certainty and so assist us in achieving our common aims of an effective and joined up public service within the principles of the Well-Being of Future Generations Wales Act.

It was pleasing that the principle of a 'floor mechanism' was retained and that it was additional funding rather than through a 'top slice'.

In relation to the grants information provided separately on the 24th October 2017, it is recognised that there was more grant information at an all-Wales level, however the position could be further improved with the full schedule being made available at an individual authority level. Additionally it would have been helpful if the details of the reducing grants could have been made available at the same time as the provisional settlement announcement, so that a holistic picture could have been taken at a single point in time. Conversely it is welcomed that a number of grants are transferring into the provisional settlement, this beneficial action will assist in local authorities deeming the relative priority of the services and ensuring where appropriate resources are focused fully on outputs and benefits of users, rather than being partly used for administrative / control purposes.

The position in relation our general capital allowance was disappointing as the real spending power of the resource continues to be eroded following five years of standstill funding and gives us very little resource to maintain our assets outside our 21st Century School Programme. This real terms reduction is further compounded by the all Wales reduction to all Wales allocations to specific capital grant resources e.g. Local Transport Fund grant and the Flying Start grant.

We are pleased that the level of Council Tax increase remains a matter for local policy choice. The Council is very conscious of the pressures on household budgets and so the Council is doing its utmost to deliver a balanced budget but the continued funding reductions will inevitably put pressure on Council Tax rises.

Torfaen will look, as always, to be responsible in its budget decisions. However, we need to be honest with all stakeholders that the continuing austerity funding environment will necessitate very difficult choices.

Yours sincerely

David Lilly
Head of Financial Services

cc:

Cllr A. Hunt, Leader, Torfaen County Borough Council;
Alison Ward, Chief Executive Officer;
Rob Hay, Welsh Government.

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Simon Edwards
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Your Ref/Eich Cyf:

Our Ref/Ein Cyf:

Date/Dyddiad:

9th November 2017

File Ref:

The Person dealing with
this matter is/ Y

Councillor P Murphy

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Dear Mr Edwards,

Re: Provisional Local Government Settlement 2018/19

Thank you for the opportunity to comment on the Provisional Settlement announced recently. This response has been endorsed by Monmouthshire County Council's Cabinet and provides the views of members.

This is a disappointing settlement for local government across Wales and follows reductions that Councils have experienced in recent years. The Welsh Government has chosen to use additional money passed to it by the UK government in ways that don't best meet the needs of the people in Wales.

Monmouthshire has yet again received one of the worst settlements in Wales receiving 1% less than the previous year and the settlement continues an eight-year run of real terms reductions to local government funding in Wales. This does not take into account the current inflation rate of 2.7% and therefore represents a 3.7% real term reduction in funding. While the average cut to Welsh councils is 0.5%, Monmouthshire's 1% decrease, shared with five other counties, is the biggest in Wales.

The provisional settlement has done nothing to alleviate our position as the worst funded Council in Wales per head of population. The average per capita funding in Wales is £1,339 compared to Monmouthshire's £1,001.

The Council is very conscious of the pressures on household budgets and so the Council is doing its utmost to deliver a balanced budget but this will inevitably put pressure on Council Tax rises.

Monmouthshire welcomes the commitment to providing a funding floor to mitigate any volatility. Looking forward to 2019/20 and beyond, the prospect of continuing austerity remains and is set against very real pressures in already stretched services. Whilst Monmouthshire welcomes the provision of an indicative revenue settlement for 2019-20 the provision of indicative revenue settlements for the next

three years would help Councils in planning for the future through these very difficult times.

As a rural authority Monmouthshire is confronted by particular challenges in offering services like social care, waste collection, transport and highways across a wide area. Indeed, the council has recognised these difficulties by prioritising the maintenance of locally accessible services to combat rural isolation. Monmouthshire calls on the government to base funding on a fairer system, acknowledging the problems rural counties face when providing services. There are also a range of preventative services that will not survive unless the Welsh Government has a long hard look at the way it allocates money across the totality of public services.

Monmouthshire calls for more transparency around some of the figures in the provisional settlement announcement. The settlement suggests increases in funding in education and social services of £62m and £42m respectively. However, there is no additional resource to protect them or explanation of how these figures have been calculated. The all-wales settlement for local government has quite simply reduced been reduced by 0.5%.

