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Tuesday, 10 January 2023

Notice of Reports Received following Publication of Agenda.

Cabinet

Wednesday, 18th January, 2023 at 5.00 pm,
Conference Room - Usk, NP15 1AD

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
6.	<p>DRAFT REVENUE AND CAPITAL BUDGET PROPOSALS 2023/24 (appendix 4)</p> <p><u>Division/Wards Affected:</u> All</p> <p><u>Purpose:</u> To set out draft revenue and capital budget proposals for financial year 2023/24.</p> <p>To commence a period of consultation on draft budget proposals for a four-week period ending 16th February 2023.</p> <p><u>Author:</u> Peter Davies, Deputy Chief Executive (S151 Officer) Jonathan Davies, Head of Finance (Deputy S151 Officer)</p> <p><u>Contact Details:</u> peterdavies@monmouthshire.gov.uk; jonathandavies2@monmouthshire.gov.uk</p>	1 - 6

Paul Matthews
Chief Executive

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Appendix 4 – Proposed Response to Welsh Government on the Provisional Settlement

Tim Evans
Local Government Funding Policy Branch,
Welsh Government,
Cathays Park,
Cardiff.
CF10 3NQ

Your Ref/Eich Cyf:
Our Ref/Ein Cyf:
Date/Dyddiad:
File Ref:
The Person dealing with
this matter is/ Y
Person sy'n delio gyda'r
mater yma yw:
Tel/Ffôn:
Fax/Ffacs:
e-mail address/ cyfeiriad
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Dear Mr Evans,

Re: Local Government Provisional Settlement 2023/24

Thank you for the opportunity to comment on the Provisional Settlement announced on 14th December 2022.

Cabinet released its draft budget proposals out for public consultation and scrutiny on 18th January 2022 for a four-week period. At the meeting Cabinet endorsed this response to the provisional settlement and that provides the views of members.

As we know the funding announced in the Chancellor's autumn statement was not sufficient to protect public service budgets against the immense challenges caused by record inflation and demand upon local government and health in Wales.

In terms of the settlement itself it was welcome news to find that the Council has received confirmation from Welsh Government that it will receive a 9.3% increase in its core funding next year, ahead of the 7.9% average for Wales and where councils across Wales had settlement increases ranging from 6.5% to 9.3%.

It was pleasing to note that the role of local government has again been recognised by Welsh Government and applaud the level of engagement, openness and approachability of the Minister in allowing the settlement to be suitably informed.

The Minister recognized in her letter of 14th December that despite the positive settlement Welsh Government was not able to meet all inflation and demand pressures in local government. The consequence of this is that we are still needing to make difficult decisions in setting our budget and all services, including schools and social care, are having to be asked to find savings and efficiencies. We acknowledge the importance of engaging meaningfully with our local communities as we consider our priorities for the forthcoming year. The Council will now be looking to engage with key stakeholders and the public via a wide range of face to face and virtual budget consultation events as well as through its website and social media.

Notwithstanding the positive settlement the services of the Council continue to be under continued, significant and increasing pressure, exacerbated further by the direct

and indirect impacts of the cost of living crisis and the lasting impacts being felt from the pandemic. The above average increase has at the very least give the Council some additional flexibility and choice to respond to the unprecedented strain on the Council's finances and to alleviate the extent of the reductions to local government services and job losses that we would otherwise have had to consider when setting the budget for next year. To that end there are a number of points that we would like to constructively make in response to the consultation on the provisional settlement:

- a) The positive settlement has at the very least allowed us to mitigate and reduce some of the impacts that would otherwise have been felt on frontline services. However, we are still having to reduce the size of the workforce in responding to the budget shortfall needing to be met. Redundancies will need to be considered albeit it at a much reduced level and this highlights that as a lean and efficiently run council we are now been left to have to consider reductions in the level of statutory services we are able to provide.
- b) One notable aspect of concern in the settlement announcement is the position being taken by Welsh Government with regards to pay awards. A significant question mark still arises over the pressures that will arise for pay awards. This again leaves the Council in a difficult position and at the behest of the pay awarding bodies for teachers and local government staff and that could result in further pressures falling on the Council to fund. All at a time when inflationary pressures in the wider UK economy remains and where significant pressure is being placed upon public services by unions to negotiate fair and deserving pay offers. The letter from the Minister that accompanied the provisional settlement confirmed that the settlement includes funding for the 2023/24 pay deal and furthermore states that no further funding will be provided in year and once pay deals are confirmed.

