

WLGA EVIDENCE TO FINANCE COMMITTEE WELSH GOVERNMENT BUDGET 2021-22 02/12/20



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INTRODUCTION

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities and three fire and rescue authorities are associate members.
2. The WLGA is a politically led cross-party organisation, with the leaders from all local authorities determining policy through the Executive Board and the wider WLGA Council. The WLGA also appoints senior members as Spokespersons and Deputy Spokespersons to provide a national lead on policy matters on behalf of local government.
3. The WLGA works closely with and is often advised by professional advisors and professional associations from local government, however, the WLGA is the representative body for local government and provides the collective, political voice of local government in Wales.
4. This evidence is drawn from our submission to the Finance Sub Group (FSG) on 2 November. The FSG is chaired by the Minister for Housing and Local Government and attended by 8 Local Authority Leaders. Other ministers attend regularly.
5. In order to inform the 2021-22 Welsh Government budget round the WLGA carried out a survey of the 22 local authorities. The resulting paper builds on last year's survey but is also informed by work carried in this financial year to quantify and analyse the impact COVID-19 on local government. This has meant that the responses from local authorities have been heavily impacted by the need to deal with the implications of the pandemic.
6. There is now a considerable body of survey data on the pressures faced by the sector. This financial year FSG has received two quarterly reports providing the results of the two surveys setting out the estimated financial impact of the ongoing response to the COVID-19 emergency. These have set out the impact on local authority income and the

pressures on revenue expenditure. In the same context the second report looked at emerging issues and COVID-19 announcements made by UK Government that will have consequential funding allocations for devolved administrations including Welsh Government. This report also covers the impact of COVID-19 and the inevitable legacy impact of the pandemic on local government finances.

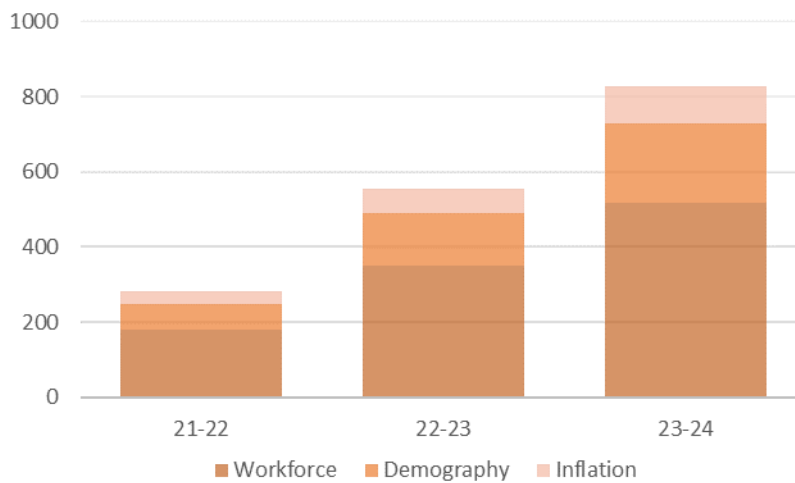
7. This paper summarises the results of the survey of all 22 local authorities commissioned by the WLGA to collect more detailed information on the estimated impact of various financial scenarios over the next three years. It is worth noting that each of the 22 authorities has a robust annual financial planning process enabling them to set a balanced budget.
8. The unprecedented crisis saw an immediate response by local authorities. This has meant the Medium Term Financial Plans agreed as part of the 2020-21 budget process are no longer valid because of the unprecedented pressure. Even though the pandemic remains councils are now seeing the recovery phase as a key issue for financial planning. Financial certainty and support will be key to the success of this phase.
9. The survey sought to look at the future impact on services under differing assumptions up to 2023-24 where settlements included workforce inflation, demand and other inflationary pressures. It also sought to gain views about the level of confidence that services could be protected and where the greatest level of concern existed for services.
10. This year's survey also sought information on the impact of Covid-19 on social care finances. The close link between health outcomes and social care is well known and in 2020-21 this has caused further Covid-related financial pressure in the care sector beyond associated demographic factors. The inclusion of this aspect is an attempt to gain a whole system perspective by collecting information so that local government's role and the resulting financial pressure is noted a part of the whole system approach when funding decisions are made that affect the health and social care sector.

Summary

11. Local Government is working at the forefront of the current emergency to meet the unprecedented challenge of COVID-19. This has also been a notable and significant demonstration of the partnership with Welsh Government and the wider public sector. The commitment of staff to support the most vulnerable has been a key factor in

responding to the crisis. Councils' response has been greatly assisted by in year additional funding from Welsh Government. This welcome and necessary financial support to the COVID-19 has brought temporary stability to allow councils to respond to the pandemic.

12. The unprecedented response has understandably redirected local authority efforts to dealing with the impact of the pandemic and to deliver their community leadership role. Despite the challenge and financial circumstances, local authorities continue to provide a wide range of services and this has often gone unnoticed at this unprecedented time.
13. Survey responses indicate the impact of the pandemic on local priorities and council finances. Demand led services in the social care sector have been particularly badly affected and real concern about service continuity and the on-going impact on finances is evident in councils' responses. The responses also highlight the key role played by council commissioned private care providers many of whom are small and lack the financial resilience of larger providers.
14. Reports in previous years to FSG have often commented that local services were reaching a tipping point because of austerity. The potential impact of COVID-19 is of another order of magnitude.
15. Councils raised significant concern about the future funding position. Unexpected financial pressures when coupled with the struggle to deliver 2021-22 budget savings agreed pre COVID is putting pressure on councils. Some savings agreed for this year are complex and transformation-based meaning that there is doubt about when, and indeed if, these will now occur because of the need to respond to the crisis. This adds another layer of uncertainty to local authority finances and future financial planning that may require deeper cuts to services.
16. The following table shows the financial gap calculated from our own modelling. The underlying pressures for 2021-22 total £279m and similar patterns are evident in the next two years. This aligns with local authorities' own estimates from our survey. The cumulative pressure rises to £822m by 2023-24.

Figure 1: Local Government Spending Pressures

Source: Base estimates: RO and RA returns (2019-20 to 2020-21)

17. As in previous years, the greatest proportion, 63% or £174m, is attributable to workforce costs (including social care commissioning costs). Demand pressures amount to £72m which is mostly down to social care, and other inflationary pressure of £33m.
18. In the large service areas there are two sources of additional evidence confirming the scale of pressures in those specific areas. Firstly, the recent report commissioned by WG from Luke Sibieta identifies the school workforce pressures. These form the basis of the underlying education pressures. Secondly the work of LE Wales reported to the Finance Sub Group last year and form the basis of demographic and workforce pressures for social care.