Monmouthshire supports and encourages the transfer of specific grants into the settlement and is disappointed that more progress has not been made in this regard.

If there are opportunities to put more grants into the final settlement this would be welcomed providing it continues to be distributed on the same basis as the original grant to prevent large changes at a very late stage in the process.

On capital account, the settlement does not address the previous reductions in capital funding and is still therefore a serious concern, especially as it comes at a time when councils are struggling to raise capital receipts from asset sales. The need to invest in priority areas such as 21st Century Schools, waste management, carbon reduction and infrastructure remains high, with WG support remaining a critical success factor.

Despite the fact that the reasons for the level of the provisional settlement are both known and understood, it is difficult to reconcile the revenue and capital settlements with the increasing expectations and demands on local council services are continuing to grow. Councils will face difficult decisions in reconciling budgets next year and in the medium term and it is important that the WG recognises the need for difficult decisions, is supportive of local authorities facing difficult times and does not promote undeliverable policy expectations. This is a time for us 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 we exist to serve.

Yours sincerely



Councillor Phillip Murphy – Cabinet Member

Cyngor Sir CEREDIGION County Council

Y Cynghorydd / Councillor Ellen ap Gwynn

Arweinydd y Cyngor /

Leader of the Council

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Mark Drakeford AC,
Ysgrifennydd y Cabinet dros Gyllid a
Llywodraeth Leol,
Llywodraeth Cymru,
Bae Caerdydd,
CAERDYDD,
CF99 1NA.

Annwyl Ysgrifennydd y Cabinet,

Ymateb i'r ymgynghoriad i'r setliad dros dro

Yn dilyn eich llythyr dyddiedig 10 Hydref 2017, isod ceir ymateb Cyngor Sir Ceredigion i'r ymgynghoriad ar setliad y gyllideb dros dro ar gyfer 2018-19.

Mae'r Cyngor yn wynebu pwysau cynyddol o ran costau, sy'n deillio o'r toriadau ariannol parhaus i wasanaethau cyhoeddus a wnaed gan lywodraethau Llundain a Chaerdydd yn ystod y 5 mlynedd diwethaf. Fel un o'r awdurdodau mwy gwledig, mae Ceredigion wedi dioddef gostyngiadau sylweddol o -5% ar gyfer 2014/15, -4.5% ar gyfer 2015/16 a - 3% ar gyfer 2016/17. Ynghyd â phwysau chwyddiant mae hyn wedi arwain at ostyngiad o 25% yn ein cyllideb, sef £38 miliwn gyda'r Strategaeth Ariannol Tymor Canolig yn rhagweld toriadau pellach o hyd at £18m.

Mae pwysau ychwanegol hefyd o ganlyniad i'r gofynion deddfwriaethol newydd megis y Ddeddf Gwasanaethau Cymdeithasol a Lles, Deddf Llesiant Cenedlaethau'r Dyfodol a Deddf yr Iaith Gymraeg.

Rydym yn falch fod teneurwydd poblogaeth wedi cael ei ystyried, o'r diwedd, yn y fformiwla dosbarthu. Fodd bynnag, mae'r setliad eleni yn ostyngiad pellach o 0.3% yng nghyfanswm ein cyllid. Nid yw hyn yn ddigonol i sicrhau bod gwasanaethau statudol yn cael eu diogelu, gan fod y pwysau cynyddol o ran costau yr ydym yn ei wynebu dros 5%. Yn ogystal, rydym wedi cael gwybod bod angen i'r Cyngor gynllunio ar gyfer gostyngiad pellach o 1.5% yn y cyllid ar gyfer 2019-2020.

Rydym yn croesawu gohebiaeth yn Gymraeg a Saesneg. Cewch ateb Cymraeg i bob gohebiaeth Gymraeg ac ateb Saesneg i bob gohebiaeth Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence in Welsh and English. Correspondence received in Welsh will be answered in Welsh and correspondence in English will be answered in English. Corresponding in Welsh will not involve any delay.