Given the current financial challenges faced this is not acceptable and we call on Welsh Government to engage with pay review bodies and to ensure that they disclose to local authorities the extent of their anticipated pay offers well in advance of councils setting their budgets. The current situation leaves the Council having to ensure that provision is made for this heightened wage and pay forecast from the Office for Budget Responsibility and to the detriment of making further investment in frontline services.

- c) Monmouthshire continues to be more reliant on council tax income than any other council in Wales to meet the needs of its communities. Given the scale of the challenge it is inevitable that council tax will need to rise, although at a rate well below inflation. We will look to listen to feedback through the engagement and scrutiny on the budget and maintain close dialogue with other council leaders and through the WLGA before tabling our proposed council tax increase in March.

Council tax is a key source of income that allows the council to sustain services that meet the needs of residents and in particular those who are most vulnerable. This makes the setting of council tax all the more difficult and at a time when households are themselves struggling and seeing a reduction in their living standards. The council tax reduction scheme is therefore a very important safety net in countering the effects of poverty and inequality and in protecting vulnerable

and low-income households. We therefore appreciate Welsh Government's commitment to maintain its funding towards the scheme as part of the settlement.

- d) It is encouraging to note that Welsh Government is continuing to recognise the strain on social care and the care sector across Wales, one highlighted by the current crisis within social care and health. The improved settlement assists in partly mitigating the unbudgeted pressure that the Council is continuing to wrestle with. The Council continues to see increases in complexity and demand across adult and children's services. Set against a backdrop of an ever fragile care sector where recruitment and retention challenges are leading to increased hours of unmet need.

It is noted that Welsh Government has again included an undisclosed level of funding in the settlement to allow councils to ensure that care workers are paid at least in line with the Real Living Wage. Whilst welcomed the reality however is one where care providers are already having to pay above Real Living Wage in order to attract and retain care workers, recognising the role that social workers and carers play in supporting the most vulnerable in our society. The consequence of this market dynamic on local authorities is increasing budget pressures caused by increasing rates from care providers.

This together with the pay pressures noted above are all but absorbing the increase in funding brought about by the settlement and therefore leaving the Council having to consider a council tax increase for 2023/24 in order to sustain other essential frontline services.

We again urge Welsh Government to come up with a sustainable roadmap and fully funded plan for social care in Wales, and places equal pressure on UK Government to bring forward the funding to enable this. One which recognises the equal importance and role of the NHS and social care. Where sufficient challenge is placed on both the NHS to spend significantly more of their budget on preventative work and on Welsh Government to understand and acknowledge the role that social care has in supporting vulnerable people in more appropriate community care settings and at reduced cost.

- e) The Council remains committed in responding to the needs of homeless people in Monmouthshire. The extent of to which the Council has been unable to secure temporary homelessness accommodation continues result in significant B&B and other associated costs. These resulting from Monmouthshire's unique circumstances that result in a lack of available temporary homeless accommodation that can be identified and brought forward. We are appreciative of the continued level of engagement with the Minister for Climate Change and through her and her officials that have allowed us to discuss flexible approaches that look to allow the Council to make best use of specific grant funding. We ask that this support continues as we look to bring forward innovative solutions to identify and bring forward more suitable accommodation for those in need.
- f) It is worth noting that Welsh Government does not appear to have made any specific revenue or capital provision for the growing number of children in unregistered placements in Wales and where there is no identifiable market

provision across the UK. This has been the subject of a number of high profile court cases that have found the local authority as holding the responsibility to provide a solution. These cases are notoriously expensive and without market provision require a Council to source or acquire suitable accommodation to provide such children with adequate temporary and permanent supported accommodation. We ask Welsh Government to work with local authorities such that the associated risks and costs are understood across Wales and such as to allow such exceptional costs to be more effectively managed and met.

- g) The Council welcomes within the provisional settlement the commitment to schools and in passing through the full consequential resulting from the Autumn statement. We have ensured in our draft proposals that the level of cash uplift to schools continues to recognise in full the consequential funding. As part of this and whilst schools are being funded in full for all pay and energy pressure estimates there will still be a requirement for them to make efficiency savings and that contribute to meeting the wider budget challenge faced by the Council for 2023/24.

The breadth and depth of reform, most significantly in delivering the new Curriculum for Wales and the ALN and Tribunal Act, together with the requirement upon schools to recover from the impact of the pandemic, results in schools facing significant challenges when looking to balance expectation with affordability.

- h) The Council, residents and businesses alike are being challenged during this cost of living and energy crisis. Energy costs have been and are continuing to impact on living standards and the viability and sustainability of businesses.

We very much welcome the package of support being provided to non-domestic rate payers over the next two financial years. Our businesses, towns and high streets are being equally challenged at this time of a cost of living and energy crisis and as they recover from the pandemic. The continuing relief afforded to businesses will be welcomed.