Survey Responses

19. The survey asked Councils how confident they were about protecting services from further cuts under differing conditions. There was a recognition that last year's uplift of £184m or 4.3% was a step-change from the previous decade and protected services and jobs.
20. In assessing the impact of various future scenarios, a settlement that covered workforce inflation would give little respite from the years of austerity and no entire service area could be guaranteed full protection from cuts.

21. The covering of workforce inflation and demand pressures would provide considerable additional assistance, but concern was evident about the ability to meet all cost pressures particularly in schools, adult services and children's services given the COVID-related impact on demand.
22. All council service areas featured in the responses as causes of concern but those consistently seen as the most concerning were:
 - Adults Services
 - Schools;
 - Children's Services; and
 - Homelessness.

Settlements that include Workforce Inflation

23. A funding scenario that included workforce inflation gave councils some respite but still left a considerable gap in financial plans. It opened up the possibility of some scope to limit cuts to Education and Social care but the overriding response was that this scenario would still require painful decisions about services levels, whether some areas could be protected and also ceasing some services entirely.
24. The survey responses noted that the protection of Education and Social care budgets would be extremely challenging. Even protecting one of these areas would be unrealistic.
25. The issue of underinvestment is also of concern. Surveys were aware of the need to move to a recovery phase and individual local authorities stressed the importance of trying to support the local economy. Key to delivering recovery and growth is the ability to fund capital investment. A settlement that only includes workforce inflation undermines the scope for investment unless other areas are cut to fund borrowing costs. For some local authorities, the 21st Century Schools Programme will see capital investment requirements continue to rise with the borrowing costs absorbing a greater percentage of the revenue budget. Under this scenario the issue of affordability of these programmes is a concern.
26. Councils have been remarkably successful to date when looking for operational efficiencies. There was an acknowledgement that the pandemic may provide some additional opportunities around asset savings and travel costs, but these would fall far short of closing any funding gap.

27. An ageing population and other demographic factors would not be covered by funding increases in this scenario. For some councils this is an on-going issue. In other local authorities Living Wage increases create financial pressure.
28. To avoid cuts under this scenario and to meet the funding gaps outlined by councils would still require a large and unacceptable council tax increase. Respondents noted this would have the same issues as outlined under a cash flat scenario. In other words, there would not be an option to pursue this route.

Settlements that include Workforce Inflation and Demand Pressures

29. This scenario provides the greatest protection to services. The responses varied depending on the level of demand pressures and expectations faced by councils. It would give some support to all councils when seeking to avoid the deepest cuts in service. The ability to protect Education and Social care is enhanced.
30. Whilst some authorities felt budget cuts would not be required to meet demand pressures the underlying concern is this would 'only' maintain existing services and meet demographic pressures. Service improvements and any future additional impact of COVID-19 would not be funded.
31. Even under this scenario some councils felt they would have a budget gap because of commitments to fund service improvements. Local policy priorities around Economic Development and Regeneration would still need compensating budget savings from other services to meet these requirements.
32. One response noted confidence that the main services provided would be protected from cuts based on this funding scenario but added the caveat that this would only happen if coupled with Welsh Government continuing to support the additional costs associated with COVID-19.
33. Services will need to continue to become more efficient and take savings that result from changes working arrangements made because of Covid-19. Targeted savings in specific areas (e.g. back-office functions) would need to be delivered to produce further investment in frontline services, local priorities and on-going transformational change.

34. Some authorities felt this scenario would give scope to reflect on planned council tax levels. This was not a universal feature but is evidence of a willingness to support local communities where it would be a possible to look at reducing the planned level of increases.
35. The issue of collection rates for council tax is a concern. The picture across Wales is one of reduced collection rates because of the pandemic's impact on household income. When coupled with the potential for increase in council tax reduction scheme costs this increases as risk factor for council budgets.

Service Areas Causing the Greatest Concern

36. The survey sought views on services where there was the greatest concern under all three scenarios.
37. All council service areas featured as causing concern. However, there was a consistent theme that indicated all councils are concerned about major service blocks that have been affected by COVID-19.
38. To date Schools may have been relatively protected from the worst of the funding reductions but the picture presented by survey responses indicates a relatively poor settlement will impact on improving standards and support for vulnerable and disadvantaged learners. Responses indicated that whilst this area is a priority it would not be possible to provide protection against funding reductions in some scenarios. When coupled with some authorities having schools in licensed deficit positions there is growing concern about the impact of a flat cash or pay inflation only settlement at a time when one authority has seen a 37% increase in the numbers of learners eligible for free school meals.
39. Unsurprisingly Adult Social Care featured as a key concern. Responses noted the need to continue to deliver the Social Services and Wellbeing (Wales) Act but also highlighted the on-going COVID-19 pressures currently being funded through Welsh Government's Hardship Fund. This has been a significant financial support mechanism but currently only covers the 2020-21 financial year. Demographic pressure means that costs are rising at a time when there is increasing concern about market fragility. Claim data coming from the hardship fund shows the monthly claims of between £8m and £12m are needed for the sector. This will amount to £96m and £144m annually.

40. Children's Services was already under pressure before the impact of COVID-19. Responses noted the concerns around the impact on children's wellbeing during lockdowns and this issue is likely to see financial pressures arising from COVID-19 in the longer term. Demand for placements, high placement costs and a high percentage of social work posts being filled with agency staff continue to add to the financial pressures in this area. Whilst numbers of 'looked after children' have increased trends suggest these have not yet reached the maximum and are likely to increase further. The number of looked after children has increased over the period of the pandemic and placements are increasingly difficult to source. This is creating an additional pressure on the financial position.
41. Housing and homelessness financial pressure is a significant concern. To date the revenue funding made available for COVID-19 has helped address rough sleeping. Funding from Rough Sleeping Grant and Housing Support Grant has also assisted but additional issues and challenges will arise due to the new legal duties under section 75(3) of the Housing (Wales) Act 2014. This area that is likely to see demand rise in the medium to longer term because of the increase in unemployment levels.
42. The fragility of Public and School transport, particularly bus services, has been mitigated by using Welsh Government Hardship funding in 2020-21 to give short-term support to transport providers. There is now concerns about the viability of providers affected by the continuing reduction in passenger numbers. There is the potential for contract costs to increase due to fewer providers existing and the impact of providing safety measures to manage COVID-19.
43. The most significant concern in Culture and Sport is the decline in income levels. This area has lost income from theatres, concert halls and large events, all of which also attract visitors who also provide income for local businesses.
44. There is demand pressure particularly in Environmental/Public Health and other Regulatory Services. There is evidence of increased responsibilities and workload from managing enforcement of COVID-19 regulations.
45. Councils have also been affected by a loss of fees and charges income. This is a source of significant funding for services and in 2020-21 shortfalls have been met by the Hardship Fund. The reduced income levels are likely to continue in 2021-22 and this key component of local authority funding is unlikely to return to historic levels for some time. Without on-going support for loss of income compensating service cuts will be

required because there is uncertainty about when (and if) demand will return to pre COVID-19 levels.