Prif Weithredwr / Chief Executive :
Cyfarwyddwyr Strategol / Strategic Directors :

Eifion Evans
Barry Rees Dysgu a Phartneriaethau / Learning and Partnerships
Sue Darnbrook Gofal, Amddiffyn a Ffordd o Fyw / Care, Protection and Lifestyle

Rydym yn siomedig iawn fod trosglwyddo'r grantiau gofal cymdeithasol, a oedd yn ychwanegol at arian y Grant Cynnal Refeniw yn ystod y flwyddyn gyfredol, bellach wedi'u cynnwys yn y Grant Cynnal Refeniw ar gyfer 2018-19. Oherwydd y gostyngiad yn y Grant Cynnal Refeniw, mae hyn mewn gwirionedd yn ostyngiad pellach yn yr arian sydd ar gael i ddarparu gofal hanfodol i'r bobl hŷn yn ein cymunedau gwledig. Roedd hwn yn arian newydd a gyhoeddwyd o ganlyniad i bwysau a gydnabuwyd mewn cyllidebau Gofal Cymdeithasol. Gofynnwn pam fod yr arian ychwanegol angenrheidiol hwn wedi'i dynnu'n ôl? Mae'r pwysau hwn yn parhau ac mae Gofal Cymdeithasol yn faes gwasanaeth sydd o dan bwysau ariannol enfawr.

Tra bod y pwysau sydd ar y Gwasanaethau Iechyd yn cael ei gydnabod, pam nad yw'r pwysau dilynol ar Ofal Cymdeithasol yn cael ei gydnabod?

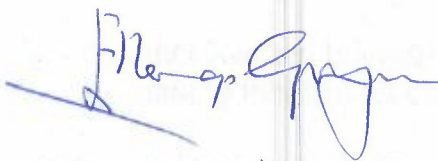
Gan gyfeirio at Ysgrifenyddion y Cabinet dros Addysg a datganiadau ynghylch Gofal Cymdeithasol fod arian ychwanegol yn cael ei ddyrannu yn y Grant Cynnal Refeniw, ni allwn weld bod yr arian hwn ar gael o fewn y setliad dros dro presennol. Rydym am dynnu eich sylw at y ffaith hefyd nad yw arian Llywodraeth Leol wedi'i neilltuo. Byddai unrhyw gynnydd mewn cyllid ar gyfer y gwasanaethau hyn yn golygu y byddai'n rhaid gwneud toriadau i wasanaethau statudol eraill tua £2.5m.

Mae'r gostyngiadau sylweddol a'r newidiadau a wnaed i'r Grant Cynnal Refeniw wedi gadael diffyg sydd angen fynd i'r afael ag ef ac y mae hyn yn cymryd amser i'w ystyried a'i weithredu. Mae angen cyfnod hwy, i gynllunio ar gyfer gweithredu'r newidiadau sylweddol sydd eu hangen, nag y mae cyfnod gosod y gyllideb yn ei ganiatáu.

Er ei bod yn ddefnyddiol nodi bod yr arian cyfalaf cyffredinol i'w gynnal dros y tair blynedd nesaf, mae hyn mewn termau real, wrth gwrs, yn doriad ac mae'n dod ar ôl cyfnod hir a pharhaus o ddyraniadau gwastad a ddilynodd dair blynedd o doriadau sy'n gyfystyr â 36%. Mae'r Cyngor yn manteisio i'r eithaf ar dderbyniadau cyfalaf a benthyca darbodus o fewn ei fframwaith polisi a lefelau fforddiadwyedd.

Gofynnwn i'r adolygiad o'r setliad dros dro ystyried y pwyntiau a wnaed uchod.

Yr eiddoch yn gywir,



Y Cyngorydd Ellen ap Gwynn
Arweinydd Cyngor Sir Ceredigion

Cyngor Sir CEREDIGION County Council

Y Cynghorydd / Councillor Ellen ap Gwynn

Arweinydd y Cyngor /

Leader of the Council

Neuadd Cyngor Ceredigion, Penmorfa, Aberaeron, SA46 0PA

www.ceredigion.gov.uk



Dyddiad
Date

21/11/2017

Llinell uniongyrchol
Direct line

01545 572004

Fy nghyf
My ref

EaG/SAD

Ebost
Email

Ellen.apGwynn@ceredigion.llyw.cymru

Mark Drakeford AM,
Cabinet Secretary for Finance and
Local Government,
Welsh Government,
Cardiff Bay,
CARDIFF,
CF99 1NA.

