

19<sup>th</sup> January 2024

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## **WELSH GOVERNMENT DRAFT BUDGET AND PROVISIONAL LGF SETTLEMENT 2024-25**

### **Purpose**

1. This paper summarises the latest financial announcements and the WLGA response. It also sets out the forthcoming key dates in the finance calendar (Annex III).

### **Analysis**

2. The Draft Welsh Government Budget for 2024-25 was announced on 19 December and the Provisional LGF Settlement was announced the day after. The WLGA on-the-day-briefing is set out at Annex I and details the main points of the announcement.
3. The Settlement remained at the level announced last year with a 3.1% uplift, giving councils an additional £170m. Alongside anticipated funding for teachers' pensions, this will cover about a third of next year's pressures.
4. Many grants remain at this year's levels and there are welcome moves to consolidate many of the education grants. However, the social care workforce grant has been reduced by £10m.
5. The team at Wales Fiscal Analysis (WFA) provided an [initial briefing](#) just before Christmas which contextualised the budget in other areas:

*“Overall, the big surprise was the sheer extent of additional funding found for core NHS services (an 8% increase on existing plans) and Transport for Wales (43%). Existing Local Government funding plans were maintained in cash terms (but are now worth less in real terms), while huge cuts were found across almost all areas of the budget in 2024-25 – a similar story to the updated spending plans for 2023-24 announced on 17 October.”*

6. According to WFA, this means that health spending in Wales is set to grow substantially quicker than UK Government plans in England or the Scottish Government plans announced on 19 December.
7. The WLGA response to the Settlement is set out in Annex II and we are continuing to make our case in 4 key areas:
  - the remaining funding gap
  - teachers' pay and pensions
  - social care workforce grant
  - social care cap (and minimum income guarantee)

## Recommendations

### 8. Members are asked to:

- 8.1 Note the contents of the report; and
- 8.2 Agree and comment on the WLGA response to the Settlement set out in Annex II.

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## Welsh Government Draft Budget and Provisional LGF Settlement 2024-25

Leaders, Finance Cabinet Members, Chief Executives and Directors of Finance

Jon Rae & Nathan Gardner

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### 1. Summary

Yesterday the Welsh Government published its [draft budget](#) for 2024-25. The WG revenue budget<sup>1</sup> will increase by **£401m (2.1%) in 2024-25**. The capital budget<sup>2</sup> will increase by **£88m (3.4%) in 2024-25**.

Today, the Minister for Finance and Local Government published the [provisional local government finance settlement](#). As expected, there is an **increase in the revenue settlement of 3.1% for 2024-25** on a like-for-like basis. The Welsh Government has **increased AEF (Aggregate External Finance) by £170m**. To put that in the context of local government pressures, we currently estimate that pressures in budgets stands at around £809m for 2024-25 which includes teachers' and firefighters' increased pensions costs. Within the settlement envelope is an additional £1.3m to fund the floor mechanism.

The Minister for Finance and Local Government set out her plans for the draft budget in a [press release](#) yesterday. The Minister said there was an extra £450 million for the NHS and referred to the core local government settlement. But even with the additional funding, health boards and councils face a very difficult year ahead.

The Minister said that Welsh Ministers had faced the "most stark and painful budget choices for Wales in the devolution era" as they developed the draft Budget. As a result of persistently high inflation, Wales' overall budget is worth £1.3 billion less in real terms than when it was set in 2021. The Minister emphasised that the settlement, which largely comes from the UK government in the form of a block grant, is not sufficient to respond to the extreme pressures that public services, businesses and people are facing.

The additional funding for the NHS in 2024-2025 comes on top of the extra £425 million which was announced in October for the remainder of this financial year, and which was baselined into the budget for the future.

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<sup>1</sup> This is the definition of revenue spend called 'Fiscal Resource' over which ministers exercise more control rather than 'demand-led' Annually Managed Expenditure (AME)

<sup>2</sup> This is the definition of capital spend called 'General Capital' rather than 'demand-led' Annually Managed Expenditure (AME).

## 2. The Welsh Government's Draft Budget

Overall, the Welsh Government's 'Total Managed Expenditure' will rise by £1.2bn (4.9%) to just over £26bn in 2024-25. Within that definition is the 'Fiscal Resource' and 'General Capital' which are the elements of the budget mostly under ministerial control and excludes demand-led budgets.

