

**Finance Committee**  
**FIN(4) 16-12 – Paper 1**

**Written Evidence provided by Ceredigion County Council to the National Assembly for Wales's Finance Committee on the Welsh Government's 2013/14 Draft Budget**

**Introduction**

Ceredigion is one of the largest counties in Wales geographically, covering nearly 1,800sq kilometres. The 78,000 population is concentrated along the Coastal corridor of towns and settlements, with Aberystwyth accommodating around 18,000. Even so, the County is sparsely populated and the whole County is defined as a rural area. The County, similar to other rural areas, is experiencing an ageing population combined with a fall in the number of young people. The Council's net budget for 2012/13 is £128m which is funded via £100m from the Welsh Government and £28m via Council Taxpayers.

**Looking at the budget allocations for 2013/14, do you have any concerns from a strategic overarching perspective?**

1. It has been clear for a few years that the economic downturn would have an adverse effect on public sector spending, and as a consequence funding provided by Central Government to the Welsh Government, and subsequently to Local Government, would be reduced. It appears that this reduction in funding could continue for a number of years, and this will inevitably place more pressure on the Welsh Government and Local Government's budgets.
2. The Institute for Fiscal Studies, during a recent presentation at the Welsh Local Government Association's Finance Conference, reported that spending reductions could continue until at least 2016/17, but could last until the end of this decade.
3. The 2012/13 Local Government Settlement for Ceredigion was one where for the second consecutive year the allocation of the Aggregate External Finance (AEF), in cash terms, was negative (-1.0% for 2012/13). This is, of course, before allowing for inflationary impact during a period when the Consumer Price Index ranged from a low of 2.4% (June 2012) to a high of 5.2% (September 2011). So the real term reduction is substantially more.
4. The 2012/13 Welsh Government Revenue Settlement provided an Indicative Allocation for both 2013/14 and 2014/15. Having these early indications helps with medium term financial planning as the AEF represents nearly 80% of the Local Authority's net revenue expenditure. It's noted, however, that the Welsh Government has not, within its draft budget for 2013/14, provided an Indicative Allocation for 2015/16 due to the 'uncertainties in terms of economic forecasts and UK Government responses'. Whilst those difficulties are appreciated it has to be noted that this also adversely affects Local Authorities' ability to plan for the future.

5. The Welsh Government's draft budget refers to the changes in Welfare Benefits, and to the difficulties in assessing the cumulative impact of the changes. This is also of concern to the Local Authority and it's difficult to quantify the impact of such changes, e.g. possible increase in the number of individuals or families presenting themselves as homeless; potential demand on Social Services, etc.
6. Linked with the welfare reform changes is the demise of Council Tax Benefit (CTB) and the introduction of a new Council Tax Reduction Scheme. Although the details of this scheme are yet to be finalised, it appears that it will result in more people being liable to pay Council Tax than previously, as a large number of existing CTB recipients receive 100% benefit. It could result in every Council Taxpayer being liable to pay up to 20% of the Council Tax chargeable. This will have an adverse effect on the Local Authority due to the reduced funding from the Department of Works and Pensions (the amount of the reduction is not yet known); increased collection costs and the impact of an estimated reduction in collection rates.
7. The reduction in funding provided by the UK Government to Welsh Government and its subsequent re-distribution to Local Government has been even worse as far as Welsh Government's Capital Expenditure allocations are concerned. This is at a time when the need for capital expenditure is as much as ever in order to improve infrastructure, e.g. highways, provide improved facilities and opportunities to reconfigure the way services are delivered, whilst at the same time helping the local economy. It is appreciated that the Welsh Government has considered innovative ways for making better use of the limited capital resources available, e.g. the introduction of the Local Government Borrowing Initiative to ensure that vital highway improvements can be undertaken.
8. The recent announcement of the initial funding for some of the 21<sup>st</sup> Century Schools Programme's projects is also welcomed, as this programme needs to be progressed as soon as possible.
9. It is essential that the impact of new legislation, and its financial implications for Local Authorities, has to be clearly acknowledged by the Welsh Government, and adequate budgetary provision included in the Local Government Revenue Settlement to enable Local Authorities to deliver.

**Looking at the budget allocations for 2013/14, do you have any concerns about any specific areas?**

10. Local Government staff are currently subjected to a third consecutive year of 'pay freezes', and it's difficult to see this being extended to a fourth year. The pay freezes to date have no doubt assisted Local Authorities with their budget setting as employee costs represent a large proportion of an Authority's net budget. A pay award for 2013/14 will therefore have a substantial budgetary impact which will have to be taken into account.
11. In addition to the above, there will also be an additional cost pressure associated with Pensions Auto-Enrolment. All Local Authorities, by May 2013, will have either

implemented auto-enrolment or decided to defer implementation until October 2017. There's a large number of local government employees, especially part-time or lower paid employees, who are currently not members of the Local Government Pension Scheme. If a substantial number of these are auto-enrolled, and decide to remain within the pension scheme, the Local Authorities will be faced with a substantial increase in their Employer Contributions to their respective pension schemes.