Dear Cabinet Secretary,

Consultation response to the provisional settlement

Further to your letter dated the 10th October, 2017 please find below Ceredigion County Council's response to the consultation on the provisional budget settlement for 2018-19.

The Council is facing increasing cost pressures, which are a result of continual public service funding cuts placed on Councils by both London and Cardiff governments over the past 5 years. As one of the more rural authorities, Ceredigion has suffered significant reductions of -5% for 2014/15, -4.5% for 2015/16 and - 3% for 2016/17. Together with inflationary pressures this has resulted in a 25% reduction in our budget a total of £38million with the MTFS forecasting further cuts of up to £18m.

There are also extra pressures as a result of the new legislative requirements such as the Social Services and Wellbeing Act, the Future Generations and Wellbeing Act and the Welsh Language Act.

We are pleased that at long last, sparsity issues have been recognised in the distribution formula. However, this year's settlement sees a further reduction of 0.3% in our total funding. This is insufficient to ensure that statutory services are protected as the increased cost pressures being faced are over 5%. In addition we are informed that the Council needs to plan for a further 1.5% reduction of funding for 2019-2020.

Rydym yn croesawu gohebiaeth yn Gymraeg a Saesneg. Cewch ateb Cymraeg i bob gohebiaeth Gymraeg ac ateb Saesneg i bob gohebiaeth Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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Eifion Evans
Barry Rees Dysgu a Phartneriaethau / Learning and Partnerships
Sue Darnbrook Gofal, Amddiffyn a Ffordd o Fyw / Care, Protection and Lifestyle

We are very disappointed that the transfer of the social care grants, that were in addition to RSG funding during this current year, have now been included in the RSG for 2018-19. Due to the reduction in RSG, this is in fact a further reduction in monies available to provide essential care for older people in our rural communities. This was new money announced as a result of pressures recognised in Social Care budgets. We would ask why this very necessary extra funding has been withdrawn? These pressures still remain and Social Care is a service area that is under enormous financial strain.

While pressures on the Health Services are recognised, why are the consequent pressures on Social Care not been recognised?

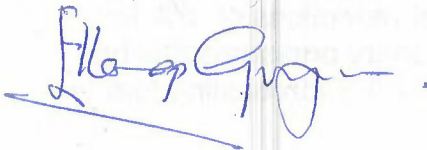
With reference to the Cabinet Secretaries for Education and Social Care statements that additional monies are allocated within the RSG, we cannot see that this funding is available within the present provisional settlement. We would also draw your attention to the fact that Local Government funding is not hypothecated. Any uplift in funding for these services would mean cuts would have to be made to other statutory services in the region of £2.5m.

Significant reductions and changes made to the Revenue Support Grant have left a shortfall to be addressed which takes time to consider and implement. The lead in time for implementing the significant changes required, need a longer period to plan for than the budget setting period allows.

Whilst it is useful to note that the general capital funding is to be maintained over the next three years, this is of course a cut in real terms and comes after a long and sustained period of flat allocations that followed three years of cuts amounting to 36%. The Council is maximising capital receipts and prudential borrowing within its policy framework and affordability levels.

We ask that the review of the provisional settlement takes account of the points made above.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ellen ap Gwynn', with a horizontal line drawn underneath it.

Y Cyngorydd / Councillor Ellen ap Gwynn
Arweinydd Cyngor Sir Ceredigion
Leader of Ceredigion County Council



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Our Ref:

Date; 21 November 2017

Dear Simon

Provisional Settlement Response

I am writing in connection with the provisional local government revenue settlement for 2018/19 and your request for responses as part of the consultation process by 21 November.

Recent correspondence from Welsh Government in connection with the settlement has put a different complexion on the settlement and this feedback therefore reflects the updated position.

Our initial understanding was that the marginal 0.2% cash increase announced for Cardiff gave the Council £954,000 extra in cash terms for 2018/19, albeit this was eroded to £118,000 when new homelessness responsibilities were taken into account. This challenging position leaves the Council to absorb additional financial pressures of over £22 million in 2018/19, having found £105 million savings over the past three years and with a £76 million budget gap over the medium term. This is all within the context of a continuing increase in the Cardiff population that whilst reflected in the settlement comes with increasing cost pressures of demand for services.