Impact of Covid-19 on Social Care Services

46. This year's survey sought information on the impact of COVID-19 on social care. The national response to the crisis has highlighted the close link between health outcomes and the delivery of social care services. The overall response has caused Covid-related financial pressure in the care sector over and above the annual pressure faced by demographic changes.
47. A consistent response from councils has been that the WG Hardship Fund has been utilised to support social care at this challenging time with some noting its role propping up the provider market and maintaining a sustainable service moving forwards.
48. The close working between the Health Service and local authorities in response to the pandemic has demonstrated how important the care sector is in terms of providing health services across Wales and improving the performance of the health service as a response to the pandemic. Some authorities stressed the need for any additional NHS Wales funding to recognise the role played by councils so that local government receives a fair share of any health consequential funding from UK government that may come to Wales.
49. Responses indicated the importance of ensuring private sector care providers were able to continue their important role in not just meeting council commissioned care for the most vulnerable in society but also freeing up resources in hospitals. The current pandemic has placed significant financial strain on care providers due to increasing costs (staffing, sickness, PPE etc.) but has also impacted on their income generating ability from full fee-paying clients. Market failure would leave Councils looking for care capacity further afield. This would come at a significant increased cost.
50. The survey found that the additional WG funding that is currently being directed to providers has kept some providers trading and it will be difficult for them to continue to the future without this additional funding.
51. The concern about market failure of local providers was also matched by pressures that will be felt beyond the end of the pandemic:

- Specific areas on Adults Services such as occupational therapy and general social work will need to catch up with non-priority work which continues to meet statutory thresholds. In practice this will result in additional costs for some time.
 - Mental Health services will have to deal with additional pressure to support an additional tranche of individuals affected by the pandemic's impact on levels of isolation.
 - During the pandemic sourcing placements for Looked After Children has been challenging. As a result, there will be an increase in costs particularly with high cost out of county placements to manage post the pandemic.
 - Day care services may not resume using the same model as the pandemic eases. Emerging new service models may require additional finances to support them
52. In response to the pandemic there has been a refocussing of operations and day to day management. This has affected transformation agendas meaning that some councils have delayed significant changes that are also tied to budget saving programmes. Authorities recognise that there is a need to develop and remodel services to meet current and increased need but lack the capacity needed to do so.

Locking in transformational change due to COVID 19

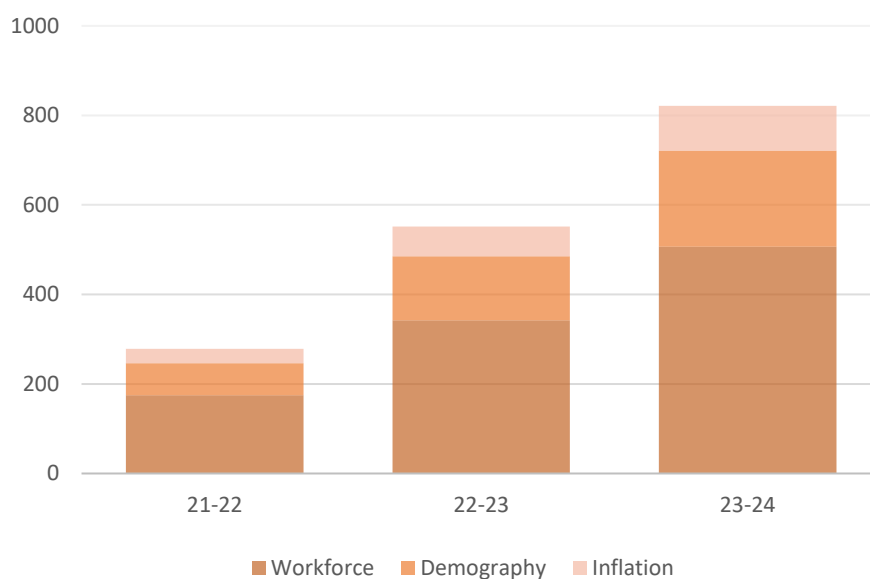
53. On 8th August the Minister for Housing and Local Government wrote to Leaders to acknowledge the loss of income across all local authorities and to recognise the efforts Councils had made to innovate to keep services going and to deliver new or additional services in response to COVID 19. The letter also noted the strong desire and need to build in and build on the positive service changes Councils have introduced in response to the pandemic. The Minister was keen to hear about what changes have been made and what positive outcomes have been achieved and the responses from the 22 authorities covered areas such as administration, governance, flexible working property and the use of digital scrutiny.
- Since the beginning of the pandemic all local authorities have a significant proportion of the workforce working remotely. This change has seen travel and energy cost savings. The longer-term impact is likely to see a reduction in overall office accommodation needs. Councils report an increased digital literacy across their organisations including elected members.

- Local authorities have seen traditional methods of paying and contacting the Council (such as face-to-face at Customer Service Offices) shift to either telephone or web-based engagement. Some councils have used Post Office cards to collect housing rents from tenants. This has reduced the level of cash handling.
- The use of mechanisms to accelerate culture shift has accelerated. Technology has enabled staff and elected members to conduct meetings and discussions without the need to travel to a specific location. The reduction in travel time has produced savings, reduced carbon impact and improved productivity.
- Following lockdown services such as libraries and Household Waste Recycling Centres were brought back into public use by on-line booking systems that efficiently and safely managed access. Some councils are moving to electronic library catalogues so that residents can safely access a service. Digital library services have been implemented very successfully and councils intend to provide a 'click and collect' service permanently.
- The use of AI technology has accelerated to maintain services by freeing up resources in front line care as well as administrative areas by automating processes.
- There has been considerable flexibility demonstrated by the workforce from supporting free school meals to operating Track, Trace and Protect (TTP). Redeployment to support vital services has been underpinned by agreements made with Trade Unions. From the outset of the pandemic one council took the decision to deliver Free School Meals to the homes of all eligible FSM Pupils. Not only did this support vulnerable households but also benefited local businesses. The operation showed how the whole workforce supported the local community.
- One council reports that the establishment of an intensive and highly valued community support and engagement scheme for those that were shielding (and those also in need of support) has also produced valuable community feedback and intelligence. This will help shape their priorities during the recovery stage and beyond.
- The use of virtual meetings for Child Protection Conferences has been a positive development. One council states it has consistently been able to achieve 100% quoracy meaning significantly more effective meetings to safeguard children.