**Figure 1: Nominal Changes to Welsh Government Fiscal Resource, £000s**

MAIN EXPENDITURE GROUPS (MEGs)	2023-24			2024-25	
	Final Budget Restated	October Statement Adjustments	Revised Allocation	New Plans	% Change
Health and Social Services	10,120,775	425,100	10,545,875	11,004,300	4.3 %
Finance and Local Government	4,900,641	(28,500)	4,872,141	4,867,979	(0.1)%
Education and the Welsh Language	1,778,125	(74,700)	1,703,425	1,718,770	0.9 %
Climate Change	928,875	82,600	1,011,475	979,195	(3.2)%
Economy	452,457	(28,600)	423,857	425,031	0.3 %
Rural Affairs	400,689	(17,300)	383,389	348,999	(9.0)%
Social Justice	136,038	(7,000)	129,038	124,957	(3.2)%
Central Services and Administration	332,590	(27,500)	305,090	305,903	0.3 %
	<b>19,050,190</b>	<b>324,100</b>	<b>19,374,290</b>	<b>19,775,134</b>	<b>2.1 %</b>

Source: WG Draft Budget 2024-25

Figure 1 shows revenue spending (fiscal resource) increasing by £401m (2.1%) to £19.8bn compared to the revised allocation. However, this is £725m (3.8%) higher than the restated final budget. It also shows the increases and decreases in the revenue Main Expenditure Groups (MEGs), which correlate with ministerial portfolios. As expected, the Health and Social Services MEG receives the largest increase with 4.3% and Finance and Local Government is decreasing by 0.1%. Business rates lie outside this definition of spend, as part of Annually Managed Expenditure (AME). This line increases by £173m (14.8%) to £1.079bn, which reconciles the fiscal resource with the settlement. Compared to the final budget position the Health and Social Care MEG is some £884m (8.7%) higher.

**Figure 2: Nominal Changes to Welsh Government General Capital, £000s**

MAIN EXPENDITURE GROUPS (MEGs)	2023-24			2024-25	
	Final Budget Restated	October Statement Adjustments	Revised Allocation	New Plans	% Change
Health and Social Services	378,000	-	378,000	399,000	5.6 %
Finance and Local Government	223,889	(8,000)	215,889	223,891	3.7 %
Education and the Welsh Language	357,300	(40,000)	317,300	346,300	9.1 %
Climate Change	1,657,508	(37,700)	1,619,808	1,516,629	(6.4)%
Economy	81,516	(36,500)	45,016	131,016	191.0 %
Rural Affairs	37,200	(20,200)	17,000	60,000	252.9 %
Social Justice	17,000	(4,600)	12,400	17,000	37.1 %
Central Services and Administration	10,000	-	10,000	10,000	-
<b>Total</b>	<b>2,762,413</b>	<b>(147,000)</b>	<b>2,615,413</b>	<b>2,703,836</b>	<b>3.4 %</b>

Source: WG Draft Budget 2024-25

Figure 2 shows capital increasing by £88m (3.4%) to £2.7bn next year. The Finance & LG portfolio remains broadly unchanged from 2023-24 final budget position. Further details of other measures in the Draft Budget are addressed in Section 4.

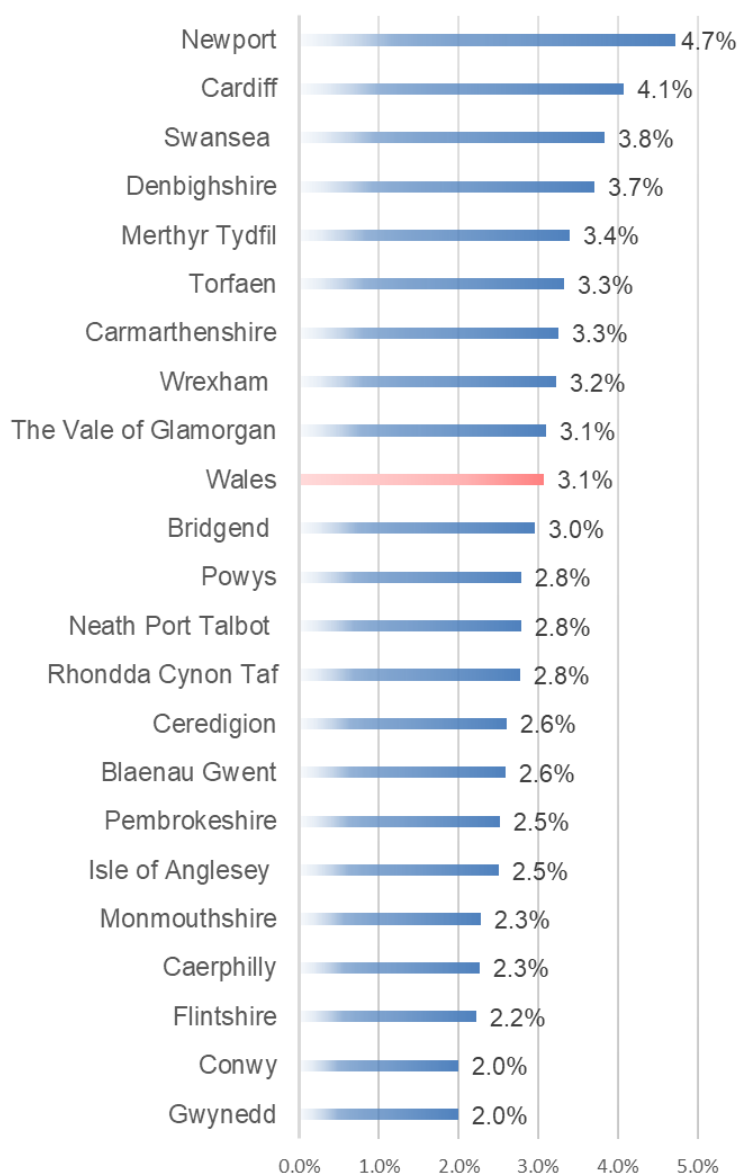
### 3. The Provisional Local Government Settlement

