

**PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2020-21****Purpose**

1. This report provides a brief overview of the [Draft Welsh Government Budget](#) and the [Provisional Local Government Settlement](#), announced on the 16 December 2019.

**Background**

2. On the 16 December 2019, the Minister for Finance and Trefnydd published the draft Welsh Government Budget for 2020-21. The budget<sup>1</sup> will increase by £953m (5.7%). Day-to-day spending will increase by £608m (4.1%) and spending on capital will increase by £345m (17.4%). There are no indicative revenue figures for future years, although the Chancellor has announced a UK Government budget on 11<sup>th</sup> March 2020.
3. The Minister for Housing and Local Government set out the Provisional Local Government Settlement for 2020-21 on the same day, followed by a statement to the National Assembly on 6<sup>th</sup> January 2020. There is an increase in the revenue settlement (Aggregate External Finance - AEF) which is 4.3% higher than 2019-20 on a like-for-like basis. Welsh Government has increased AEF by £184 million.
4. The WLGA's estimated local government's spending pressures for 2020-21 at around £254 million, of which, workforce pressures were estimated at £177 million. It is clear that a substantial proportion of pressures have been funded but there will be local variations both in terms of pressures and settlement.
5. The consultation on the Provisional Local Government Settlement ends on 3<sup>rd</sup> February 2020. Welsh Government Ministers intend publishing their final Budget 2020-21 and the final Local Government Settlement 2020-21 on 25<sup>th</sup> February 2020.

**Welsh Government's Draft Budget 2020-21**

6. The Welsh Government has set out its strategic spending plans for revenue and capital, taxation and borrowing proposals. This included details of the high-

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<sup>1</sup> This is spend within Departmental Expenditure Limits (DEL) so excludes Annually Managed Expenditure (AME)

level MEGs (Main Expenditure Groups) which are the building blocks of the budget.

7. Overall the Welsh Government's Total Managed Expenditure will be close to £20 billion in 2020-21. Within that definition is the Departmental Expenditure Limit (DEL) which is the element of the budget under direct Ministerial control.
8. The capital and revenue DEL will increase by £953 million (5.7%) to £17.4 billion in total. Day-to-day spending will increase by £608 million (4.1%) to £15.4 billion while spending on capital will increase by £345 million (17.4%) to £2.3 billion.
9. 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 3.3%. Business rates lies outside the DEL definition as part of Annually Managed Expenditure (AME). It increases by £75 million (7.1%) to £1.14 billion.

**Figure 1: Changes to Welsh Government Departmental Expenditure Limit (DEL) 19-20 to 20-21**

Resource and Capital (Excluding AME)	Resource		Capital		Total	
	£000s	%	£000s	%	£000s	%
Health and Social Services	365,398	4.6%	1,392	0.4%	366,790	4.4%
Housing and Local Government	126,233	3.3%	58,314	8.6%	184,547	4.1%
Economy and Transport	22,690	3.2%	204,559	35.2%	227,249	17.6%
Education	55,937	3.7%	- 735	-0.3%	55,202	3.2%
International Relations and the Welsh Language	5,263	3.3%	34,030	224.1%	39,293	22.2%
Environment, Energy and Rural Affairs	5,391	2.6%	43,931	50.5%	49,322	16.5%
Central Services and Administration	27,374	8.3%	3,448	13.1%	30,822	8.7%
<b>Total Resource and Capital (Excluding AME)</b>	<b>608,286</b>	<b>4.1%</b>	<b>344,939</b>	<b>17.4%</b>	<b>953,225</b>	<b>5.7%</b>