It is disappointing to see recent announcements and that will see a notable reduction in the level of wider UK Government support being made available to support residents and businesses from April. Notwithstanding the challenges facing wider UK public finances the Council is concerned about the impact and lasting damage that this might have and on those most vulnerable in our societies and upon businesses that represent the lifeblood of the Welsh economy.

- i) The Council very much welcomes the updated indicative all-Wales funding increases for 2024-25. This will assist medium-term financial planning. We do however remain very concerned by the medium-term funding prognosis and subsequent to the Chancellor's autumn budget statement. If understood correctly this suggests that public services will see real term reductions beyond 2024-25 and that in no way take account of the increasing demands on local government and wider public services. This is a very real concern and given the state of local government finances at this time and its ability to allow for the needs of communities to be met.

The level of reserves held by a minority of councils also continues to be very high, Monmouthshire finding itself very much at the other end of the spectrum with de minimis levels of reserves held. An opportunity to take account of this in the distribution and/or allocation of specific grants should be taken.

- j) 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 looks to recognise these difficulties by sustaining locally accessible services to combat rural isolation. Monmouthshire again calls on the Welsh 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.
- k) Turning to specific grant funding support we ask that Welsh Government provide early notification of grant awards to assist budget planning for next year. Furthermore, and given the extraordinary challenges brought about by the pandemic, the Council asks Welsh Government to give consideration to allow local authorities the flexibility to carry forward unspent revenue and capital grant allocations. Councils across Wales have again had to focus on the response to the cost of living crisis and ensuring that vital services are maintained. The natural consequence of this is that capacity and resources are stretched which impacts on delivery of Welsh Government and the Council's policy objectives that are funded from specific grants.
- l) Monmouthshire also supports and encourages the transfer of specific grants into the settlement and is disappointed that more progress has not been made in this regard. There is no evidence of any major transfer of hypothecated grants into the settlement. Furthermore, I would urge Welsh Government to review existing grant terms and conditions and where current criteria are set in a way that prevents grant being spent or in line with the needs of our communities.

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.

- m) On capital account we welcome the fact that Welsh Government's response to climate change and the nature emergency being embedded into everything it does. Welsh Government's Net Zero Plan aligns with the Council's own commitments and ambitions. The Council does however seek further clarification on funding that will be made available to support the change need by the Council and its communities. Whilst it is welcomed that a £20m Local Government Decarbonisation Fund is being established for 2023/24 it is recognised that a far greater level of investment will be needed to make the transition towards net zero. We are concerned about the impact that this will have upon the progress needing to be made towards reaching our collective goal.

Unlike with the revenue settlement it is disappointing and concerning to see a real term reduction in both General Capital Grant and specific capital grant funding.

The Council has placed reliance on this funding to support its capital programme in recent years. The Council like others in Wales faces a number of significant unfunded capital pressures. The Council does not have the benefit of significant useable capital receipt balances to support its capital programme and therefore without the necessary funding support from Welsh Government this results in the Council having to consider further borrowing to enable the most pressing capital investments, risks and pressures to be addressed. Which in turn adds even further to the aforementioned pressures on the revenue account.

One specific and notable concern of the capital settlement for 2023/24 is the consequence that this has on Council's ability to maintain an already creaking road network. Early clarification from Welsh Government on further funding to support highways road maintenance would be welcomed. Regardless of Welsh Governments stated policy position with regards to the cessation of funding for new road building there is still a need for the existing road network and associated infrastructure to be maintained or modified.

We urge Welsh Government to give consideration to a fairer capital settlement for local authorities in Wales and to afford local authorities with the flexibility that would be given through increases in General Capital Funding rather than specific grants. The need to invest in priority areas such as schools, climate emergency, homelessness and affordable housing provision, waste management, flood prevention and infrastructure remains high, with WG support remaining a critical success factor.

Despite the welcome news that came with the provisional revenue settlement the future funding prognosis remains of real concern and given that the expectations and demands on local council services are continuing to grow and as evidenced by some of the pressures and risks that I have referenced above.

We are keen to continue our close engagement with the Minister as we move forward and to ensure that local government in Wales secures itself on a sustainable footing and that enables us to deliver the services our communities need as well as supporting national and local ambitions for the future. We have shared policy aims and ambitions with a particular focus on reducing the effects of inequality and poverty in our communities and in making a positive contribution to addressing the climate and nature emergency.

As Wales as a nation tackles the cost of living crisis this is a time for us all to work together to minimise the consequences on the most vulnerable in society and to send clear and consistent expectations to the public we exist to serve.

Yours sincerely,

Councillor Rachel Garrick – Cabinet Member for Resources