The announcement today is confirmed in the traditional [letter](#) to Leaders. There is an increase in Aggregate External Finance (AEF) of £170m or 3.1% on a like-for-like basis.

Figure 3 below shows the range around the average of 3.1% driven by the funding formula. This is largely a reflection of data movements in population and pupil numbers and an analysis of the components of change in the funding formula is set out in the suite of tables published alongside the settlement.

The lowest increases are in Gwynedd and Conwy with 2.0% and the highest is Newport with an increase of 4.7%. The Minister has implemented a floor mechanism at 2% which benefits the two authorities at the bottom and is funded from outside the settlement at a cost of £1.3m.

**Figure 3:** Changes to AEF by local authority, 2023-24 to 2024-25



Source: WG Provisional LGF Settlement 2024-25

Overall core revenue funding rises to £5.69bn in 2024-25. As this is the last year of the current Spending Review period there is no forward indication of settlements beyond the work that has been done by Wales Fiscal Analysis.

In terms of public sector pay, there is specific reference to teachers pay that will have to be funded from within the settlement envelope:

*"I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2024/25 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.*

Further on in the letter there is also reference to the funding of the teachers' and firefighters' pension contributions:

*"The Chancellor's Autumn Statement referred to the changes to the SCAPE rate, which has implications for the costs of employers' contributions to teachers and fire-fighter pensions. This in turn has implications for Local Authority budgets. Funding for this is expected to be provided by UK Government but not until 2024-2025. I will be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. My officials will keep your officers informed.*

We will pursue outstanding issues with officials.

### **Specific Revenue Grants**

On a like-for-like basis specific revenue grants **will decrease from £1.438bn to £1.353bn** which is reduction of about 6.3% or around £92m. Last year's table showed that in 2024-25 these grants would contract by 10%. Education grants will go to local authorities rather than the consortia.

Significantly many education grants consolidate into 4 new grants:

- Local Authority Education Grant (Schools Standards) £160m
- Local Authority Education Grant (Equity) £155m
- Local Authority Education Grant (Reform) £54m
- Local Authority Education Grant (Cymraeg) £10m

Some of the bigger and more significant reductions in 2024-25 include:

- Retail, Leisure and Hospitality Rates Relief reduces from £130m to £79m
- Social Care Workforce Grant reduces from £45m to £35m
- Communities for Work+ reduces from £27m to £17m
- Bus Emergency Scheme reduces from £42m to £39m

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

- Arfor 2 increases from £4m to £7m
- Substance Misuse Action Fund increases from £39m to £41m
- Universal Free Primary School Meals increases from £63m to £94m

The funding for the childcare offer will not now be administered by local authorities, so it is not really a reduction. Details of around 100 revenue grants are set out in [table 7 in the suite of settlement tables](#).

### **General Capital Funding (GCF) and Capital Grants**

Overall Capital Funding (both GCF and Capital Grants) increases from £946m to £962m on a like-for-like basis. The £16m represents a 1.7% increase.

General Capital Funding (GCF) has remained the same at £180m after being increased by £30m last year. There is a sizable planned increase in the Band B programme and there are significant changes to a number of housing grants within the Climate Change portfolio.

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

### **Provisional Settlement in England**

The UK Government published its [provisional local government settlement](#) on Monday. We have had lots of queries about whether this attracts additional consequential, however these are already 'baked' into the Welsh Block Grant when the additional funding is announced at fiscal events, as highlighted by various report from Wales Fiscal Analysis.

'Core Spending Power' has increased by 6.5% but there is a question about how far meaningful comparisons can be made with notable differences in funding (schools and fire services) and council tax accounting for 56% of the definition of 'Core Spending Power'. We will pursue comparability issues with Welsh Government officials and the Local Government Association.

## **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**

- Wales rate of income tax remains unchanged.
- No changes have been made to any LTT rates or thresholds.
- Land Disposals Tax (LDT) rates to increase by RPI from 1 April 2024.
- Business will benefit from an additional £78m to provide a fifth successive year of support for retail, leisure and hospitality businesses with their non-domestic rates. Eligible ratepayers will receive 40% NDR relief for the duration of 2024-25. As in previous years, the relief will be capped at £110,000 per business across Wales.
- The Welsh Government will cap the increase to the Non-Domestic Rates (NDR) multiplier in Wales to 5% for 2024-25. This is lower than the 6.7% (September CPI) increase which would otherwise apply from the default inflation of the multiplier in line with CPI. It is delivered at a recurring annual cost of £18m from 2024-25 onwards.