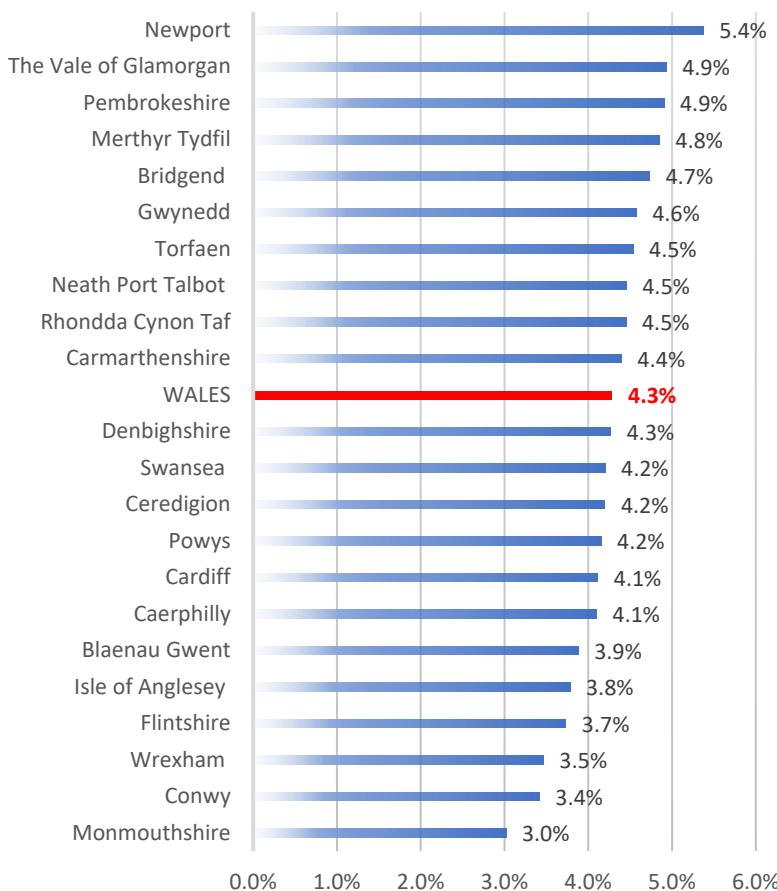
## Provisional Local Government Settlement 2020-21

### Revenue – Aggregate External Finance

10. There is an increase in Aggregate External Finance (AEF) of £184 million or 4.3% on like-for-like basis when the following transfers are added to the 2019-20 AEF settlement:
  - £39.112 million for the teachers' pensions grant (the 7/12s element)
  - £12.018 million for the teachers' pay grant (the 7/12s element)
  - £1.9 million for NHS funded nursing care
  - £151,000 for the Coastal Risk Management Programme
11. This is the most significant increase in the local government revenue settlement in over a decade and will meet a substantial proportion of the 2020-21 budget pressures estimated by the WLGA earlier this year. The WLGA's press release issued on 16<sup>th</sup> December 2019 in response to the Provisional Settlement is included at Annex 1.

12. The delayed publication of the Provisional Settlement has enabled the Welsh Government to use the latest tax-base figures for 2020-21 which means that there should be no change between the Provisional and Final Settlements as a result of updates to the tax-base. Historically updating the tax-base has resulted in a slight change to the distribution when the final settlement was announced.
13. Figure 2 below shows the range of provisional revenue settlements for individual authorities around the average, driven by the funding formula. This is largely a reflection of movements in a number of datasets used within the formula derived from the schools' census and financial data. The reversion to the use of the mid-year population estimates has also impacted. The increases in AEF for individual authorities range from 3% to 5.4%.

**Figure 2: Changes to AEF, 2019-20 to 2020-21 by local authority**



Source: WG Provisional LGF Settlement 2019-20

14. There is no floor protection included within the Provisional Settlement and the Minister has set out her rationale in her Provisional Settlement letter to Leaders. The Leader of the WLGA has written to the Minister setting out the rationale for exploring the potential for a funding floor to ensure that all authorities receive a revenue settlement that enables it to cover its workforce costs (Annex 2).

### **Revenue – Specific Grants**

15. On a like-for-like basis, specific revenue grants will increase from £971m to £982 million which is a slight increase of around 1%. While many of the grants remain unchanged from the 2019-20 figure, there is a significant decrease in the Sustainable Waste Management grant. The £7.5 million grant that contributed to teachers' pay for the 2018-19 pay award comes to an end as it was a 'time-limited' arrangement.
16. There are increases in several grant schemes, some of the more significant include:
  - Regional Consortia and School Improvement Grant £154 million
  - Pupil Development Grant £101 million
  - PDG Access Grant £8 million
  - Residual Waste Gate Fee Support £13 million
  - Childcare Offer £56 million
  - Social Care Workforce and Sustainability Grant £40 million

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

17. Overall Capital Funding (both GCF and Capital Grants) will increase from £519 million to £630 million on a like-for-like basis. The additional £111 million represents a 21% increase.
18. General Capital Funding (GCF) increases from £173 million to £178 million. This is a 3% increase year on year increase (but actually a £15 million increase over original plans). Capital Grants are set to increase by £109 million which is a 32% increase.