- Councils quickly established childcare hubs to support those working on the front-line as well as the most vulnerable children, this provision was seven days a week and throughout the school holidays. One council introduced a ‘team around the hub’ to provide informal access to named professions, this multi-agency model was so successful it has been continued.
 - In one council Sheltered Housing Wardens have been issued with laptops. This will reduce the amount of paperwork that has to be completed and collected. It will also free up time for Senior wardens who must collate and check it monthly.
54. There is no doubt dealing with the pandemic has been incredibly challenging for local authorities but councils report that some of the changes that have taken place during the pandemic will be incorporated into a permanent way of working. This will see a focus on improving service delivery, enhancing staff well-being, and locking in productivity improvements.

Core Pressures in the Medium Term

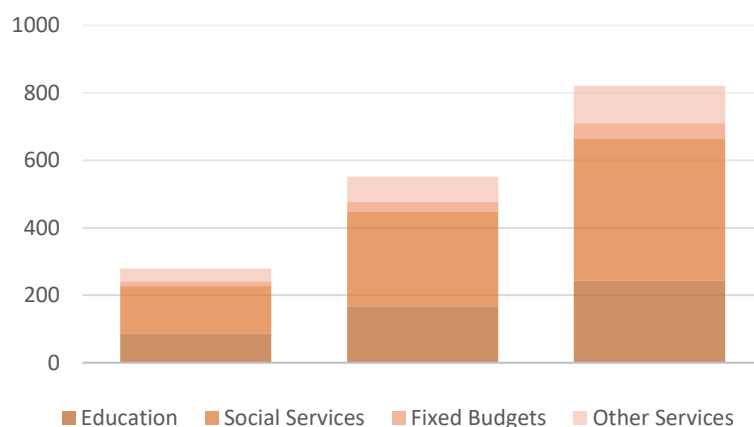
55. Figure 2 below summarises the expenditure pressures for local government based on our model that uses centrally collected returns as the baseline and then factors in what we know about pressures over the next 3 years. Total expenditure pressure for 2021-22 is £279m which is higher than previous years reflecting the higher pay settlements. Unavoidable workforce pressure accounts for 64% of this. By 2023-24 this is estimated to rise to £822m with workforce pressures (£507m) higher than demographic and other inflationary pressures combined (£315m).
56. The pressure next year aligns closely with the data from all 22 authorities provided through the Spending Review Survey. This aggregates to £274m so around £5m less than the modelling suggests.

Figure 2: Cumulative pressures up to 2023-24, by theme, £m

Source: Base estimates: RO and RA returns (2019-20 to 2020-21)

57. Figure 3 below shows that a greater proportion of future pressure is still building up in the large services. In summary the key features are:

- An additional pressure of £140m for social care in 2021-22 becomes £420m by 2023-24 which is consistent with the unpublished study by LE Wales commissioned by Welsh Government (this should provide more precise estimates).
- The pressures on schools are less rising from £87m to £244m over the same period. Again, these estimates are well aligned to the those recognised by Welsh Government commissioned work. The recent Report from Luke Sibieta estimates workforce inflation (teaching and non-teaching) between 6.4% and 8.4% over a three year period.
- Fixed elements of the budget – capital financing, fire levies and the Council Tax Reduction Scheme – rise from £15m to £46m by the end of the period.
- The remaining non-statutory services, which are some of the most visible to and valued by communities and those that make a positive contribution to people’s wellbeing are the ones most at risk and areas that have borne the brunt of austerity to date.

Figure 3: Cumulative pressures up to 2023-24, by service, £m

Source: Base estimates: RO and RA returns (2019-20 to 2020-21)

58. Finally, while most of this paper has been about revenue spending, the importance of capital investment should not be overlooked. Local Government has welcomed the additional capital funding that has been made available in recent years to fund transport, schools, housing and other local infrastructure. As in previous years we hold the line that eventually we would like to see local government's capital expenditure reinstated to 2009-10 levels.
59. Last year the Future Generations Commissioner has published a ten-point plan to fund Wales' response to the climate emergency. As the Commissioner points out, in previous and current budgets the Welsh Government spend on decarbonisation has been around 1% which is nowhere near enough to fund the challenges that a climate emergency presents. WG has set an ambition for the public sector to be carbon neutral by 2030. Local government can play a vital role in helping to pursue these goals but will need to be resourced adequately if it is to be able to rise to the challenge.
60. In the aftermath of COVID, as part of the recovery, we will continue to make the case for a series of co-ordinated, Wales-wide programmes of investment in local authority services. Details of the economic stimulus package were set out in a letter to Ministers back in July. With Welsh Government funding, local authorities could borrow and invest in several significant capital programmes. These could contribute, rapidly and significantly, to a wider economic stimulus package whilst also helping to improve performance and outcomes in relation to a range of other important shared policy objectives. They would also help to 'lock in' and build upon positive, transformational changes already introduced to these services in response to COVID 19.

61. Local Government is best placed to deliver improved transport, housing, renewable energy projects and nature-based solutions. Local government is also best placed to ensure that decarbonisation is a key principle and driver for decision making within the planning system, public sector procurement and the responsible investment of over £17bn of pension fund assets.

Conclusion

62. Last year's report to the FSG, concluded Local Authorities had been relatively resilient despite the prolonged period of real terms budget reductions. The challenges this year are of another order of magnitude because of the unprecedented impact of COVID-19.
63. The substantial in year support from Welsh Government coupled with an approach based on working in partnership has provided significant service continuity at a time of crisis. However, a fair 2021-22 settlement will be needed to avoid deep cuts in key areas of local government so that councils not only continue to play a key role providing on-going support but also lead the recovery phase for our communities as we return to a more 'normal' position.

FOR FURTHER INFORMATION PLEASE CONTACTS

Jon Rae, Director of Resources, WLGA.



Welsh Local Government Association
Local Government House
Drake walk
Cardiff
CF10 4LG

Tel: 029 2046 8600

WLGA Briefing

Welsh Government Draft Budget And Provisional LGF Settlement 2021-22



Leaders, Finance Cabinet Members, Chief Executives and
Directors of Finance (inc FRS and NPAs)

22 December 2020

Jon Rae & David Powell

1. Summary

Yesterday the Welsh Government published its [draft budget](#). The budget¹ will increase by **£1.4bn (8.2%)**. Day-to-day spending will increase by **£862m (5.5%)** and spending on capital will increase by **£566m (30.8%)**.