- The current Non-Domestic rating list came into force on 1st April 2023, following revaluation. Transitional relief for all ratepayers whose liability increased by more than £300 as a consequence of revaluation will be available. Such increases in NDR liability as a result of revaluation are being phased in over two years. Eligible ratepayers are paying 33% of their additional NDR liability this year (2023-24). This will increase to 66% in 2024-25, before they reach their full liability in the third year following revaluation (2025-26). The Welsh Government is providing £113m over two years to fund this relief.
- The Wales Reserve (introduced in 2018) can hold up to £350m with annual drawdowns limited to £125m for revenue spending and £50m for capital spending. As in the previous year, for 2024-25 the Wales Reserve will be used to manage the in-year position rather than holding an unallocated reserve. The Welsh Government's spending plans do not assume full drawdown from the Welsh Reserve, however the financial pressures of the past year have increased the risks of this strategy with a higher use of reserves than originally planned
- Welsh Ministers are exploring options to increase revenue through a number of measures in 2024-25 and beyond this Spending Review period. The Budget Ambit will need to be revised, as necessary, to allow for the additional income and the expenditure it will finance.
- There are minimal changes to the multi-year allocations provided in the 2022-23 to 2024-25 Budgets. The majority of allocations for general capital will remain static for this Draft Budget.

### **Grant Consolidation**

- Work is ongoing to identify the best approach to grants in different policy areas, with the expectation to outline agreed changes as part of the Final Budget. However, two areas have been agreed early, in Education and Children and Communities.
- The Budget therefore amalgamates the hypothecated pre-16 education grant funding which is currently provided to local authorities and regional consortia and partnerships. From the 2024-25 financial year, the Local Authority Education Grant will be provided to local authorities which will include funding elements for School Standards, Equity, Reform and Cymraeg 2050. The aim is for these new arrangements to enable Local Authorities to maximise the funding that is available to allocate to schools, and ensure grant processes are less complex, more transparent and cut out unnecessary bureaucracy. Work will be undertaken with partners ahead of the new financial year to ensure the new arrangements are bedded in.
- In Communities two standalone grants - Playworks Holiday Project and Early Intervention Parenting Support and Interparental Conflict Grant are being transferred into the Children and Communities Grant (CCG) flexible fund immediately for 2024-25. These grants are small and fit with the ambit of the CCG, which is a flexible funding mechanism, and allows local authorities to spend their funding in line with their priorities whilst meeting Welsh Government objectives and performance



targets.

- It is also the intention to include some funding from the Training and Support Programme (to cover mandatory, best practice and childminder training) to the childcare and play element of the CCG in 2024-25

### **Social Care**

- £11m reprioritised from the Social Care Workforce Grant, which will result in impacts on local authorities and social care partners. To ensure continued delivery of existing activity, including protecting spend on eliminating profit within the care of children looked after, WG are reviewing planned activity and exploring efficiencies and rescoping activity until 2025-26.
- Welsh Ministers reviewed funding from Invest to Save budgets including funding for children looked after. They will continue to support the schemes already committed to in 2024-25, totalling £3.8m but will not be able to take forward further planned schemes.

### **Education**

- The new School Standards funding in the Local Authority Education Grant will protect funding in relation to the Recruit, Recover and Raise Standards programme which was established to help learners overcome the negative effects of the pandemic. The Pupil Development Grant funding that funds schools to support learners from low-income households is protected.
- Funding that goes directly to schools has been prioritised. For 2024-25 the amalgamation of pre-16 education grants provides the same level of funding against similar grants provided to local authorities in 2023-24;
- Reprioritised £10m from education capital budgets to provide scope for a capital to revenue switch in 2024-25. To minimise the impacts of this change in allocation, core projects within the Sustainable Communities for Learning programme will be prioritised.

### **NHS**

- The draft budget commits to investing a further £450m revenue funding into the NHS in 2024-25 through the rescoping of allocations. This £450m is on top of the additional £425m made available in October (for 2023-24). This is equivalent to an increase of more than 4% in 2024-25.

### **Culture**

- Reprioritised £16m of funding from within culture sport and tourism activities, as well as £2m from Cadw.

### **Ukraine**

- Reprioritising £15.5m from the Ukraine programme due to the reduced number of new arrivals alongside the success of the programme to move people on from their initial accommodation. At this stage, the Ukraine budget does not include provision for grant funding to local authorities, however, the UK Government has announced a £120m Homelessness Prevention Fund which is provided in lieu of year two and three tariffs in 2024-25. The Welsh Government will receive a proportionate share of

this funding which will be allocated to local authorities to assist move-on, integration and to prevent homelessness during 2024-25.