These pressures exist in many services but particularly in Schools and Social Services which together account for almost 65% of the Council's net budget. This percentage increases annually due to price and demand pressures. Given the enormity of these issues for Local Government, an additional £104 million for these areas, as announced, would have been very welcome. It was therefore disappointing to have received clarity in recent days that the £104 million is not additional when compared to current overall funding levels.

In order to cope with unfunded pressures in Schools and Social Services, the Council's other services, which themselves contain significant areas of statutory duty, are squeezed. If the UK budget and final settlement bring additional unfunded responsibilities for Local Government, the medium term, which is already a cause of serious concern, will become very grave indeed. This reality runs counter to the public perception being given by the announcement that Schools and Social Services are receiving multi-million pound funding increases.

PLEASE REPLY TO: Mrs C. Salter, Corporate Director Resources, Room 343C, County Hall, Atlantic Wharf, Cardiff, CF10 4UW.
Tel: (029) 20872300; E-Mail: Treasurersoffice@cardiff.gov.uk



The significant reductions to Education Improvement Grant (£15.1m) and deeper than expected reduction to Single Revenue Grant (£6m rather than £3.1m anticipated), alongside a lack of clarity around the bid process for the residual portion of the latter, raised significant concerns when they were announced on 24 October, given the potential impact of these reductions on services. These concerns have escalated following recent correspondence to the effect that the reduced element of Education Improvement Grant has been "transferred" into the RSG. It is unclear why this did not follow the standard practice of a transfer into RSG with the associated base line adjustment. It is even more unclear why there are specific directions on use, notwithstanding the non-hypothecated nature of Revenue Support Grant.

General Capital Funding has reduced by more than a third in cash terms since 2010/11. The movement in construction costs and in inflation generally over the same period have had a further adverse impact on capital programme capacity. The revenue affordability of borrowing to supplement the capital programme is severely restrained, yet a degree of additional borrowing is inevitable just to maintain our operational assets, placing further strain on the revenue budget.

As funding uncertainty is highly problematic from a financial planning perspective, it is encouraging that the Provisional Settlement included an indicative average AEF for 2019/20, albeit the highlighted position is even more challenging than the 2018/19 settlement. It is noted however, that WG intends to review current indications alongside the £3.5 billion unallocated, UK budget cuts. In doing so, we would urge Welsh Government to take into account the stark position facing Cardiff and all other Welsh authorities over the medium term, as outlined earlier in this letter.

Whilst the move toward affording greater clarity over the medium term is welcome, progress in respect of later years appears to have come at the expense of clarity in relation to the coming financial year. Indeed, it is disappointing that only after significant pressure for clarification, has the exact nature of the "additional funding" been revealed as providing no additional cash, in addition to an expectation to use existing resources to offset a reduction in EIG.

Yours sincerely



Christine Salter

Corporate Director Resources / Cyfarwyddwr Corfforaethol Adnoddau

23rd November 2017

Dear Mr Edwards,

Provisional Local Government revenue and Capital Settlements 2018/2019

I am writing in response to the Cabinet Secretary's letter dated 10th October 2017, concerning the provisional revenue support grant settlement.

It was pleasing to note that the overall outcome from the settlement was much better than anticipated and planned for in our Medium Term Financial Strategy.

At an all-Wales level, there are many positive aspects to the settlement, notably a realignment of resources for Education and Social Services, stability within the CTRS allocation, 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.

I commend the Cabinet Secretary for the inclusion of a floor mechanism, being one of a half dozen authorities to benefit.

The indicative reduction for 2019/2020 will inform budget planning for the medium term.

Finally, the inclusion of specific grant information at an early stage is a key developmental opportunity that needs further consideration, primarily to assist budget planning and workforce implications.

