



SPECIAL COUNCIL – 23RD OCTOBER 2013

SUBJECT: PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2014/15

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 This report informs Members of the Provisional Local Government Settlement announced on 16 October 2013, and updates the Medium Term Financial Plan as a consequence of that announcement.

2. SUMMARY

- 2.1 The report gives information on the Provisional Settlement for revenue and capital funding for Caerphilly County Borough Council (CCBC) for 2014/15, including indicative allocations from Welsh Government (WG) for 2015/16. There are no indicative allocations for 2016/17.

3. LINKS TO STRATEGY

- 3.1 The budget setting process encompasses all the resources used by the Council to deliver services and Council priorities.

4. THE REPORT

- 4.1 The Provisional Settlement for Local Government was announced on 16 October 2013. The overall average decrease in Aggregate Exchequer Finance (AEF) for all Local Authorities after adjusting for "transfers in" of former grant funding is a decrease of 3.5%. CCBC's overall decrease is 3 %.
- 4.2 The "transfers in" of grant have been historically passported, in full, to service areas to ensure service delivery remains unaffected.

The "transfers in" are summarised below:-

- (i) Private Finance Initiative (PFI) £7,308 k

This amount was previously grant funded and is required, in full, to fund the 3 PFI Schemes in the Authority which are:-

- Lewis School, Pengam
- Cwm Rhymni
- Sirhowy Enterprise Way

Council Tax Reduction Scheme (CTRS) Administration Subsidy of £328 k. This funds staff who determine eligibility to Council Tax Benefit now called CTRS.

(ii) Other "Transfers in"

The part year effect of other smaller "transfers in" total £219 k

- 4.3 Members are reminded that the 10% shortfall in CTRS in 2013/14 was funded by a grant of £1,231 k from WG. This shortfall has now been included in the AEF. This fund which totals £13,514 k is estimated to be fully committed for 2015/16. This is a very volatile area of spend that is predominantly demand led. As this area of spend is very high risk, Members are asked to consider ring fencing any underspends that may occur in respect of CTRS to carry forward in full to the next financial year. Overspends will need to be dealt with in the financial year along with any consequential impacts on the Budget for the following year. A small underspend of approximately £100 k is currently anticipated for CTRS in 2013/14.
- 4.4 The Provisional Settlement for CCBC for 2014/15 (after adjusting for "transfers in") shows a decrease of £8,464 k in cash terms. The anticipated amount included in the MTFP based on WG's announcement last year, was a £1,634 k increase. This is £10 m less than the indicative announcement for 2014/15 announced in October 2012. A decrease in funding was anticipated early in the Summer, which led to an update of the MTFP in a Cabinet Report dated 18 June 2013. WG alerted Local Government to the potential of "English Style" cuts late Summer. The level of cuts for 2014/15 are of serious concern, both the level and extent of the cut to the AEF and the short time period to deliver these savings will be extremely challenging.
- 4.5 Members are reminded that the Authority is moving into a period of severe austerity, albeit from a sound financial base. To date, all Directorates are underspending against their budgetary allocations. This will still mean that some very difficult decisions will have to be taken by Members in the next 3 years.
- 4.6 A revised MTFP is attached at Appendix 1. Assumptions have been reworked for Pay and Non Pay, Capital Financing, Social Services demographic growth, the Schools Pledge and Landfill Tax. Council Tax increases currently remain unchanged at an increase of 2.35% per annum over the next three years. The actual increase will need to be determined by Members.
- 4.7 WG require funding allocated to the Authority's Schools to increase on the 2013/14 allocation by a cash sum equivalent to a 0.9% uplift. This is the "pledge" which is based on an increase of 1% above WG's block grant increase from the UK Government. The block grant decreased by 0.1% for 2014/15. There is still some further work required to refine this cash increase.
- 4.8 The capital allocation for 2014/15 is £8,009 k, an increase of £22 k on the previous indicative figure. This will continue to be significantly less than the Authority's Assets require, to ensure that they are satisfactorily maintained.
- 4.9 Announcements on specific grant funding by WG will follow over the next 5 months. The Authority has not been advised of any significant reductions in grant funding for 2014/15 at the present time.
- 4.10 Members are advised that a short presentation "Putting the Budget into Context" will be delivered on 23rd October. This presentation will not include any specific savings proposals. An MTFP Seminar will be held for Members on 21st November that will be used to present a long list of savings for Members to consider, prior to Special Scrutiny meetings established for the MTFP on:-

4th December 2013 at 5:00 p.m. – Sirhowy Room – Policy & Resources
9th December 2013, 5:00 p.m. – Sirhowy Room – Education
11th December 2013, 5:00 p.m. – Rhymney Room – Health, Social Care and Well Being
12th December 2013, 5:00 p.m. – Sirhowy Room - Regeneration

- 4.11 Following the announcement by WG of the final settlement in December, Cabinet will be required to determine savings to be included in draft Budget proposals during January 2014. A Special Council in February 2014 will agree the Budget for 2014/15 and a revised MTFP.