### **NNDR (Rates) Relief**

- From 2024-25, the NDR system will also include new measures to support ratepayers investing in property improvements and renewable energy.
- A package of additional support for Non-Domestic Rates is being provided worth £134m next year on top of permanent relief schemes, which are worth £250m a year.

### **Transport**

- Following the action taken in October to help manage pressures related to maintaining rail operations, Ministers have provided additional funding in 2024-25 compared to when they set their plans in March 2023.
- In addition to TfW rail budget changes, £24m funding across a range of other transport budgets has been refocussed.

### **Discretionary Assistance Fund**

- The Discretionary Assistance Fund (DAF), which provides emergency support payments and support in kind for people in need, continues. Funding maintained at £38.5m.

### **CTRS**

- The draft budget maintains full entitlement to CTRS in 2024-25 by providing £244m in the Settlement.

### **Charges**

- The draft budget noted “People in Wales already pay charges for a range of services, including NHS dental care, domiciliary care and tuition fees .... If we decide to increase charges, proposals will be brought forward for consultation”.

### **Housing**

- The increase in the Homelessness Prevention budget of £2m is reduced from a previous £5m increase in the indicative allocations.

### **Climate Change**

- The draft budget noted there are several proposals in the Climate Change MEGs, with strong potential which require further development. This work is underway and will allow further allocations of ‘Financial Transactions’ Capital to be made at Final Budget.

## **Also appended:**

### **Welsh Government Draft Budget 2024-2025**

[Draft Budget 2024 to 2025 | GOV.WALES](#)

### **Press Release from Welsh Government:**

[A Budget to protect the most-valued services | GOV.WALES](#)

### **Provisional Local Government Finance Settlement - Wales**

All the supporting documents for the provisional settlement can be found through the following link:

[Local government revenue and capital settlement: provisional 2024 to 2025 | GOV.WALES](#)

### **Written Statements:**

[Written Statement: Provisional Local Government Settlement 2024-25 \(20 December 2023\) | GOV.WALES](#)

[Written Statement: Welsh Devolved Taxes and Welsh Rates of Income Tax - Draft Budget 2024-25 \(19 December 2023\) | GOV.WALES](#)

[Written Statement: Non-domestic rates support for 2024-25 \(19 December 2023\) | GOV.WALES](#)

### **Provisional Local Government Finance Settlement - England**

[Consultation: provisional local government finance settlement 2024 to 2025 - GOV.UK \(www.gov.uk\)](#)

### **ANNEX 1: WLGA's response to Provisional LGF Settlement**

**DATGANIAD I'R WASG CLILC / WLGA PRESS RELEASE**

**Dydd Mercher 20 Rhagfyr 2023 / Wednesday 20 December 2023**

***I'w ryddhau ar unwaith / For immediate release***

**Please scroll for English**

**Ymateb CLILC i'r setliad llywodraeth leol**

Dywedodd y Cyngorydd Andrew Morgan OBE, Arweinydd CLILC:

“Roeddem ni'n gwybod y byddai hwn yn setliad heriol, ac yn cydnabod ymdrechion Llywodraeth Cymru wrth geisio amddiffyn gwasanaethau cyhoeddus rheng flaen i raddau. Ond llwm yw'r rhagolwg i wasanaethau lleol o hyd sydd yn cael eu heffeithio'n ddifrifol gan gostau cynyddol. Er bod chwyddiant yn arafu, mae'n dal i olygu ein bod ni i gyd yn cael llai am ein harian nawr nag yn y gorffennol, ac mae hyn yn wir i gynghorau hefyd. Roedd cyfle gan Lywodraeth y DU i fynd i'r afael â'r bwlch cyllidol yma yn Natganiad yr Hydref, ond fe wnaethon nhw ddewis peidio ei gymryd. Golyga'r ffaith na chafwyd arian ychwanegol i ysgolion a gofal cymdeithasol na fydd arian canlyniadol yn llifo i Gymru. Bydd yn rhaid cymryd penderfyniadau anodd i sicrhau bod cynghorau yn cwrdd â'u dyletswydd cyfreithiol i osod cyllidebau cytbwys.”

“Rydym ni wedi croesawu perthynas glós, adeiladol gyda'r Gweinidog a'i chydweithwyr. Byddwn yn edrych ymlaen i gydweithio'n agos â hi a gweddill Llywodraeth Cymru i lywio trwy'r amseroedd cythryblus ar gyfer ein gwasanaethau lleol hanfodol ac i reoli'r effeithiau posibl ar ein cymunedau.”