David McAuliffe

Chief Finance Officer

Blaenau Gwent County Borough Council

Date/Dyddiad: 24 November 2017

Ask for/ Gofynwch am: Councillor John Thomas

Telephone/Rhif ffôn: 01446 709469

Fax/Ffacs:

our Ref/Eich Cyf:

My Ref/Cyf: JWT/JCC/S17/86533

e-mail/e-bost: JWThomas@valeofglamorgan.gov.uk

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Simon Edwards
Local Government Funding Policy Branch,
Welsh Government,
Cathays Park
Cardiff
CF10 3NQ

Email – LGFPSettlement@gov.wales

Dear Mr. Edwards,

PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2017/2018

When he announced the Provisional Local Government Settlement on 10th October 2017, the then Cabinet Secretary for Finance and Local Government, Mark Drakeford, launched a 6 week period of formal consultation. This letter is my response to that draft settlement.

The content of this response needs to be understood within the overall context within which the Council is operating. In September I wrote to the Secretary for Finance and Local Government to outline the significant financial pressures that this authority will have to deal with over the coming years. As the level of resources continues to reduce, the pressures to deliver the services at the level and quality that residents in the Vale of Glamorgan have come to expect, and rightly so, are growing. As I pointed out in September, this Council has already identified savings of around £49m since 2010/2011 on what is now a net budget of £215m in the current financial year.

As I outlined in my previous correspondence it is accepted that the way in which this Council provides services must change and the Authority has a well-established record of achieving budget savings. To continue this approach, a Reshaping Services strategy has been approved that is a proactive response to a period of unprecedented financial pressure in the public sector. This is resulting in all services being reviewed and innovative practice being adopted to provide the services and support that are required by our residents.

This has resulted in pursuing a mixed economy model to service delivery. We have worked with community groups to retain community libraries. We have worked with a Trust to ensure that leisure centres remain open. We have transformed services internally, where it makes sense to do so and we have been

at the forefront of shared services with examples including a shared internal audit service and shared regulatory services. I can confirm that the Council will continue to take this approach in the coming years.

Despite these new approaches to working practices and the commitment of elected members and officers to deliver quality services, the draft financial settlement will result in yet another difficult financial period for this Council. In drafting the final settlement I would ask that you consider the points below.

I have some significant concerns regarding some of the detail within the draft settlement, whilst also acknowledging that there are some constructive developments. The positive decision of the Welsh Government to provide some indication of funding levels for two years rather than the traditional annual budget, is welcomed. The transfer of grants into the RSG is something that Local Government has promoted in recent years and the further transfer of some grants in 2018/2019 is, therefore, welcomed. I firmly believe that Local Authorities have the experience and understanding of local service provision to ensure that this funding is used in the most effective and efficient way to provide services to local people.

You will also be aware that the Vale of Glamorgan Council has been disadvantaged in past years, often receiving the lowest increase or largest reduction in funding from the Welsh Government. It is pleasing to note that in the draft settlement this Council lies in the middle of the table with regard to the level of reductions proposed, which is in itself to be welcomed. However, this is against an historic year on year under funding of the Vale of Glamorgan when compared to the majority of other Councils. This under funding needs immediate attention.

In terms of the detail, the overall settlement proposes an average reduction of 0.5% across Local Authorities in Wales. In the Vale of Glamorgan this represents a cash reduction of £670k (0.4%). However, when taking into account new responsibilities, this actually represents a 0.56% (£859k) reduction. My first concern relates to the fact that this ignores the impact of inflation on Council budgets, which should not be underestimated. Price inflation will have a significant implication for Councils as more and more services are commissioned rather than directly provided. Currently the all items CPI annual rate is 3.0% which Councils will have to find within budgets. This is over and above the budget reduction to the Council as set out in your provisional settlement. In real terms, therefore your provisional budget settlement sits at a 3.5% cut and I would urge you to reflect on this fact when concluding your final settlement.

With regard to pay inflation, all Councils are having to meet the cost of the increase in the National Living Wage, for their own employees and for those working in commissioned services. Nowhere is this more apparent than in the field of social care. This is particularly acute for the Vale of Glamorgan Council, where the majority of domiciliary care is out-sourced.

This Council takes pride in our staff and fully recognises that their commitment and hard work enables us to continue to deliver the services that our residents deserve. However, the cost of the workforce is a significant cost for any Local Authority and any decision to relax the current restrictions on the pay awards for public sector staff is another cost that would have to be met over and above the 0.5% reduction and inflationary pressures set out above.