5. EQUALITIES IMPLICATIONS

- 5.1 This report is for information purposes only, so the Council's full Equalities Impact Assessment process does not need to be applied.

6. FINANCIAL IMPLICATIONS

- 6.1 The impact of the Provisional Settlement for 2014/15 is included in Appendix 1.
- 6.2 In summary, savings of £14.53 m will be required for 2014/15 with further additional savings of £6.54 m for 2015/16 and £7.06 m for 2016/17.
- 6.3 The savings target of £28.13 m will need to be applied to approximately £179 m of budget, after taking account of Schools' protection and fixed costs (i.e. debt). This is a savings requirement of 8.1 % in 2014/15 and at least 15.7 % over the next 3 years.
- 6.4 As in previous years, information relating to specific grants has not been confirmed. This could be concluded as late as February or even March 2014.
- 6.5 Members are reminded of the requirement for the Authority to set a balanced budget each financial year.

7. PERSONNEL IMPLICATIONS

- 7.1 These will be considered as part of future savings proposals.

8. CONSULTATIONS

- 8.1 Due to the urgency of the need to present this Report to Council, and the fact that the Report is primarily for information only, there has been limited consultation.

9. RECOMMENDATIONS

- 9.1 Council endorse the MTFP in Appendix 1 and agree the timetable for presentation and consideration of savings proposals.
- 9.2 Council agree to ring fence any underspend relating to the CTRS.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure Members are made aware of the Provisional Local Government Settlement for 2014/15 and the timing of the decision making process.

11. STATUTORY POWER

11.1 The Local Government Act 1998 and the Local Government Act 2003.

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Cllr H Andrews, Leader of the Council
Cllr K Reynolds, Deputy Leader/Cabinet Member for Corporate Services
Stephen Harris, Acting Head of Corporate Finance
Andrew Southcombe, Finance Manager
Gail Williams, Interim Monitoring Officer

Background Papers:
Working Papers 14/15. Contact Stephen Harris, Acting Head of Corporate Finance

Appendices:
Appendix 1 Revised Medium Term Financial Plan

Revised Medium-Term Financial Plan**Based on Provisional Local Government Settlement**

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
AEF (-3%/-1.55%/-1.55%)	2,773	(8,464)	(3,720)	(3,720)
Council Tax @ 2.35%	1,733	1,434	1,472	1,472
Total Funding	4,506	(7,030)	(2,248)	(2,248)
Pay 1.0%, 1.0%, 1.0%	770	1,113	1,113	1,113
Living Wage (assumes pledge funds schools)	164	164	164	164
Non-Pay Inflation (1.5% p.a.)	1,110	1,706	1,706	1,706
Non-Pay Inflation (1.5% p.a.) - Fees and Charges	(240)	(240)	(240)	(240)
WHQS - Capital Borrowing Costs	1,212	792	0	0
WHQS - HRA Recharges	500	0	0	0
Capital Financing	484	270	150	150
Local Government Borrowing Initiative	194	194	0	0
Other Passported Grants	106	1,450	0	0
Sub-Total	4,300	5,449	2,893	2,893
Service Pressures/Additional Funding				
School Meals - No increase in prices	80	0	0	0
Re-introduction of Free Bulky Household Waste Collections	100	0	0	0
Additional Youth Service Provision	100	0	0	0
Welfare Reforms LA Costs	180	100	100	100
Landfill Tax	200	240	240	240
Schools Pledge	2,087	935	635	645
Social Services Pledge	1,250	0	0	0
Social Services Demographics	1,200	1,000	1,000	1,000
Other Service Pressures	100	300	300	300
Sub-Total	5,297	2,575	2,275	2,285
Total Shortfall	5,091	15,054	7,416	7,426
Deficit/Surplus b/f	0	122	(14,532)	(21,073)
Savings in advance RCCO	3,534	0	0	0
Savings in advance MTFP	1,679	0	0	0
Project Gwyrdd	0	0	875	365
Insurance	0	400	0	0
Cumulative Savings (shortfall)	122	(14,532)	(21,073)	(28,134)