Dywedodd y Cyngorydd Llinos Medi, Arweinydd Grŵp Plaid Cymru:

“Gellir gweld yn glir, mewn cynnydd mewn galw am wasanaethau fel gofal cymdeithasol i oedolion, gwasanaethau plant, a thai, fod angen gwasanaethau lleol yn fwy nag erioed mewn argyfwng Costau Byw sydd yn effeithio'n wael ar ein cymunedau. Ond, er ein bod ni'n gwerthfawrogi'r amgylchiadau anodd i Lywodraeth Cymru, ni fydd y setliad yma'n gwneud llawer i leddfu'r pwysau ar wasanaethau. Mae'n siomedig nad oes cyllid ychwanegol wedi ei glustnodi i ariannu'r cynnydd mewn cyflogau i athrawon, sydd yn golygu y bydd disgwyl i gynghorau i gwrdd â'r gost o ymrwymiad ariannol sydd wedi ei wneud gan Lywodraeth Cymru ei hun.”

“Ers cychwyn y cynni ariannol, mae dros £1bn wedi ei golli o goffrau llywodraeth lleol. Mae cynghorau wedi gweithio'n ddygn i ganfod arbedion effeithlonrwydd a lleihau costau, ond mae'r arbedion rhwydd hynny wedi hen fynd. Does dim posib i lywodraeth leol barhau i wneud toriadau cyllidebol sylweddol heb effeithiau difrifol ar hyfywedd ein gwasanaethau ni.”

Dywedodd y Cyngorydd Mark Pritchard, Arweinydd Grŵp Annibynnol CLILC:

“Ers tro, mae cynghorau wedi rhybuddio am y pwyseddau aruthrol sy’n eu wynebu wedi cyn gymaint o flynyddoedd o doriadau. Yn anffodus, dyw’r setliad heddiw ddim yn darparu digon o gyllid i gwrdd â phwyseddau costau a galw eithriadol fydd yn cyflwyno heriau difrifol y flwyddyn nesaf o ran gosod cyllidebau cytbwys, yn ôl y gofyniad cyfreithiol. Tra ei bod hi’n ymddangos bod 3.1% o hwb mewn cyllid craidd, mae toriadau dwfn i grantiau – a gyda dim arian ychwanegol i gwrdd â’r cynnydd mewn cyflog athrawon – yn golygu y bydd cynghorau mewn gwirionedd yn derbyn llawer yn llai na hyn.

“Dyw defnyddio arian ‘diwrnod glawog’ wrth gefn ddim yn ateb cynaliadwy i lenwi bylchau cyllidebol cynyddol a fydd yn dod i’r amlwg bfwyddyn ar ôl blwyddyn. Yr unig ateb i gwrdd â chostau a galw cynyddol ydi i lwyr gydnabod a chwrdd â’r pwyseddau cyllidebol i lywodraeth leol.”

Dywedodd y Cynghorydd James Gibson-Watt, Diprwy Lywydd CLILC (Democratiaid Rhyddfrydol):

“Mae trigolion, busnesau, a chymunedau ymhob rhan o Gymru yn dibynnu ar wasanaethau bara menyn sy’n cael ei darparu gan gynghorau. O ofal cymdeithasol i ddatblygu economaidd. Tai i ysgolion, mae’r rhain yn gonglfeini sy’n chwarae rhan allweddol yn ein bywydau pob dydd. Ond mae’r effaith o chwyddiant 10%, yr angen canlyniadol i gynyddu cyflogau staff i gwrdd â’r argyfwng costau byw, a chynnydd aruthrol mewn galw ar ofal cymdeithasol, wedi cyfuno i greu storm berffaith i gyllid ein cynghorau.

“Dros y blynyddoedd diwethaf, mae cynghorau wedi chwarae rôl hanfodol yn darparu ar uchelgeisiau llywodraethau DU a Chymru. Bydd hyn yn llawer yn anoddach i’w gyflawni os nad oes rhagor o gyllid ar gael i ni.”

Dywedodd y Cynghorydd Anthony Hunt, Llefarydd CLILC dros Gyllid:

“Tra bod cyllid craidd wedi cael ei gynnal, mae cyllid grantiau eraill wedi disgyn mewn termau real. Dros y cyfnod ymgynghori, byddwn yn gweithio efo Llywodraeth Cymru ar y mater hwn a materion eraill yng nghyswllt cyflogau a phensiynau i athrawon, a chostau gofal cymdeithasol.

“Mae cynghorau yn wynebu diffyg cyllidol o £432m hyd yn oed wedi cynnydd mewn trethi cyngor a byddwn i gyd yn wynebu penderfyniadau tu hwnt o anodd. Yn ogystal â’r ddeialog barhaus gyda Llywodraeth Cymru, bydd yn rhaid i ni hefyd ymgysylltu â’n cymunedau ynglyn â’r penderfyniadau anodd sydd ar y gorwel.”

- **DIWEDD** -

## **NODIADAU I OLYGYDDION**

1. Cyhoeddwyd setliad llywodraeth leol heddiw gan Lywodraeth Cymru. Gellir darllen [datganiad y Gweinidog yma](#).
2. Ynglwm mae dogfen sy’n amlinellu ymhellach y pwyseddau sy’n wynebu gwasanethau lleol, a graddfa’r sefyllfa sydd ohoni.