There are **no indicative revenue figures for future years**, but we expect a new UK Government to launch a Spending Review potentially at the time of the March Budget announcement.

Today, the Minister for Housing and Local Government published the provisional local government finance settlement. There is an **increase in the revenue settlement (Aggregate External Finance) which is 3.8% higher than 2020-21 on a like-for-like basis**. The Welsh Government has **increased AEF by £172m**.

At the last Finance Sub-Group we estimated local government's **spending pressures at around £279m for 2021-22**.

A substantial proportion of pressures have been funded but there is a question mark over the actual pressures that will arise for pay in the context of the Chancellors Spending Review Statement on the 25 November. Moreover, whatever the picture nationally, there will inevitably be local variations.

Like last year, the announcement is unusual in that it has been made in recess. The Minister for Finance & Trefnydd will make a statement to the Senedd on the 12 January 2020.

The Senedd will then scrutinise portfolio plans in the respective policy committees over January and February.

¹ This is the broadest definition of spend called Total Managed Expenditure and includes the Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME)

2. The Welsh Government's Draft Budget

Overall, the Welsh Government's Total Managed Expenditure will be just over £21bn in 2021-22. Within that definition is the Departmental Expenditure Limit (DEL) which is the element of the budget under direct Ministerial control.

The capital and revenue DEL has increased by £1.4bn (8.2%) to £18.9bn. Day-to-day spending will increase by £862m (5.5%) to £16.5bn and spending on capital will increase by £566m (30.8%) to £2.4bn. The capital increase is large as the Welsh has borrowed and drawn from its reserve, there is undoubted reprofiling in the baseline as well.

Figure 1: Changes to Welsh Government Departmental Expenditure Limit (DEL) 20-21 to 21-22

Resources and Capital DEL	Resource		Capital		Total	
	£000s	%	£000s	%	£000s	%
Health & Social Care	427,713	5.2%	16,000	4.4%	443,713	5.1%
Housing & Local Government	279,756	7.2%	147,586	26.4%	427,342	9.6%
Economy & Transport	39,932	5.4%	306,943	63.4%	346,875	28.5%
Education	60,196	3.8%	41,968	20.0%	102,164	5.8%
Mental Health, Wellbeing & Welsh Language	11,221	4.3%	10,284	29.0%	21,505	7.2%
Environment, Energy & Rural Affairs	32,831	6.6%	35,000	22.6%	67,831	10.4%
Central Services & Admin	10,865	3.0%	8,399	30.3%	19,264	4.9%
Total Change in Resource and Capital DEL	862,514	5.5%	566,180	30.8%	1,428,694	8.2%

The increases in the revenue and capital DEL across ministerial portfolios are set out in Figure 1. Revenue DEL for Housing and Local Government increases by 7.2%. Business rates lies outside the DEL definition as part of Annually Managed Expenditure (AME). It decreases by £30m (3%) to £1.14bn.

Further details of other measures in the Draft Budget are addressed in Section 4.

3. Local Government Settlement

The announcement today is confirmed in the traditional [letter](#) to Leaders. There is an increase in Aggregate External Finance (AEF) of £176m or 3.8% on like-for-like basis.

Figure 2 below shows an inevitable range around of the average driven by the funding formula.

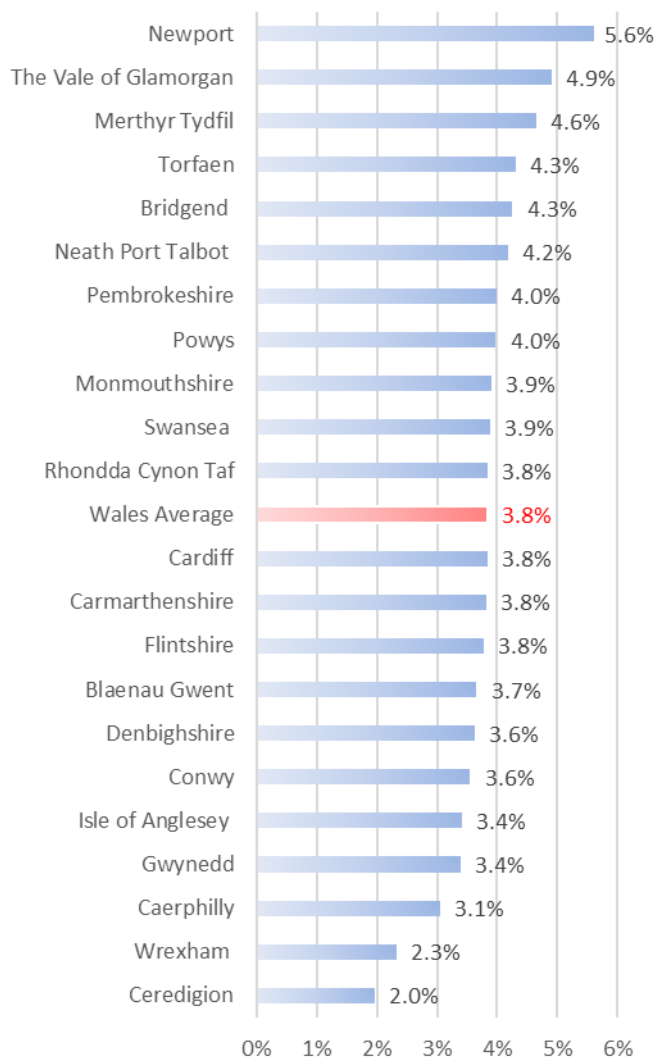
The range is largely a reflection of movements in several datasets derived from the schools' census and financial data. The reversion to the use of the mid-year population estimates has also impacted.

The lowest increase is Ceredigion with 2% and the highest is Newport with an increase of 5.6%.

There is no floor protection, and the Minister has set out her rationale in her letter. During discussions with Ministers in advance of the settlement, the WLGA leadership has made the case for a funded floor and reiterated the calls in a letter on 11th December.

Last year the increase in the settlement was £184m or 4.3% of AEF.

Figure 2: Changes to AEF, 2020-21 to 2021-22 by local authority



Source: WG Provisional LGF Settlement 2021-22

The increase is on top of **2 transfers into the settlement:**

- £3.98m for the teachers' pay grant
- £1.1m for the Coastal Risk Management Programme

In terms of public sector pay, the Minister for Finance and Trefnydd stated in the draft budget that one of the hard choices she faced in setting the spending plans for next year is the approach to public sector pay. In Julie James' letter she states:

The reality is that we did not receive any additional funding through the Barnett formula to provide for public sector wide pay awards next year given the UK Government's decision to

pause public sector pay rises, with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within your budget planning in the light of this Settlement.