## **Recommendations**

19. **Members are asked to note and comment on the report and agree the key themes of the WLGA response to the Provisional Local Government Settlement for 2020-21.**

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**Report cleared by:**

**Cllr Anthony Hunt**  
**Spokesperson for Finance & Resources**

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## DATGANIAD I'R WASG WLGA PRESS RELEASE

**Dydd Llun 16 Rhagfyr 2019 / Monday 16  
December 2019**

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**CLILC • WLGA**

### **Cynnydd ariannol sylweddol cyntaf mewn 12 mlynedd yn cael ei groesawu gan CLILC**

Mae CLILC heddiw wedi croesawu setliad "cadarnhaol" ar gyfer cynghorau y flwyddyn nesaf a fydd yn gweld cynghorau yn derbyn y cynnydd mwyaf mewn 12 mlynedd o ran cyllid craidd.

Bydd cynghorau yn derbyn hwb o 4.3% yn y cyllid sy'n cael ei ddyrannu iddyn nhw'n flynyddol gan Lywodraeth Cymru i helpu i gynnal gwasanaethau lleol. Mae cyllid cyfalaf ychwanegol hefyd wedi cael ei neilltuo ar gyfer buddsoddiad mewn isadeiledd.

Ers cychwyn y cynni ariannol yn 2010, mae gwasanaethau lleol wedi ysgwyddo dros £1bn o doriadau sy'n golygu bod cynghorau wedi gorfol blaenorïaethu'n ofalus a gwneud penderfyniadau anodd iawn. Er bod setliad y flwyddyn nesaf yn ryddhad i awdurdodau lleol, mae'r rhagolwg o ran cyllid yn parhau i fod yn heriol. Bydd yn rhaid i gynghorau barhau i wneud penderfyniadau anodd i flaenorïaethu gwasanaethau, gan gynnwys cynyddu'r dreth gyngor i gwrdd a'r diffyg ariannol.

Dyweddodd y Cyngropydd Andrew Morgan (Rhondda Cynon Taf), Arweinydd CLILC ac Arweinydd y Grŵp Llafur:

"Fel Arweinydd newydd CLILC, rwy'n croesawu'r setliad eithriadol o dda yma. Rydyn ni'n hapus fod ein ymgysylltu cadarnhaol gyda Llywodraeth Cymru wedi talu ar ei ganfed ar gyfer ein gwasanaethau, ein gweithlu ac ein trigolion. Trwy gydol y flwyddyn, rydyn ni wedi bod yn cwrdd â nifer o Weinidogion sydd wedi gwrando'n ofalus ar yr hyn oedd gennym ni i ddweud ac yn cydnabod yr effaith ddinistriol mae cynni wedi ei gael ar wasanaethau lleol a gweithwyr rheng flaen.

"Hoffwn i ddiolch i'r Gweinidog dros Dai a Llywodraeth Leol, Julie James, Gweinidog Cyllid a Threfnydd, Rebecca Evans, a'r Prif Weinidog Mark Drakeford. Mae nhw wedi dangos ymrwymiad amlwg i lywodraeth leol. Mae gwasanaethau lleol yn hanfodol i gadw pobl yn iach ac i ffwrdd o ystafelloedd aros ein hysbytai, a mae'n hollbwysig eu bod nhw'n derbyn y cyllid sydd ei angen arnyn nhw."

Dyweddodd y Cyngropydd Anthony Hunt (Torfaen), Llefarydd CLILC dros Gyllid:

"Mae llywodraeth leol yn rhannu'r un blaenoriaethau â Llywodraeth Cymru. Bydd arweinwyr ledled Cymru yn gwneud popeth o fewn eu gallu i sicrhau bod cyllid yn cael ei gyfeirio i'n hysgolion i wella cyflawniadau addysgol, ac i ofal cymdeithasol i sicrhau bod y rhai mwyaf bregus yn ein cymdeithas yn derbyn y gofal y mae nhw ei angen.

"Trwy gydol y cynni ariannol, mae cynghorau wedi rheoli eu cyllidebau'n ofalus, gan wneud arbedion effeithlonrwydd bob blwyddyn. Wedi degawd o doriadau dwfn a dinistriol, roedden ni'n brysur agosáu at gyrraedd y pen. Rwy'n gobeithio fod y setliad yma'n nodi cychwyn siwrnai hollol wahanol."

