



monmouthshire
sir fynwy

Monmouthshire County Council

PO Box 106, Caldicot,
NP26 9AN

Cyngor Sir Fynwy

Blwch SP 106, Caldicot
NP26 9AN

Tel/Ffôn: 01633 644644

Fax/Ffacs: 01633 644666

E-Mail/Ebost: contact@monmouthshire.gov.uk

Web/Gwefan: www.monmouthshire.gov.uk

Rt Hon Mark Drakeford AM

First Minister

Welsh Government

5th Floor

Ty Hywel

Cardiff Bay

CF99 1NA

E-mail – P.S.FirstMinister@gov.wales

C.c. Julie James, Minister for Housing and Local Government –
correspondence.julie.james@gov.wales

LGFPSettlement@gov.wales – submitted as part of consultation response

Tel/Ffôn:

01633 644020

Fax/Ffacs:

E-mail/E-bost:

matthewgatehouse@monmouthshire.gov.uk

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Dear First Minister,

Local Government Provisional Settlement 2020/21

Thank you for your invitation to respond to the Provisional Local Government Settlement through the consultation process. Please find below Monmouthshire's response.

You will understandably notice a lot of consistency within Monmouthshire's response to the response from the Leader of Council and which was shared with us last week. We have also reflected on the letter from Julie James last Friday which confirmed that she would consider the case for a funding floor to be included.

The Provisional Settlement

The provisional Settlement better recognises the significant pressures faced by local government in respect of employment costs and service pressures and is a welcome improvement to the Settlements received in previous years. However, whilst AEF increases by £184m this still falls significantly below the £254m uplift that the Welsh Local Government Association had estimated that local authorities required in their budgets to maintain existing service provision during 2020-21.

Furthermore, it is of great concern to Monmouthshire that the AEF position across Wales is in a wide range of between 3% (the worst being Monmouthshire) and 5.4% (the best). The AEF span of 2.4% is the highest it has been for a number of years. As has been the case for a number of years, Monmouthshire has been afforded a poor Settlement relative to the rest of Wales through the application of need based indicators that drive the distribution of funding.

Monmouthshire, together with four of the six North Wales authorities, feature within the five worst Settlements across Wales. Monmouthshire again remains with the worst Settlement in Wales.

It is acknowledged that the Distribution Sub Group has a role to play with regard to the distribution arrangements of the annual local government revenue Settlement. It is noted that the intended outcome of the Settlement is the delivery of an equitable, appropriate and accurate distribution of revenue settlement funding to local authorities in Wales which reflects relative need. And it is understood that there are valid reasons as to why some authorities are experiencing smaller increases than others, such as relative changes in population and pupil numbers. Whilst these changes have been agreed through the Distribution Sub Group this only helps alleviate some of the distributional impact.

It is fair to say that there is a strong widespread feeling that the currently applied needs based distribution arrangements have shortcomings, indeed there are many calls to review the local government funding formula. Whilst these shortcomings remain in place a funding floor at least allows Welsh Government to 'step outside' the data driven process and introduce an element of fairness to support those authorities suffering from a form of 'data deficit' in the way that they are currently exposed to the number crunching exercise.

Employee Related Pressures (Pay awards, Pension costs and the National Living Wage)

It is true to say that pay related pressures form a significant part of the net revenue expenditure of our services and our schools. Such pay pressures include externally set pay awards, and externally determined teachers' pension increase. In addition, the National Living Wage, again externally determined, impacts upon care fees paid to the independent sector which is a vital part of supporting and sustaining both Social Services and Health services.

As you will appreciate, the percentage increase relating to employee related costs applies equally and consistently to authorities irrespective of geography, such that whether you are afforded one of the better Settlements, or in Monmouthshire's case the worst Settlement, the additional cost pressure is consistent. There is therefore a danger that the need indicator process that is applied by Welsh Government through the current distribution regime produces a 'need' to cut staff (including teachers) to compensate for the funding differences apparent within the distribution process.

Social Services

It is now widely accepted throughout the UK that the rising elderly population has become the major issue affecting the sustainability and resilience of local authorities having responsibility for Social Services. Obviously in Wales that means all of the 22 unitary authorities. This is a significant matter for Monmouthshire where population projections between 2014 and 2039 see Monmouthshire have the second highest increase in both those aged over 65 and aged over 85. Furthermore the Council is more recently seeing a significant increase in the number of disabled adults who are reaching an age where their parents are no longer in a position to care for them leaving the Council to have step in and provide expensive but necessary support.