Specific Revenue Grants

On a like-for-like basis specific revenue grants **will increase from £958m to £968m** which is a slight increase of about 1.1%. However, if you exclude the Concessionary Fares Grant there is a **2% or £19m reduction in the specific grants**.

The reason the Concessionary Fares Grant shows such a large increase is that the baseline figure of £31m in 2020-21 is held low as nearly half the funding went on provider support during the current year.

While many of the grants remain unchanged from the 2020-21 figure, most of the underlying decrease is due to the reductions in the Childcare Offer (£13.4m), the Sustainable Waste Management grant (£1.1m) and the Children and Communities Grant (£2.3m).

There are increases in several grant schemes, some of the more significant include:

- Social Care Workforce and Sustainability Grant increased from £40m to £50m
- Support for Minority Ethnic and Gypsy, Roma, Traveller learners rises from £10m to £11m
- Bus Revenue Support (Traws Cymru) rises from £3.2m to £4.4m
- Road Safety Grant rises from £0.95m to £2m

Details of around 90 revenue grants are set out in [table 7 in the suite of settlement tables](#).

There is an omission in this table that will make a difference to the overall position. **It does not reflect an increase of £40m to the Housing Support Grant** and this will be rectified for the final published table, consistent with the budget announcement (see section 4 below).

General Capital Funding (GCF) and Capital Grants

Overall Capital Funding (both GCF and Capital Grants) will increase from £605m to £724m on a like-for-like basis. The £119m represents a 20% increase.

General Capital Funding (GCF) remains unchanged at £178m. All except one portfolio show increases in Capital Grants especially Economy & Transport, Education and Health and Social Care. Included within this amount is £20 million for the continuation of the public highways refurbishment grant.

Details of capital funding and nearly 40 capital grants are set in [table 2b in the suite of settlement tables](#).

4. Other measures in the Welsh Government budget

(Some specific measures will be repeated from the table of specific grant and revenue funding for local government)

Funding Arrangements

- Taken together, Welsh rates of income tax, land transaction tax, landfill disposals tax and Non-Domestic rates will contribute around £3.4bn to the Welsh Government's 2021-22 budget.
- Changes to land transaction tax will see second home-owners paying a 4% levy when they buy properties up to £180,000, rising to 16% for homes worth at least £1.5m. The additional funding will support social housing.
- There will again be consistency with UK landfill tax rates and in 2021-22 the standard rate rises from £94.15 to £96.70 per tonne.
- Extensive work will be carried out in preparation for the next NDR revaluation to take effect from 1 April 2023. Welsh Government will monitor impact of COVID-19 on the non-domestic property tax-base.
- The Wales Reserve (introduced in 2018) will reduce from £336m to £221m following a planned use of £125m in 2021-22. The sum of £125m is the maximum permissible revenue spending drawdown from the reserve.

COVID-19

- £766m in COVID-related consequential received in spending review. Some of the amount will go to a small number of areas to sustain services:
 - Homeless Prevention Grant increased by £4m to £21.9m in 2021-22
 - £10m to sustain contact tracing workforce
 - £23.3m to extend Free School Meals in school holidays for the entirety of 2021-22.
 - Additional £18.6m for the bus industry to provide stability to bus operators. This will also fund a review into how bus services operate in the light of COVID-19
 - An additional £3m to third sector and volunteers. This is alongside the £0.7m for 2021-22 to enable the sector to support the most vulnerable
 - £12m of the £29m announced in 2020-21 will be allocated in the next financial year to support catch up learning in education.

- An additional £6m to add to the £3m for 'Communities for Work Plus'. This will support local authority and third sector delivery partners

EU Transition

- The budget confirms the UK Government's shared prosperity fund proposal is worth £220m in 2021-22 for the whole of the UK. This is less than the £375m per year benefit Wales currently has through the European Structural and Investment Funds.

Investing in health, well-being and social care

- £385m extra for core NHS Services, taking total NHS funding to more than £8.4bn. In addition, there is £25m to transform NHS services
- An extra £10m for Public Health Wales to support transformation of health care protection services

Social Care

- Social Care Workforce Grant to increase by £10m to £50m. This is to support sustainable services and sustainability of the workforce
- An additional £1.5m for Social Services third sector Grants to support COVID-19 response and recovery of social care.
- £2m for Social care Wales to continue expansion of the professional registration of the social care workforce and the delivery of the Workforce Strategy
- Integrated Care Fund investment stays at £89m. Within this £2m will support high-need looked after children currently sent outside of Wales. This is in addition to the £40m capital contribution to the Integrated Care Fund from the Housing and Local Government Portfolio
- An additional £0.6m in the National Fostering Framework to provide infrastructure for the Foster Wales campaign in 2021-22

Investing in mental health and well-being

- An additional £20m within Health and Social Services to increase support across a range of areas covering mental health and well-being
- A further £4m to support the rollout of Child and Adolescent Mental Health Services (CAMHS) on-reach across Wales. This means an overall budget of £9m for the whole system approach to mental health
- For vulnerable children and young people who need more support an additional £5.4m for NHS CAMHS for Tier 4 and Community Intensive Teams

Homelessness

- An allocation of an additional £40m in 2021-22 to deliver transformational change towards meeting Welsh Government's ambition of ending homelessness

Creating a Sustainable economy

- A further £5m financial transactions capital for the Repayable Fund for SMEs within the Economy Futures Fund
- An additional £3m revenue to support high streets and town and city centre
- Allocation of £1.4m capital in 2021-22 to fund a pilot that aligns with Welsh Government's 'Town Centre First' approach.
- £3m additional funding to support 'rapid spreading and scaling of good practice across the foundation economy'
- Additional funding of £1.6m to support the new Export Plan

Violence against Women, Domestic Abuse and Sexual Violence (VAWDASV)

- An additional £1.6m in 2021-22 to support preventative work, including healthy relationship education in schools and VAWDASV awareness raising

Welsh Language

- Protection for the budget of £20.9m to promote the Welsh language and £12.7m for Welsh in education

Advice Services

- An increase of £1.1m in funding for advice services in recognition of social welfare advice
- In 2021-22 an additional £1.5m of financial transactions capital to ensure credit unions can provide assistance to their members

Third Sector

- Third sector support for the most vulnerable individuals will see an additional £700,000 allocated to the sector

Coastal Risk Management Programme

- A total of £58.6m (£30.6m revenue and £28m capital) for flood and coastal defence. Also £3.4m extra for the Coastal Risk Management Programme.