When the draft settlement was announced it referred to an increase in the school and the social care elements of the settlement by £62m and £42m respectively. From the detailed tables that have been released it is evident that the SSA for both sectors has increased. However, there is no new money within the settlement to fund this increase. It appears that this is simply a transfer of previously hypothecated funding into the RSG and I repeat this is not new money and it is disingenuous to describe it as such. I am therefore assuming that the increase in SSA is to be as a result of significant reductions for other services. If indeed this is the case, it puts other services across Local Authorities under severe pressure as these are the very services (predominantly front line) which have already seen significant reductions in recent years in order to protect the funding for education and social services. The continued pressure on these services will inevitably result in local authorities having to discontinue key areas of work. This is extremely worrying as many of these services play a significant role in supporting the preventative agenda and in the economic development of our area which supports the requirements of the Wellbeing of Future Generations Act. In addition, the headline announcements have raised considerable expectations amongst schools and social care providers with regard to possible budget increases in the New Year. The reality, of course is very different, and this results in a position which will be extremely difficult for the authority to manage.

On the issue of social care, the pressures are extremely acute and well documented, in the same way as in the health service. Indeed, many of the issues are common across this important area. However, that is where the comparison ends, given the fact that the social care service has not benefited from a similar increase in funding to that enjoyed by the health service. I would urge you to rectify this in your final settlement.

As stated above, whilst I welcome the move to transfer hypothecated grants to local government, the reduction in some of those grants remains a significant concern. Whilst we do not have the details of all grants for 2018/2019 the information that is currently available shows significant reductions in the Education Improvement Grant, the Post Education 16 grant and the Single Revenue Grant. In respect of the latter, the Vale will see a 10% reduction in funding with significant implications for our waste and recycling service at a time when national policy states this should be a priority. We are already a high performing low cost authority for this service in a Welsh context. Therefore, it will not be possible to respond to this cut through increased efficiencies. These reductions will have a direct impact on the ability of Local Authorities to deliver the services that depend on these grant streams, especially when following on from other recent decisions around discontinuation of initiatives such as Communities First.

In my previous letter I outlined the inequalities in funding between education services in Wales and the fact that, if this Council was funded at the average level, one comprehensive school alone would receive an additional £600,000 a year in its budget. I would again point out that the inequalities in the funding formula has a significant impact on the ability of local authorities to meet the increasing requirements expected by residents and required by the Welsh Government.

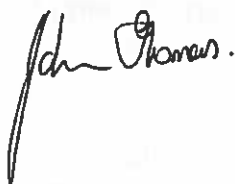
Furthermore, and whilst on the issue of education a recent letter (14/11/17) from the Cabinet Secretary of Education to the Leader of the WLGA seems to seek praise as a consequence of moving previous grants into the settlement (albeit at a reduced level) and then sets out expectations and requirements as to how the money should be used, based on her priorities for the next two years. Such a situation is beyond comprehension. Either the money is hypothecated or it forms part of the settlement, for local government to determine how that money should be used to meet local needs and demands. To suggest, as she does, that current consortia funding levels are retained is also an ignorance of the fact that the consortia were established to deliver a regional and cost effective approach to school improvement. Protecting current funding levels will only mean that other local authority funding set aside for other frontline services is reduced even further.

I would request that as you finalise the budgets in the next few weeks you consider again the quantum available for Local Government in the coming two years as I acknowledge that the issues outlined above will be faced by all local authorities.

Specifically I would ask that you seriously consider the following:

- That any pay award above the existing pay cap is funded by the Welsh Government through the revenue settlement.
- That the impact of inflation on local authorities is acknowledged either by way of additional funding or when making announcements with regard to the true level of funding being made available to the Local Government sector.
- That clarity is provided with regard to the apparent "additional" funding for education and social services or written confirmation that this is not 'new' money.
- That social care funding is put on an even footing with recent increases for the health service.
- That the position with regards to grants for 2018/2019 is made clear, in particular where there is a proposed reduction in 2018/2019.
- Finally, that in the longer term the formula used to distribute the funding to local government is reviewed to address the anomalies that have been identified in this and previous correspondence.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Thomas'.

Councillor John Thomas
LEADER OF THE COUNCIL