

27th November 2020

COMPREHENSIVE SPENDING REVIEW, WELSH GOVERNMENT DRAFT BUDGET & LOCAL GOVERNMENT SETTLEMENT 2021/22

Purpose

1. This report provides a brief overview of Finance Sub-Group discussions earlier in November and provides an update on other finance issues and announcements.

Welsh Government Budget 2021-22 & Settlement

2. At the Finance Sub-Group on the **2 November**, the Finance Minister gave an update on the Spending Round. Much of this was set out in her letter to the WLGA Leader on 29 October. With the UK Government's Spending Round now to be announced on **25 November**, the new date that Welsh Government is working to for its own draft budget is **21 December**. The provisional local government settlement will be on the **22 December**. The Spending Round will be a single rather than a multiyear announcement. Key dates are set out below:

19/11 – Welsh Government Virtual Conference: Reforming Local Taxes
25/11 – UK Government Spending Review
27/11 – WLGA Council
08/12 – Joint Finance/Economic Development Cabinet Members
17/12 – WLGA Management Sub Committee
21/12 – Draft Welsh Government Budget
22/12 – Provisional local government settlement
06/01 – Deadline for Committee Evidence
14/01 – Evidence Session with Equalities, Communities & Local Government
02/03 – Final local government settlement
09/03 – Senedd debate on the local government settlement

3. At the Finance Sub-Group, Leaders reported on next year's financial pressures of £279m. Around two thirds of this is attributable to workforce pressures. COVID-19 pressures are being considered separately and will clearly be part of the baseline where there is a longer-term legacy. In the Finance Sub-Group, Leaders highlighted the fair settlement for financial year 2020-21 which saw a core grant for local government increase by £184m, a 4.3% increase. Leaders also made the case for a floor in 2021-22 as a range of increases is already evident from the report of the Distribution Sub-Group.
4. Although nothing is currently known about the upcoming Spending Review, at the time of the 2020 March Budget indicative spending plans showed average real-terms growth of 1.9% (faster in earlier years) over the planning horizon (to

2024-25). Clearly much has happened since which will impact on the Chancellor's outlook.

5. In addition the Senedd Committees are now [calling for evidence on WG 2021-22 Budget](#) with a deadline of **6 January**. The WLGA is working on an evidence paper and the oral evidence session with the Equalities and Local Government Committee is likely to be held on 14 January 2021.

In-year COVID Pressures

6. The claims process for expenditure pressure and income loss due to COVID seems to be working reasonably well. The latest information we have shows that nearly £511m has been made available to local authorities so far.
7. Claims up to the end of August show that £198m (see Annex 1) has been paid out. If we add to this our own estimates for September claims (including Quarter 2 income loss) then we estimate that £262m will have been paid at the half-way point in the financial year. This is 51% of the overall envelope. The table in the Annex shows each authority's payments up to the end of August. We understand that 15 out of the 22 claims for quarter 2 income loss have been submitted so it is important to note that this is all estimated.
8. The Wales Fiscal Analysis team have also published their latest analysis of the Welsh Government's fiscal response to COVID [Funding the Firebreak and Beyond](#). The report takes information from the last two Supplementary Budgets and estimates the Welsh Government's total response so far at £5.06bn. The sources of funding for this are £4.39bn of consequentials and the remainder is made up from the Welsh Government's own budget and 'block grant adjustments'.
9. On the spending side of the fiscal response, WFA estimate that around £3.91bn is committed leaving around £1.15bn in unallocated funds. A further £600m was announced by UKG after the report's publication. Between the **6 October** and **11 November** WG made several funding announcements - including an additional [£15.7m for the contact tracing workforce under TTP](#) - and the WFA estimate that £1.35bn is yet to be allocated from the resource DEL after taking these commitments into account.

Updated UKG Winter Economy Plan and the Furlough Scheme

10. While there'll be no formal Autumn Budget this year the Chancellor did set out his [Winter Economy Plan](#) on **24 September** which covers the next phase of his planned economic response to the coronavirus pandemic. The 15% emergency VAT cut for the tourism and hospitality industries will be extended from January 2021 to 31 March. Businesses who deferred their VAT bills will be able to pay

back their taxes in 11 smaller interest-free instalments and self-assessment income taxpayers will be given more time to pay.