Housing

- An additional £37m on top of existing funding. Overall social housing grants in 2021-22 will be £200m
- Phase 3 of Help to Buy Wales will receive a £74m allocation in financial transaction capital
- In 2021-22 £32m (£20m general capital and £12m financial transactions capital) to address building safety concerns
- £20m extra to maximise benefits of fuel poverty and renewable energy programmes

Investing in sustainable and public transport

- The budget provides £275m of capital funding to support the continued delivery of the South Wales Metro alongside continued development of other rail infrastructure schemes. This includes continued development and delivery of the North Wales Metro and South West Wales Metro.
- Active travel projects and interventions receive £20m of capital. This brings the total for this objective to £55m

Electric vehicle transformation

- An additional £10m of financial transaction capital to support continued decarbonisation of public transport fleet. Total investment is £38m in 2021-22

Strategic road network

- An additional £15m as part of statutory responsibility to maintain the strategic road network. Total funding is now £168m alongside £11.5m to promote road safety

Investing in Town Centres

- £1.4m for a pilot approach that aligns with the 'Town Centre First' approach. £1m in financial transactions capital in 2021-22 to the Wales Council for Voluntary Action's Community Asset Loan Fund to support purchase and/or improvement of community assets including those in town centres
- Additional £5m of financial transactions capital to support wider regeneration activities through the Town Centre Loans programme.

Net-zero carbon schools

- An additional £40m of general capital and £2.6m of financial transactions capital to support the 21st Century Schools Mutual Investment Model element of Band B. The

£40m includes £5m for a Carbon Zero Pilot Project to decarbonise schools and colleges

Investing in the NHS

- Funding for capital investment in Health and Social Care reaches £380m including £45m to take forward development of a pipeline of Health and Wellbeing Centres

Supporting national institutions and tourism and creative sectors

- Additional £8m capital to support key tourism and creative sectors and to provide funding to sponsored bodies to maintain the estate and undertake decarbonisation and digital transformation

Investing in physical and mental health

- Additional £2m of capital investment in local sporting facilities increases available funding to £5m

Circular Economy

- An extra £26.6m to support businesses and public bodies to use more recycled materials. This takes total investment in 2021-22 to more than £80m

Investing in children and young people

- £2.2m extra for the School Holiday Enrichment Programme. This takes investment to £4.9m in 2021-22
- An extra £8.3m to support schools in transitioning to curriculum reform.
- Pupil Development Grant will be over £100m in 2021-22. The PDG Access fund receives another £2m giving a total of over £10m.
- The Minority Ethnic and Gypsy Roma Traveller Grant increases by £1m to £11m
- The Childcare Offer for Wales sees its baseline budget increase from £60m to £75m and Welsh Government states it will be working with local authorities to ensure more parents access the support available to them.

Investing in equality and inclusion

- A total of £1.8m will be allocated in 2021-22 to support Equality and Human Rights. This includes £0.1m to improve diversity and inclusion in public appointments

Maximising digital innovation

- An additional £4.9m will support driving up digital capability with the allocation going to the Centre for Digital Public Services Wales.
- An extra £2.8m will be made available for the Public Sector Broadband Aggregation bringing total investment to £11.5m in 2021-22. This will help provide connectivity and digital services to the public sector in Wales with the goal of enabling more efficient collaboration and mobility of public sector workers

Maximising the Impact of procurement

- An additional £1.2m will be allocated to the National Procurement Service to help support local businesses by generating time and cost efficiencies which can be re-invested in supporting frontline service provision. The intention is to help build on purchasing power to help the Welsh economy.

Also appended:

[Link to Welsh Government Draft Budget 21-22](#)

[Link to Provisional LG Settlement 21-22](#)

[Link to Institute of Fiscal Studies' summary of the English LG Settlement](#)

Annex I: WLGA's response to Provisional LGF Settlement

DATGANIAD I'R WASG WLGA PRESS RELEASE

Dydd Mawrth 22 Rhagfyr 2020 / Tuesday 22
December 2020

*Sgroliwch i lawr am y Saesneg / Please
scroll down for English*



CLILC • WLGA

**I'W RYDDHAU AR UNWAITH / FOR
IMMEDIATE RELEASE**

Cynghorau yn croesawu 3.8% o hwb cyllidebol ar gyfer 2021-22

Heddiw, mae llywodraeth leol yn croesawu setliad ariannol cadarnhaol gan Lywodraeth Cymru ar ddiwedd blwyddyn eithriadol.

Bydd cynghorau yn gweld cynnydd cyfartalog o 3.8% i'w reffeniwr craidd yn 2021-22, yn cynrychioli hwb £172m o'i gymharu a'r llynedd.

Caiff y setliad dros dro nawr ei agor i ymgynghoriad am gyfnod o saith wythnos a fydd yn dod i ben ar 9 Chwefror 2021, cyn i Lywodraeth Cymru osod ei chyllideb terfynol.

Dywedodd Arweinydd CLILC, y Cynghorydd Andrew Morgan (Rhondda Cynon Taf):

“Dyma setliad i'w groesawu gan ei fod yn darparu buddsoddiad mewn gwasanaethau lleol ac yn rhoi peth sicrwydd i gynghorau mewn cyfnod ansicr. Mae hi wedi bod yn flwyddyn galed dros ben i ni i gyd. Mae cynghorau a Llywodraeth Cymru wedi gweithio'n eithriadol o agos i gefnogi ac amddiffyn ein cymunedau. Mae'r gefnogaeth ariannol a roddwyd i gynghorau gan Lywodraeth Cymru i ymateb i'r argyfwng wedi bod yn amhrisiadwy yn ystod y flwyddyn ariannol hon ond bydd effeithiau'r argyfwng a phwyseddau sector parhaus yn cael eu teimlo am beth amser.”

Dywedodd y Cynghorydd Anthony Hunt (Torfaen), Llefarydd CLILC dros Gyllid ac Adnoddau:

“Adeilada'r cyhoeddiad heddiw ar setliad cadarnhaol y llynedd a bydd yn helpu i wella deilliannau addysg ac i gefnogi'r rhai mwyaf bregus yn ein cymunedau a

sicrhau eu bod yn derbyn y gofal mae nhw'n ei haeddu. Mae'n adlewyrchu cyfnod o ymgysylltu cyson, cadarnhaol gyda Gweinidogion dros y flwyddyn a fu ac yn cydnabod y rhan y mae cynghorau wedi bod yn ei chwarae dros y pandemig a pha mor bwysig y bydd ein gwasanaethau cyngor i adfer. Mae'r setliad i'w groesawu ond byddwn yn parhau i wneud yr achos dros gyllid gwaelodol yn ein trafodaethau gyda Gweinidogion."