12. The Welsh Government's requirement in the last two Revenue Settlements to safeguard the level of funding for Schools and Social Services budgets at a minimum level of 1% above the uplift for the Welsh Government's revenue funding allocation from the UK Government has resulted in added pressure on other service budgets which had to take a larger proportion of the reduction in funding. The Schools and Social Services budgets are the two largest budgets and therefore the impact on other budgets is compounded. The need to continue with this safeguard needs to be reviewed.
13. Although there are specific budget pressures across all services, it has nevertheless to be acknowledged that the main service pressures in Ceredigion are within Social Services. This is very much a demand led and growing service due to demographic changes, and an increasing need to spend on Children's services. This can be subject to further pressures depending on the impact of new legislation and whether the estimated cost of that impact is fully funded by Welsh Government.
14. There have been additional costs incurred by Local Authorities in relation to the Carbon Reduction Commitment Scheme which is aimed at encouraging carbon reduction. This could be an area where capital investment is required to implement projects that would reduce carbon emissions and thus help meet the carbon reduction targets. However, as already mentioned, there has recently been a significant reduction in the allocation of capital funding from Welsh Government which effectively hinders the opportunity for investment in this area.
15. The economic downturn and its effect on the local economy has an adverse impact on the generation of income for the Authority, e.g. a substantial reduction in Planning fees income due to the slow-down in the construction industry.
16. For a rural Local Authority like Ceredigion, a reduction in the Local Transport Services Grant, and/or the Bus Services Operators Grant, can have a substantial impact for the residents of Ceredigion. It would therefore be of concern if these grants were reduced.
17. It is noted and appreciated that there will be additional funding of £10m over the next two years to support a programme of vital flood and coastal defence improvements across Wales. This is particularly relevant to Ceredigion following the recent flooding north of Aberystwyth in early June, and the fact that Ceredigion is a coastal Authority. An increase is welcomed but is an extra £4m in 2013/14 and a further £6m in 2014/15 sufficient?
18. Generally, providing services in rural areas, whether it's social care, refuse collection, school transport, etc creates additional cost pressures due to the geographic area to be covered. This needs to be taken into account if additional responsibilities are to be allocated to Local Authorities.

19. Retaining Specific Welsh Government Grants is essential to assist Local Authorities to deliver services and meet targets, e.g. Sustainable Waste Management Grant. It is imperative that these are at least retained at existing levels.
20. It is noted, and appreciated, that the Welsh Government is providing additional funding towards the improvement of the ICT infrastructure, e.g. an additional £10m for each of the next two years to support the Next Generation Broadband Programme. It is imperative that this covers the whole of Wales, especially the rural areas that rely more than ever on good ICT links, and this will help support and sustain the local rural economy.

**What do you think will be the impact of the 2013/14 draft budget proposals on your ability to deliver services and meet the priorities of the Welsh Government?**

21. The Local Authority will endeavour, as it has done to date, to deliver services and meet the Welsh Government priorities even when budgets are reduced.
22. The Authority is already in the process of preparing its budget for 2013/14 based on the Indicative Allocation that was issued as part of the Welsh Government's 2012/13 Revenue Settlement. Having such an early indication enables the Authority to do so with a degree of confidence, subject to the Final Settlement not materially changing from the Indicative Allocation. It is accepted that the Final Settlement could significantly change as a result of Specific Grants being transferred into the Revenue Support Grant, however such changes are known, and can be planned for, through the sharing of information relating to the work undertaken by the Distribution Sub Group (DSG).
23. The ability to deliver the services may require the Authority to utilise some of its Reserves during the worst Settlement periods to lessen the budgetary impact, however the use of Reserves under such a scenario has to be carefully assessed as it will not be sustainable. Having an awareness of the medium to long-term impact of UK and Welsh Government funding will be part of the assessment process.
24. The Authority, like all other Authorities, will seek to achieve further efficiency savings and cost savings via smarter procurement, joint / collaborative working, etc in order to stay within budget and deliver the required services.
25. The Welsh Government has stated in its draft budget that: "the challenge of maintaining and protecting services is likely to become even greater over the next Spending Review period".

**General comments**

26. It is clear that there will be competing demands for budget increases across the various sectors, e.g. Health, Local Government, etc. and difficult decisions will need to be made by all parties. It is imperative that we act and work together to deliver the best outcomes for Wales and where budgets are curtailed that such curtailment is shared by all.

27. Finally, it's noted that the draft budget refers to the Legislative Programme and, in particular, paragraph 14.32 refers to the Housing Bill and states that: "The Bill will contain provisions to enable local authorities to charge a higher rate of council tax on long term empty properties...". This is somewhat surprising as the closing date for consultation on the proposal to amend the regulations, to give discretionary powers to Local Authorities to levy a higher charge, is 20<sup>th</sup> October 2012. The first question in that consultation paper is: "What are your views on whether the Housing Bill should include a power to allow local authorities in Wales the discretion to charge more than the standard full rate of council tax on long-term empty properties?" It appears that that decision has already been made!

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**8<sup>th</sup> October 2012**