11. There are probably 100,000 employees in Wales on the furlough scheme at the start of October just as the share of earnings paid by the UK Government under the scheme fell to 60%. Days after the firebreak lockdown announcement in Wales the UK Chancellor updated his Winter Economic Plan laid out in September.
12. The changes essentially created two new forms of job support to replace the original furlough scheme from the start of November. However, with the announcement of a lockdown in England – the day before the Job Support Scheme was set to come in, the UK Chancellor decided to extend the original furlough scheme until December.
13. Furthermore, for November, the UK government will pay 80% of employees' usual pay (up from 60% under October's Job Support Scheme) and this will be open to all employees regardless of sector or whether they had previously been furloughed. The Chancellor [announced on the 5 November](#) that the furlough scheme would extend to March. At the time of writing there were no details.

£500 Social Care Workforce Special Payment Scheme

14. The [Social Care Workforce Special Payment Scheme](#) went live back in Welsh Government aspiration was to make all payments by October, but this looks unlikely, however the vast majority will be have been made. This was originally announced back in May and, as you may be aware, there have been several administrative hurdles to clear on what has turned out to be a complex scheme.
15. At the end of September around one third of those eligible had received payments. WG are currently collating data on the October position and we shall update when we have received the data.
16. The impact on CTRS claims has been a big issue but officers are still working on a potential solution with WG which seems to have been positively accepted.

£500 Self-Isolation Payment Scheme & Statutory Sick Pay Enhancement Scheme

17. [The £500 Isolation Payment Scheme](#) will be available for those who are low income and required to self-isolate. Local authorities will administer the main scheme and the 'discretionary' element of the fund. Benefits Managers have been working tirelessly to try and get the scheme up and running at a time when they are already at capacity.

18. The scheme went live on the **16 November**, but claims will be backdated to the start of the firebreak on the **23 October**.
19. The [Statutory Sick Pay Enhancement Scheme](#) will support those care workers who only receive statutory sick pay (and those not eligible for SSP) by allowing employers to pay eligible workers at full pay. This is to ensure they follow the guidance, self-isolate and maintain infection control. This will only apply to those who have been told to self-isolate from **1 November**.
20. The private care providers will be required to work alongside their Local Authority counterparts on the scheme and Welsh Government have been facilitating a series of workshops this week for all stakeholders.

Further Business Support through Firebreak

21. A further iteration of [Non Domestic Rates Business Grants Scheme](#) was announced on **20 October** with Local Authorities being asked to deliver vital financial support to businesses, this time in conjunction with a Discretionary Scheme for those businesses and sole traders not liable for Business Rates.
22. After a period of intense joint working the scheme went live on **28 October** at the same time as the Economic Resilience Fund. **The latest data¹ on small business grants shows that local authorities made nearly 28,000 awards totalling £79m in the last 2 weeks.** These businesses provide employment for over 100,000 people.
23. Welfare aware that officials are exploring options for redistributing the underspend from the first phase of grant allocations in the first quarter of this year. This could be used as discretionary support and officials are still working with local authority officers to quantify the size of the 'underspend'.