In addition to the longstanding pressures within the adult social care sector, in more recent years significant pressures have emerged in respect of services and support provided to looked after children. Complex and rising demand for care to our most vulnerable children has added to the financial pressures within social care creating a significant resource shortfall that now has to be addressed. The cost pressures are in particular arising from a sharp increase and an associated significant increase of cost related to complex individual cases.

If it is not addressed through central grant funding (the AEF), cuts to other services (including preventative service and other services expected by your appointed Commissioners) and Council Tax increases are required to solve the overall financial equation. It does not seem fair and appropriate for a national problem to be addressed locally.

Pupils with Additional Learning Needs

We continue to experience significant pressures in our population of learners with additional learning needs (ALN). These pressures are manifesting in both increased out of county placement costs and increased funding for children supported in mainstream settings. The pressure is most acute for those with neuro-developmental needs. Schools are also experiencing greater numbers of children with complex needs whose origins lay in attachment and adverse childhood experiences.

Whilst the additional Welsh Government one-off grant funding is welcomed it is inadequate to cover the pressures being faced and in allowing the Council to fully embed the requirements of the new ALN and Education Tribunal (Wales) Act 2018.

Sustainable Waste Management Grant

Moving on to other areas Monmouthshire like others find it counter-intuitive that the sustainable waste management grant should be cut. Monmouthshire, other Welsh local authorities and Welsh Government have all declared climate emergencies. The proposed reduction in grant appears to conflict with Welsh Government policy relating to the waste and recycling agenda specifically and the carbon agenda generally. Likewise, current recycling targets being based on tonnages and not the carbon impact, and which can lead to perverse outcomes.

Standard Council Tax

The provisional Settlement for 2020/2021 includes a Standard Council Tax of £1,335.76 which is an increase of 7.1% compared with the level Welsh Government used for the final Settlement in 2019/2020. It is accepted that this is to reflect the increases in Council Tax levels across Wales, but the fact that Welsh Government expects Councils to be able to generate additional income of 7.1% through Council Tax increases needs to be explained clearly in both the final Settlement papers and written statement that accompanies it so that the public can better understand the position.

Monmouthshire is currently having to consider a 4.95% increase in Council Tax and is already facing criticism from residents at the level of increase and which falls well below the % increase that Welsh Government expects Councils has modelled in its own Settlement calculations.

Capital Funding

In terms of the Settlement for capital funding, it is disappointing that General Capital Grant and Supported Borrowing have only seen small increases. The continuation of funding for highways refurbishment and school maintenance is welcomed but the level of unhypothecated capital funding has now reached a point where Monmouthshire like others cannot support the required investment into its vital infrastructure.

Further valued capital investment not only provides much needed repair and maintenance to our core assets, but also provides a boost the local economy and indeed the economy of Wales at a

time when it is needed. There are significant opportunities for Monmouthshire in improving the local road, rail and public transport infrastructure and that equally support active travel plans.

Conclusion Regarding The Floor Request

It has been argued by the Minister for Local Government and Finance and accepted that the purpose of providing for a floor is a temporary measure to mitigate against the impact of unmanageable change in authority funding in individual years and is not intended to be used every year. However, one further shortcoming of the funding formula and distribution mechanisms is that it fails to recognise the current and increased in-year demand pressures that Monmouthshire for example are suffering and that are needing to be managed.

The extent to which the provisional Settlement apparently reflects pay related pressures leaves little room (if any) in the adjusted AEF cash increase to acknowledge these service pressures and demand relating to social care and children with additional learning needs. It is little wonder that our other services require substantial budget reductions to compensate for inadequate real term financial growth to fund our 'real' needs based pressures.

As a consequence Monmouthshire would strongly urge you and your Minister for Housing and Local Government to see a funding floor continued in line with the request from the Welsh Local Government Association and on the basis of principle and precedent to introduce regional fairness into the Settlement arrangements for Wales. In so doing Welsh Government would better achieve the overarching principles of equity, stability, clarity and relevance through their financial support to local government.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Fox', written in a cursive style.

Peter Fox

Council Leader