

WLGA Briefing

Welsh Government Draft Budget And Provisional LGF Settlement 2020-21



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

16 December 2019

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Summary

Earlier this afternoon the Welsh Government published its [draft budget](#). The **budget¹ 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**, but we expect a new UK Government to launch a Spending Review in the new year.

The Minister for Housing and Local Government has also published the provisional local government finance settlement. There is an **increase in the revenue settlement (Aggregate External Finance) which is 4.3% higher than 2019-20 on a like-for-like basis**. The Welsh Government have increased AEF by £184m.

Over the summer we estimated local government's **spending pressures at around £254m for 2020-21, and within that workforce pressures estimated at £177m**. It is clear that a substantial proportion of pressures have been funded but there will be local variations to what is an all-Wales aggregate picture.

The announcement is unusual in that it has been made in recess. The Minister for Finance & Trefnydd will make a statement to the National Assembly on the **on 6 January 2020**. The National Assembly will then scrutinise portfolio plans in the respective policy committees over January and February.

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

The Welsh Government's Draft Budget

Overall the Welsh Government's Total Managed Expenditure will be close to £20bn in 2020-21. 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 will increase by £953m (5.7%) to £17.4bn. Day-to-day spending will increase by £608m (4.1%) to £15.4bn and spending on capital will increase by £345m (17.4%) to £2.3bn.

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%
Total Resource and Capital (Excluding AME)	608,286	4.1%	344,939	17.4%	953,225	5.7%

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 £75m (7.1%) to £1.14bn.

Local Government Settlement

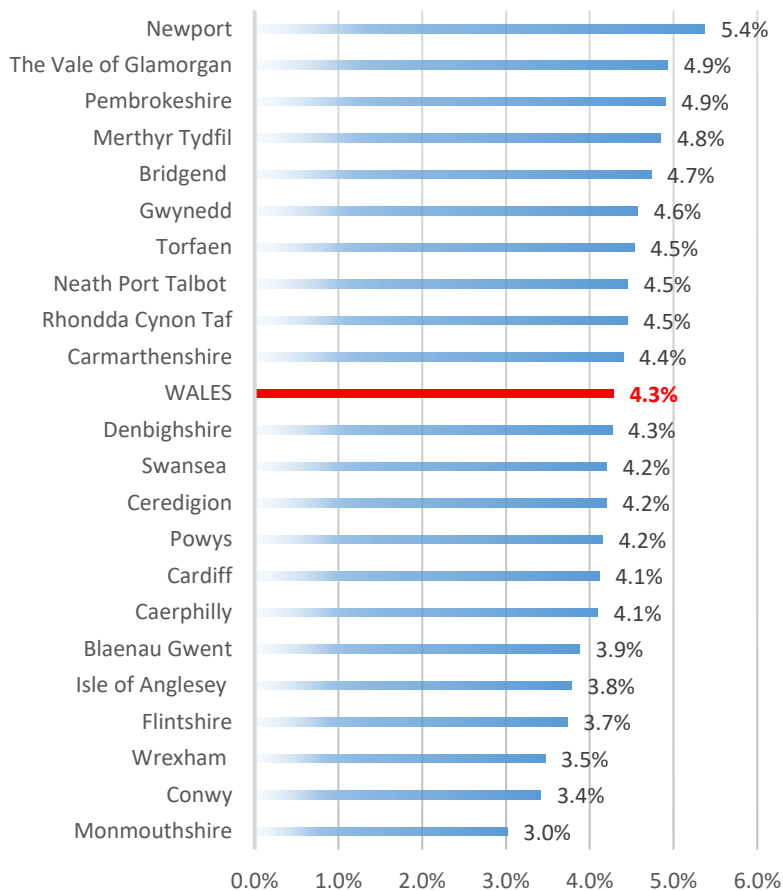
The announcement today is confirmed in the traditional [letter](#) to Leaders. There is an increase in Aggregate External Finance (AEF) of £184m or 4.3% on like-for-like basis.

Figure 2 below shows an inevitable range around of the average driven by the funding formula. This is largely a reflection of movements in a number of 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 Monmouthshire with 3% and the highest is Newport with an increase of 5.4%.

There is no floor protection and the Minister has set out her rationale in her letter.

Figure 2: Changes to AEF, 2018-19 to 2019-20 by local authority



Source: WG Provisional LGF Settlement 2019-20

The increase is on top of **4 transfers into the settlement:**

- £39.112m for the teachers' pensions grant (the 7/12s element)
- £12.018m for the teachers' pay grant (the 7/12s element)
- £1.9m for NHS funded nursing care
- £151k for the Coastal Risk Management Programme

You would have to go back to 2007-08 to find a settlement with a similar significant increase.

Specific Revenue Grants

On a like-for-like basis specific revenue grants **will increase from £971m to £982m** which is a slight increase of about 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 £7.5m grant that contributed to teachers' pay for the 2018-19 pay award comes to an end as it was a 'time-limited' arrangement.

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

- Regional Consortia and School Improvement Grant £154m
- Pupil Development Grant £101m
- PDG Access Grant £8m
- Residual Waste Gate Fee Support £13m
- Childcare Offer £56m
- Social Care Workforce and Sustainability Grant £40m

Details of around 80 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) will increase from **£532m to £646m on a like-for-like basis**. The £113m represents a 21% increase.

General Capital Funding (GCF) increases **from £173m to £178m**. This is a 3% increase year on year increase (but actually a £15m increase over original plans). **Capital Grants are set to increase by £108m which is a 30% increase.**

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

Also appended:

[Link to Welsh Government Draft Budget 20-21](#)

[Link to Provisional LG Settlement 20-21](#)

Annex I: WLGA's response to Provisional LGF Settlement

DATGANIAD I'R WASG WLGA PRESS RELEASE

Dydd Llun 16 Rhagfyr 2019 / Monday 16
December 2019

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



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 gorfod blaenoriaethu'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 flaenoriaethu gwasanaethau, gan gynnwys cynyddu'r dreth gyngor i gwrdd a'r diffyg ariannol.

Dywedodd y Cynghorydd 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 gwrandao'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.”

Dywedodd y Cyngorydd 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 cyngorau 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.”

Dywedodd y Cyngorydd 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 cyngorau 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.”

Dywedodd y Cyngorydd 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 blynyddoedd 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 Cynghorydd 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:

“This 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-