Dyweddodd y Cyngropydd Peter Fox OBE (Sir Fynwy), Arweinydd Grŵp Ceidwadol CLILC:

"Rwyf wedi fy siomi gyda'r setliad yma. Rhoddodd Lywodraeth y DU ddigon o gyllid i Lywodraeth Cymru i wneud lawer gwaith gwell na hyn, a mae nhw unwaith eto wedi methu llywodraeth leol yng Nghymru. Ymhellach, rydyn ni'n gweld gwahaniaethau mawr yn y cyllid sy'n cael ei dderbyn gan rai cynghorau o gymharu ag eraill. Mae gwahaniaeth o rhwng 3% a 5.4% yn hurt y dyddiau yma. Rhaid gwneud rhywbeth i fynd i'r afael â'r amrywiad yma."

Dyweddodd y Cyngropydd Emlyn Dole (Sir Gaerfyrddin), Arweinydd Grŵp Plaid Cymru CLILC:

"Mae'r setliad cadarnhaol heddiw yn cydnabod yr heriau a wynebir gan gyllidebau awdurdodau lleol o ran pwyseddau'r gweithlu a demograffig. Mae'r £184m ychwanegol yn gynnydd i'w groesawu wedi blynnyddoedd o ostyngiadau mewn termau real. Ond nid yw'n cwrdd â'r holl bwyseddau a bydd awdurdodau lleol yn dal i wynebu penderfyniadau anodd, a bydd angen ystyried yn ofalus sut y bydd y dreth gyngor yn pontio'r bylchau mewn cyllidebau."

"Ni fydd yn dadwneud y £1bn o doriadau sydd wedi ei dynnu o goffrau llywodraeth leol ers 2009-10, ond rwy'n gobeithio ei fod yn cychwyn ar batrwm gwahanol. Rydyn ni wedi colli tua 37,000 o swyddi o fewn llywodraeth leol ers 2009-10, sydd yn cynnwys athrawon a swyddogion rheng flaen. Does yr un arweinydd yn camu i'r byd gwleidyddol i wneud penderfyniadau o'r fath. Gyda'r cyllid sydd nawr ar

gael, gallwn ni ddechrau amddiffyn ein gwasanaethau craidd, yn enwedig ysgolion a gwasanaethau gofal."

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

"Dyma'r setliad gorau y mae Llywodraeth leol wedi ei weld ers 2007-08, ac yn nodi cam i gyfeiriad gwahanol o ran y cyllid grant y mae Llywodraeth leol yn ei dderbyn. Er mwyn gallu cynllunio'n well i'r dyfodol ac i roi mwy o sicrwydd i'n trigolion, mae cynghorau angen fframwaith cyllidebol aml-flwyddyn fwy cadarn fel ein bod ni'n gallu delio ag atal ac ymyrraeth gynnar mewn cyd-destun fwy hir dymor."

"Bydd Adolygiad Gwariant y flwyddyn nesaf yn cynnig cyfle i wynebu hynny a rwy'n edrych ymlaen i drafodaethau gyda Llywodraeth Cymru o ran mwy o hyblygrwydd fel ein bod ni'n gallu canfod atebion cynaliadwy hir-dymor i gyllid lleol. Rwy hefyd yn pryderu am sut y mae'r setliad yn amrywio ar draws yr awdurdodau, a byddaf yn edrych i ganfod sut y gallwn ni ddatrys hynny."

**-DIWEDD-**

## **First significant funding increase in 12 years welcomed by WLGA**

WLGA has today welcomed a "positive" settlement for councils next year which will see councils receive the first significant increase in their core grant funding in over 12 years.

Councils will get a 4.3% boost in the block funding which is annually allocated to them by Welsh Government to help maintain local services. Extra capital funding has also been made available for investment in infrastructure.

Local services have shouldered cuts of over £1bn since the onset of austerity in 2010, meaning that councils have had to carefully prioritise and take extremely difficult decisions. Although next year's settlement provides some breathing space for local authorities, the financial outlook remains very challenging. Councils will have to continue to make tough decisions to prioritise services, including council tax increases to help meet the funding shortfall.

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

"As the new Leader of the WLGA I welcome this exceptionally good finance settlement. I am pleased that our positive engagement with the Welsh Government has paid dividends for our services, for our workforce, and for our

residents. Throughout this year we have met with a number of Ministers who have listened carefully to what we had to say and have recognised the damaging effect that austerity has had on local services and frontline workers.