"Mae ein staff wedi bod ar flaen yr ymateb i'r argyfwng p'un a'i bod nhw'n gweithio ar y rheng flaen fel gofalmwyr neu mewn swyddogaethau corfforaethol fel cyllid, yn darparu cefnogaeth cyllidol ar fyrder i filoedd o fusnesau. Mae eu gwaith wedi bod yn rhagorol ac mae arnom ni i gyd ddyled o ddiolch iddyn nhw."

Dywedodd y Cyngorydd Hugh Evans OBE (Sir Ddinbych), Arweinydd Grŵp Annibynnol CLILC:

"Mae awdurdodau lleol wedi chwarae rhan hollbwysig yn yr ymateb i'r argyfwng eleni. Er y bydd y setliad yn cael ei groesawu gan lawer o awdurdodau, mae heriau gwasanaeth cyhoeddus a chyllidebol yn parhau, yn enwedig i'r awdurdodau hynny a fydd yn derbyn cynnydd is na'r cyfartaledd. Am y rheswm hynny, mae angen cyllid gwaelodol arnom ni i amddiffyn yr awdurdodau hynny. Gyda'r cyhoeddiad gan Lywodraeth y DU o Gyllideb ym mis Mawrth, byddwn yn parhau i wneud yr achos dros gyllidebau aml-flwyddyn i'n galluogi ni i gynllunio gyda mwy o sicrwydd."

Dywedodd y Cyngorydd Emlyn Dole (Sir Gaerfyrddin), Arweinydd Grŵp Plaid Cymru CLILC:

"Tra'r ydw i yn croesawu setliad cadarnhaol gan Lywodraeth Cymru ac ymgysylltu cyson gyda Gweinidogion, yn enwedig yn ystod y flwyddyn heriol hon, ni fydd y cyllid a gyhoeddwyd yn cwrdd â'r pwyseddau a wynebir gan holl gynghorau Cymru. Er ein bod ni'n parhau i fod yng ngafael yr argyfwng, fe fydd un diwrnod yn cilio a rydyn ni eisiau sicrhau y bydd ein gwasanaethau ni yn parhau i fod yno i'n cymunedau ni mewn byd wedi Covid."

Dywedodd y Cyngorydd Peter Fox OBE (Sir Fynwy), Arweinydd Grŵp Ceidwadol CLILC:

"Rwy'n falch bod rôl llywodraeth leol dros y flwyddyn neilltuol hon wedi cael ei chydabod gan Lywodraeth Cymru. Mae wedi bod ac mi fydd arian canlyniadol sylweddol yn llifo o gyhoeddiadau cyllid Llywodraeth y DU, gyda chyfran ohono eto i'w ddyrannu o fewn cyllideb Llywodraeth Cymru. Mae'n allweddol bod y pwyseddau gwirioneddol mewn llywodraeth leol yn cael eu datrys a byddwn ni'n parhau i wneud yr achos hwn i Weinidogion yn yr wythnosau i ddod."

-DIWEDD-**Nodiadau i Olygyddion**

- **Wele yma Ddatganiad Ysgrifenedig gan y Gweinidog dros Dai a Llywodraeth Leol:** <https://llyw.cymru/datganiad-ysgrifenedig-setliad-dros-dro-llywodraeth-leol-2021-22>

Councils welcome 3.8% cash boost for 2021-22

Local government has today welcomed a positive financial settlement from Welsh Government at the end of an extraordinary year.

Councils will see an average of 3.8% increase to their core revenue in 2021-22, representing a £172m year-on-year boost.

The provisional local government settlement will now be subject to a seven-week consultation period, which will end on 9 February 2021 in advance of Welsh Government setting its final budget.

Councillor Andrew Morgan (Rhondda Cynon Taf), WLGA Leader said:

“This is a welcome settlement as it provides investment for local services and gives councils some certainty they need to plan in unpredictable times. This year has been exceptionally hard for all of us and councils have worked with the Welsh Government to support and protect our communities. The financial support given to councils by Welsh Government to respond to the pandemic during this financial year has been invaluable but the impact of the crisis and ongoing public service pressures will be felt for some time.”

Councillor Anthony Hunt (Torfaen), WLGA Finance Spokesperson said:

“Today’s announcement builds on last year’s positive settlement and will help to improve education outcomes and support the most vulnerable in our communities and ensure they receive the care they need. It reflects a period of regular, constructive engagement with Ministers during the past year and is recognition of the role councils have played during the pandemic and the critical importance of council services to Wales’ recovery. It is a welcome settlement but we will continue to make the case for a funded floor in our ongoing discussions with Ministers.”

“Our staff have been at the forefront of the pandemic response whether they work on the frontline like carers or in corporate functions like finance who delivered

urgent financial support to thousands of businesses. They have done an incredible job and we owe them all a debt of thanks.”

Councillor Hugh Evans OBE (Denbighshire), WLGA Independent Group Leader said:

“The part played by local authorities in the response to the crisis this year has been crucial. Although this settlement will be welcomed by many authorities, there remain significant public service and financial challenges, particularly for those authorities who will receive a lower-than-average increase. For this reason, we need a funding floor to protect those authorities. With the announcement by the UK Government of a March Budget, we shall continue to make the case for a multiyear approach to funding so that we can plan with more certainty.”

Councillor Emlyn Dole (Carmarthenshire), WLGA Plaid Cymru Group Leader said:

“Whilst I welcome this positive settlement and our constructive and regular dialogue with Ministers, especially during this challenging year, the funding announced will not cover the pressures faced by all councils across Wales. Although we are still very much in the throes of the crisis, it will one day pass and we want to make sure that our services are still there for our communities in a post-Covid world.”

Councillor Peter Fox OBE (Monmouthshire), WLGA Conservative Group Leader said:

“I am pleased that the role of local government in this extraordinary year has been recognised by Welsh Government. There has been and will be significant consequential from UK Government funding announcements, some of which remains to be allocated within the Welsh Government’s budget. It’s important that the real pressures in local government are addressed and we will continue to make this case with Ministers during the coming weeks.”

-ENDS-

Notes to Editors

- Please see **Written Statement by the Minister for Housing and Local Government:** <https://gov.wales/written-statement-provisional-local-government-settlement-2021-22>