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Llywodraeth Cymru
Welsh Government

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To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance, County and County Borough Councils in Wales
Chief Executive and Director of Finance, Welsh Local Government Association

21 December 2021

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2022-23 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information. I am also publishing Wales-level indicative core funding allocations for 2023-24 and 2024-25.

As in recent years, this Government's priorities continue to be health and local government services. My announcement outlines my intention to set local government core revenue funding for 2022-23 at £5.1 billion. This means, after adjusting for transfers, overall core funding for local government in 2022-23 will increase by 9.4% on a like-for-like basis compared to the current year. No authority will receive less than an 8.4% increase.

The indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 are £5.3 billion and £5.4 billion respectively – equating to an uplift in the first year of £177 million (3.5%) and, in the second year, of £128 million (2.4%). These figures are indicative and dependent on both our current estimates of NDR income over the multi-year settlement period, and the funding provided to us by the UK Government through the 2021 comprehensive spending review.

While I know local government has been facing significant pressures, I hope that this significantly increased Settlement enables you to continue to deliver the services your communities want and need as well as supporting national and local ambitions for the future, including responding to the climate and nature emergency and contributing to our Net Zero Wales plan.

In making decisions about the level of funding for local government I have responded to the need to ensure that hardworking staff receive well deserved pay-rises in the future. In particular I have included funding to enable authorities to meet the additional costs of introducing the Real Living Wage for care workers as set out by the Deputy Minister for Social Services today. This allocation includes a transfer of £5 million, for which the base of the Settlement has been adjusted, from the Social Care Workforce and Sustainability grant.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The funding provided through this Settlement also recognises the decision made around the 2021/22 teachers' pay deal and includes funding for the costs arising from the 2022/23 pay deal that fall within this Settlement year. Accordingly, I will not be making any further funding available in-year in recognition of the 2022/23 teachers' pay deal, and authorities' budget planning must accommodate these costs in the light of this Settlement.

More widely on public sector pay, this Settlement includes funding to cover the increased costs authorities will face arising from the UK Government's announcement to increase National Insurance Contributions for employers.

Alongside the Settlement we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

In line with our focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2022-23 and are again providing £244 million for CTRS in the Settlement in recognition of this.

As I announced yesterday, I am maintaining the approach taken in 2021-22 and am continuing to freeze the NDR multiplier for 2022-23. I have provided an additional £35 million in RSG in 2022-23 to offset the reduced income and a further £1m for the following two years. Through this Settlement, I am also continuing to provide £4.8 million for authorities to deliver additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues.

In order to facilitate a smoother transition towards partial NDR retention for City and Growth Deal Regions, a technical adjustment has been made to the distribution of NDR between authorities and police forces. This amendment sees the proportion of distributed NDR that authorities receive increasing from 95% to 99.9%. This has been met by an equivalent reduction in the percentage amount received from RSG. This is purely a technical change, which will not result in any impact to the funding received by any authority: the cumulative total of NDR and RSG provided has not been affected.

The Local Government and Elections (Wales) Act 2021 (the Act) provides for the creation and ongoing development of corporate joint committees to allow authorities to work together on specific functions such as transport, economic development and planning. Following one-off specific grant funding this financial year to support preparatory work I am delivering ongoing additional funding to support the core operation of these committees through the Local Government Settlement.

A robust democracy is an essential feature of local government. In determining the overall Settlement I have also sought to recognise the need to build the capacity of electoral services to deal with Welsh electoral reform, following our reforms in the Act and to support our future work.

Given the significant increase in this Settlement, I am not proposing to include a floor this year and have allocated all the available funding in this Settlement.

The progress of the pandemic and its ongoing impact on our lives and on public services continues to be highly uncertain. The comprehensive spending review did not provide additional financial support, which is a concern, especially following the emergence of the new Omicron variant. I have carefully considered how to manage pandemic support for authorities and concluded the balance lies in providing funding in the first year through the Settlement. But in determining the overall Settlement, I have recognised the ongoing impact of the pandemic on services which authorities will need to manage. I should also like to again place on record my thanks, and those of my colleagues for the efforts of local government teams over the past eighteen months in responding to the pandemic's impact on our communities, families and businesses.

I will continue to engage closely with local government through the WLGA.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Monday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future.

Following a review of our capital budgets, general capital funding for local government for 2022-23 will be set at £150 million. This will increase to £200 million for the following two years, including £20 million in each year to enable authorities to respond to our joint priority of decarbonisation. I should like to consider, through the Partnership Council and the Decarbonisation Strategy Panel how this funding might be best used.

The draft *Local Government Finance Report* and additional tables containing details of the Settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising RSG and redistributed NDR. We are also providing information on revenue and capital grants which are planned for 2022-23, 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in late December has enabled us to draw on the latest tax-base figures for 2022-23, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement.

This is a good Settlement for local government and provides you with a stable platform for planning your budgets for the forthcoming financial year and beyond.

I and my colleagues have engaged closely with local government in the lead up to this Settlement. While this is a good Settlement, building on improved allocations in recent years, I recognise that this does not reverse the years of constraint as a result of overall austerity in public finances. You will still need to make some difficult decisions in setting your budgets and it is important you engage meaningfully with your local communities as you consider your priorities for the forthcoming year.

The setting of budgets, and in turn council tax, is of course the responsibility of each authority. You will need to take account of the full range of funding sources available to you, as well as the pressures you face, in setting your budgets for the coming year.

My announcement today launches a 7-week period of formal consultation on the Settlement for 2022-23. I would be grateful if you could ensure your response arrives no later than **Tuesday, 8 February 2022**. All responses to this consultation should be sent to:

Simon Edwards: LGFPSettlement@gov.wales

Comments are invited about the effects (whether positive or adverse) the proposed Settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed Settlement could be formulated or revised to have positive effects, or decrease adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

Authorities also need to take account of their duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2022-23.

Yours sincerely



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