"I would like to personally thank the Minister for Housing and Local Government, Julie James, the Minister for Finance and Trefnydd, Rebecca Evans, and the First Minister, Mark Drakeford. They have clearly shown a commitment to local government. Vital local services are essential to prevent keep people well and out of hospital waiting rooms, and it is crucial that those services receive the funding that they need."

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

"Local government shares the same priorities with Welsh Government. Leaders across Wales will be doing everything in their power to ensure that funding is directed towards schools to improve education outcomes, and towards social care to ensure the most vulnerable in our communities receive the care they deserve.

"Councils have carefully managed their budgets throughout austerity, making efficiency savings year after year. After a decade of deep and damaging cuts, we were rapidly reaching breaking point. I hope this settlement marks the start of a completely different journey"

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

"I am disappointed with this settlement. The UK Government gave sufficient resource to the Welsh Government to do significantly better than this and they have failed local government in Wales again. Furthermore, we yet again see massive distortions in the funding received by some councils in comparison to others. A differential between 3% and 5.4% is ridiculous in current times. Something needs to be done to address this variation."

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

"The positive settlement today recognises the challenges faced by local authority budgets in terms of workforce and demographic pressures. The additional £184m is a welcome increase after years of real terms reductions. It does not cover all the pressures and local authorities will still be faced with tough decisions and will need to carefully consider how council tax will bridge remaining gaps in budgets.

"It will not completely reverse the £1bn that has been taken from core funding since 2009-10, but I hope that this is the beginning of a different trend. We have lost around 37,000 jobs in local government since 2009-10 which includes teachers and other frontline officers. No leader comes into politics to make these

kinds of decisions. With the funding that has now been made available we can start to protect our core services especially schools and social services."

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

"The is the best settlement local government has seen since 2007-2008 and marks a step change in the grant funding that local government receives. To properly plan for the future and to give our residents more certainty, councils need a more robust multiyear financial framework so that we can properly address prevention and early intervention in a longer-term context.

"Next year's Spending Review will offer an opportunity to address that and I look forward to discussions with Welsh Government around more flexibilities so that we can find sustainable long-term solutions to local finances. I am also concerned about the variation across all local authorities and will be looking to find ways in which this can be addressed."

**-ENDS-**



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**Ein Cyf /Our Ref:** JR/AH  
**Eich Cyf /Your Ref:**  
**Dyddiad /Date:** 6 January 2020  
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**CLILC • WLGA**

Mrs Julie James AM  
 Minister for Housing and Local Government  
 Welsh Government  
 5<sup>th</sup> Floor, Ty Hywel  
 Cardiff Bay  
 CF99 1NA

Dear Julie,

### **Provisional Local Government Settlement**

Ahead of our full response to the consultation on the provisional local government settlement in the New Year, I wanted to take the opportunity to thank you for the way in which you have engaged with local government leaders and the WLGA over the last year and since you were appointed as the Local Government Minister. You have listened carefully to our representations and have recognised the impact that successive years of cuts have had on local services and frontline workers. You have demonstrated a clear commitment to local government and the importance of local services and next year will see councils receive the first significant increase in their core grant funding in over 12 years.

As you will have seen our broad response to the provisional settlement has been overwhelmingly positive and the only adverse comments have been from those concerned about the range of individual council settlements delivered by the formula.

Some of our membership are keen to explore options for a funding floor and I am aware that the Leaders from the six authorities in North Wales may be writing to you separately.

I believe there is a firm rationale in having a funded floor that ensures every authority can cover its workforce costs and this could be achieved with a floor set at 4%. The proposal for a funded floor has also been supported by the WLGA Council. This would be a powerful message demonstrating the Welsh Government's commitment to council services and the people who deliver them.

I hope you find this helpful and I would be happy to discuss this with you further.

Dr Chris Llewelyn  
 Prif Weithredwr  
 Chief Executive

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**Croesawn ohebiaeth yn y Gymraeg a'r Saesneg a byddwn yn ymateb i ohebiaeth yn yr un iaith.**

**Ni fydd defnyddio'r naill iaith na'r llall yn arwain at oedi.**

We welcome correspondence in Welsh and English and will respond to correspondence in the same language.  
 Use of either language will not lead to a delay.

Yours sincerely,



**Councillor Andrew Morgan**  
**Leader WLGA**

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