Recommendations

24. **Members are recommended:**

- 24.1 To note the content of this report.**

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Annex 1

Total financial support provided by budget within the Hardship Fund

	Homeslessness	Excess Deaths	Adult Social Care	General	FSM	School Cleaning	Enforcement	Loss of income	Total Support provided
Blaenau Gwent	£ 144,205	£ 7,956	£ 1,202,583	£ 714,194	£ 661,571	£ -	£ 1,882	£ 1,104,450	£ 3,836,841
Bridgend	£ 743,116	£ -	£ 2,229,067	£ 1,220,471	£ 822,291	£ -	£ -	£ 2,192,260	£ 7,207,204
Caerphilly	£ 256,666	£ -	£ 3,343,491	£ 1,185,099	£ 181,835	£ 19,168	£ -	£ 1,723,663	£ 6,709,923
Cardiff	£ 1,713,975	£ 1,741,069	£ 10,383,759	£ 7,418,181	£ 4,037,946	£ 35,050	£ -	£ 12,260,200	£ 37,590,180
Camarthenshire	£ 579,578	£ 141,427	£ 4,266,334	£ 2,825,270	£ 1,121,040	£ 144,685	£ -	£ 4,244,348	£ 13,322,682
Ceredigion	£ 82,778	£ 76,257	£ 1,723,856	£ 775,856	£ 549,142	£ 41,538	£ -	£ 1,286,000	£ 4,535,428
Conwy	£ 327,092	£ 177,656	£ 2,841,343	£ 780,059	£ 621,347	£ 24,021	£ -	£ 4,538,356	£ 9,309,873
Denbighshire	£ 352,517	£ 17,184	£ 1,767,888	£ 581,097	£ 1,004,968	£ 6,137	£ -	£ 3,191,507	£ 6,921,299
Flintshire	£ 67,680	£ 697,502	£ 2,036,025	£ 1,639,137	£ 500,133	£ 113,590	£ -	£ 1,597,979	£ 6,652,046
Gwynedd	£ 271,717	£ 21,862	£ 1,970,747	£ 1,369,472	£ 737,160	£ -	£ -	£ 3,522,500	£ 7,893,458
Isle of Anglesey	£ 363,340	£ 7,232	£ 875,610	£ 1,077,575	£ 355,668	£ 3,569	£ -	£ 800,000	£ 3,482,993
Merthyr Tydfil	£ 221,959	£ 13,310	£ 693,686	£ 555,109	£ 809,798	£ 6,536	£ -	£ 700,724	£ 3,001,122
Monmouthshire	£ 191,614	£ -	£ 2,149,949	£ 628,448	£ 418,255	£ 3,180	£ -	£ 1,681,641	£ 5,073,088
Neath Port Talbot	£ 243,941	£ 12,453	£ 2,443,194	£ 871,077	£ 1,876,351	£ 2,092	£ -	£ 3,952,000	£ 9,401,109
Newport	£ 605,150	£ 269,675	£ 3,071,222	£ 2,344,899	£ 1,220,687	£ 2,068	£ -	£ 1,892,912	£ 9,406,613
Pembrokeshire	£ 379,221	£ 282,688	£ 1,797,844	£ 2,465,533	£ 1,149,399	£ 18,366	£ -	£ 2,218,000	£ 8,311,051
Powys	£ 123,127	£ 279,610	£ 4,103,796	£ 1,535,582	£ 633,490	£ -	£ -	£ 1,571,079	£ 8,246,684
Rhondda Cynon Taf	£ 208,886	£ 75,120	£ 3,316,568	£ 5,629,539	£ 2,004,883	£ 95,356	£ -	£ 3,981,860	£ 15,312,212
Swansea	£ 322,112	£ 11,023	£ 2,947,661	£ 1,812,708	£ 1,737,972	£ -	£ -	£ 6,976,027	£ 13,807,503
Torfaen	£ 166,346	£ 580	£ 1,889,776	£ 450,356	£ 837,058	£ -	£ -	£ 1,429,630	£ 4,773,747
Vale of Glam	£ 319,912	£ -	£ 2,493,285	£ 1,626,874	£ 888,233	£ 9,453	£ -	£ 958,000	£ 6,295,757
Wrexham	£ 393,998	£ 17,964	£ 1,998,572	£ 757,475	£ 685,949	£ 1,160	£ 1,862	£ 1,507,000	£ 5,363,981
National Parks								£ 789,274	£ 789,274
Town & Community Councils								£ 399,182	£ 399,182
YTD Total	£ 8,078,930	£ 3,850,568	£ 59,546,257	£ 38,264,011	£ 22,855,176	£ 525,968	£ 3,744	£ 64,518,592	£ 197,643,247