# **WLGA responds to the local government settlement**

Councillor Andrew Morgan OBE, WLGA Leader said:

“We knew this was going to be a challenging settlement, and we recognise the Welsh Government’s efforts in seeking to provide a degree of protection for frontline public services. But the outlook remains bleak for local services that are still being seriously affected by ever-rising costs. Even though inflation is slowing, it still means we all get less for our money now than we used to, and this is the same for councils too. The UK Government had a chance to address this funding gap in the last Autumn Statement but did not take it. No extra money for schools or social care meant that no consequential funding flowed to Wales. Difficult decisions will have to be taken to ensure councils can meet their legal duty to balance the books and set a balanced budget.

“We have welcomed a close and constructive relationship with the Minister and her colleagues. We will look forward to work closely with her and Welsh Government to navigate extremely turbulent times for our essential local services and to manage potential implications for our communities.”

Councillor Llinos Medi, WLGA Plaid Cymru Group Leader:

“Rocketing demand in adult social care, children’s services, and housing, clearly shows that local services are needed more than ever amidst a Cost-of-Living crisis which is negatively affecting communities. However, whilst we appreciate the difficult circumstances for the Welsh Government, this settlement will do little to ease the pressure on services. I’m disappointed to see that no extra money has been allocated to cover the increase in teachers’ pay, which means that councils will be expected to meet the cost of a Welsh Government spending commitment.”

“Since the onset of austerity, over £1bn has been lost from Welsh local government budgets. Councils have worked hard to find efficiencies and reduce costs, but the easy savings have long gone. Local government cannot continue to be expected to make significant budget cuts without seriously impacting the viability of our services.”

Councillor Mark Pritchard, WLGA Independent Group Leader said:

“For a long time, councils have warned of the enormous pressures that they face after so many years of reduced funding. Unfortunately, today’s settlement does not provide enough funding to meet the severe cost and demand pressures which present serious challenges next year for setting balanced budgets, as is required by law. Whilst on the surface there appears to be a 3.1% boost in core funding, significant cuts to grants - with no extra money to cover the teachers’ pay increase - means that councils will receive far less than the suggested increase.

“Dipping into ‘rainy day’ council reserves is not a solution to plug ever growing gaps which will reappear year after year. The only answer to meeting soaring costs and rocketing demand on services is to fully recognise and meet the funding pressures for local government.”

Councillor James Gibson-Watt, WLGA Deputy Presiding Officer (Liberal Democrat) said:

“Residents, businesses, and communities in all parts of Wales depend on lifeline services delivered by our councils. From social care to economic development, housing to schools, these are cornerstone services which play a key role in all our daily lives. But the impact of over 10% cost inflation, the consequent need to increase staff pay to meet the cost-of-living crisis and a huge increase in demand for social care, have combined to create a perfect storm for council finances.

“In recent times, councils have played an integral role in delivering the ambitions of the UK and Welsh governments. This will become ever harder to achieve if more funding is not forthcoming.”

Councillor Anthony Hunt, WLGA Finance Spokesperson said:

While core funding has been maintained, other grant funding has fallen in cash terms. Over the consultation period, we will work with the Welsh Government on this issue and other issues related to teachers’ pay and pensions, and charges for social care.

“Councils will be facing an estimated funding shortfall of £432m even after council tax rises and we will collectively face some very difficult decisions. As well as an ongoing dialogue with Welsh Government we will have to engage our communities on the difficult choices that lie ahead.”

**- ENDS -**

## **NOTES FOR EDITORS**

1. The draft settlement for local government was published today by the Welsh Government. A [press release by the Minister can be read here](#).
2. Attached is a report further outlining the pressures faced by local government, and the scale of the financial position.

Rebecca Evans MS  
Minister for Finance and Local Government  
Welsh Government  
5th Floor, Ty Hywel  
Cardiff Bay  
CF99 1NA

Dear Rebecca,

### **Provisional Local Government Finance Settlement 2024-25**

Thank you for the opportunity to respond to the consultation on next year's settlement, and for the way you have worked with us in partnership during the process so far. We recognise that this was going to be a difficult settlement given the inflationary pressures that were building up across a range of services and the lack of extra money coming from the UK Treasury.

We recognise that the core funding increase of 3.1% or £170m is something that Ministers have battled to secure, in recognition of the importance that the Welsh Government attaches to local public services, and of our shared ambitions for our communities. However, that amount will only cover around a third of the pressure facing local services assuming Treasury fund teachers' pensions. So, difficult choices, job losses and service cuts will be inevitable as councils struggle to bridge the funding gap and set balanced budgets.

We understand the importance of our NHS, which along with Transport for Wales has seen the largest increases in funding. Revenue spending allocations for core NHS services has increased by £725 million, or 8% on top of existing spending plans. Our commitment to the NHS remains as strong as ever, but we reassert that health and social care need to be taken together and fear that the difficult decisions we will now have to make in social services will reverberate across the wider health and social care portfolio.

We appreciate the constructive and open way you deal with us during the budget process, and will try to be reasonable in our asks, but any additional funding would be used to hugely good effect for local services in the coming year. Following a number of recent meetings with you and other Ministers, we would like to request that the cuts to the Social Care and Workforce Grant are reversed and that early indications are given about raising of the care cap, so we can take account of this in budget setting and avoid damaging cuts.

These two steps would help mitigate further risks to social services and ultimately the NHS itself, given the symbiotic relationship between these two vital areas of the welfare state.

We welcome the continued dialogue that we are having and value our recent engagement, in which we have put our case that there is a strong case to restore



recurrent funding for the 2023-24 teacher's pay deal. We would also welcome a joint approach to the Treasury on the issue of funding for teachers' pensions contributions that addresses the risks council's potentially face. In England, a clear communication has been made to schools by the Teachers' Pension Service.

We do welcome the consolidation of education grants and we hope that will lead to a reduction in the administrative burden. However, we remain concerned about other aspects of grant funding especially around those not yet announced. There were also some significant reductions to some homelessness grants which do not square with the importance attached to the issue or the recent consultation on ending homelessness in Wales.

In more general terms, there are a number of new legislative responsibilities which underline to us that we need a return to what in the past was called the 'Essex-Jones Agreement' where new responsibilities are fully funded. Local government should be allowed to fully contribute to costing legislation through Regulatory Impact Assessments. There have been some excellent examples of good practice and engagement recently.

Finally, we would like to extend our thanks to you and your officials for the way you have engaged with us, in the most challenging of times, in working towards our shared priorities.

Yours sincerely,

## Finance Key Dates 2023-24

06 September	Distribution Sub-Group formula workshop
07-08 September	SOLACE Conference
08 September	SWT Survey deadline
08 September	SWT Development Day
11 September	Senedd returns from summer recess
14 September	WLGA Conference
15 September	WLGA Executive Board
26 September	Joint Council for Wales
29 September	SWT

12 October	Finance Sub-Group on Administrative Burden Review
16 October	Fairer Council Tax - Leaders' meeting with Minister for Finance & Local Government
24 October	Local Taxation Working Group
25 October	Finance Sub-Group
27 October	WLGA Management Sub Committee
27 October	WLGA Executive Board

07 November	Finance Cabinet Members' Network Meeting
09 November	Welsh Government Tax Conference
09 November	Senedd Engagement – South West Wales (Sponsor- Mike Hedges, Leaders – Rob Stewart, Steve Hunt, Hugh David)
09 November	Senedd Engagement - Mid and West Wales (Sponsor- Mabon ap Gwynfor, Leaders - Darren Price, Bryan Davies, David Simpson)
10 November	Senedd Engagement - North Wales (Sponsor- Sam Rowlands, Leaders- Dyfrig, Jason and Ian)
13 November	Fairer Council Tax - Leaders' meeting with Minister for Finance & Local Government
14 November	Local Taxation Working Group
14 November	Distribution Sub-Group
17 November	Senedd Engagement* - South Wales East and South Wales Central (Sponsor- Peter Fox MS, Leaders- Anthony, Andrew, Lis Burnett, Sean Morgan)
22 November	CIPFA Wales Conference
<b>22 November</b>	<b>Autumn Statement and OBR Forecasts</b>
<b>23 November</b>	<b>Finance Seminar</b>
24 November	WLGA Executive Board
24 November	SWT
30 November	Deadline for Senedd Inquiry in WG Budget 2024-25

15 December	WLGA Executive Board
15 December	SWT
18 December	Senedd Christmas recess to 07 January
<b>19 December</b>	<b>Draft Welsh Government Budget</b>
<b>20 December</b>	<b>Provisional LGF Settlement</b>

16 January	Unison Local Government Seminar
18 January	Local Government & Housing Committee – Scrutiny of WG Budget 2024-25 - Cllr Lis Burnett, Cllr Jane Gebbie, Cllr Dyfrig Siencyn & Cllr Charlie McCoubrey,
18 January	Finance Committee – Scrutiny of WG Budget 2024-25 - Cllr Andrew Morgan, Cllr Llinos Medi, Cllr Mary Ann Brocklesby & Cllr Anthony Hunt
19 January	Senedd Engagement Session: South East Wales and South Wales Central
25 January	Local Government & Housing Committee – LGF Bill
26 January	WLGA Executive Board
31 January	Deadline for responses to the Local Government Finance Settlement

01 February	Senedd Engagement Session: South Wales West
06 February	Debate on WG Budget and Finance Settlement
21 February	Finance Sub Group
24 February	WLGA Executive Board
<b>27 February</b>	<b>Welsh Government Final Budget and LGF Settlement</b>
05 March	Senedd Debate on LGF Settlement
<b>06 March</b>	<b>UKG Budget</b>