

WLGA Briefing

Welsh Government Draft Budget And Provisional LGF Settlement 2017-18



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

19 October 2016

Jon Rae
029 2046 8620 – jon.rae@wlga.gov.uk

Summary

The Welsh Government went for an earlier publication date than last year, and the Cabinet Secretary for Finance and Local Government presented his first draft Budget to the Assembly yesterday. **Total Managed Expenditure had increased by £650m (4.0%)** which was split between the revenue budget £503m (3.5%) and the capital budget £147m (15.3%).

Today the Cabinet Secretary for Finance and Local Government has set out the provisional local government finance settlement in a Cabinet Written Statement which is appended to the traditional letter to Leaders. There is a very **slight increase in the revenue settlement (Aggregate External Finance) which is 0.1% higher than 2016-17**. However, this includes additional funding for new responsibilities. These relate to the raising the capital limit for residential care to £30k and a full disregard of the War Disablement Pension (WDP) in financial assessments for charging for social care.

Overall, the levelling out of reductions to the revenue settlement is clearly better than it has been over the last three financial years. However, local government's **spending pressures will total around £192m in 2017-18** which will have to be either fully absorbed by councils or partially offset by council tax increases. As the Institute of Fiscal Studies recently pointed out the impact on discretionary areas of spend will be particularly tough for councils.

In terms of the capital, **levels of capital funding show a slight decrease**. Levels of General Capital Funding remaining intact but are now consolidated in the local government MEG.

Welsh Government's Draft Budget

From the information published yesterday, it is clear that the Welsh Government's Budget for **Total Managed Expenditure grew in in cash terms from £16.1bn to £16.7bn**, a surprising increase of £650m, or 4.0%. Just over three quarters of that increase was for revenue funding.

The table below breaks down Total Managed Expenditure into revenue - or resource - and capital, by each of the Main Expenditure Groups (MEG).

Table 1: Changes to WG Total Managed Expenditure, 2016-17 to 2017-18 by MEG

	Total Managed Expenditure (Resource)		Total Managed Expenditure (Capital)		Total Managed Expenditure	
	Net Change	%	Net Change	%	Net Change	%
Health, Well-being and Sport	324,748	4.7%	27,983	-10.2%	296,765	4.1%
Local Government	10,621	0.2%	122,837	605.7%	133,458	3.1%
Communities and Children	12,199	3.1%	38,665	-10.3%	26,466	-3.5%
Economy and Infrastructure	147,392	19.6%	111,443	27.8%	258,835	22.4%
Education	26,547	1.9%	2,866	0.5%	29,413	1.5%
Environment and Rural Affairs	5,997	2.1%	23,528	-21.9%	17,531	-4.5%
Central Services and Admin	- 24,835	-8.0%	-	0.0%	24,835	-7.7%
WG Total Managed Expenditure	502,669	3.5%	146,970	8.3%	649,639	4.0%

Source: WG Draft Budget 2017-18

Of the additional £297m that went to the Health MEG, **there was an increase of £325m for revenue while capital reduced by £28m**. Last year the equivalent portfolio received an additional £278m.

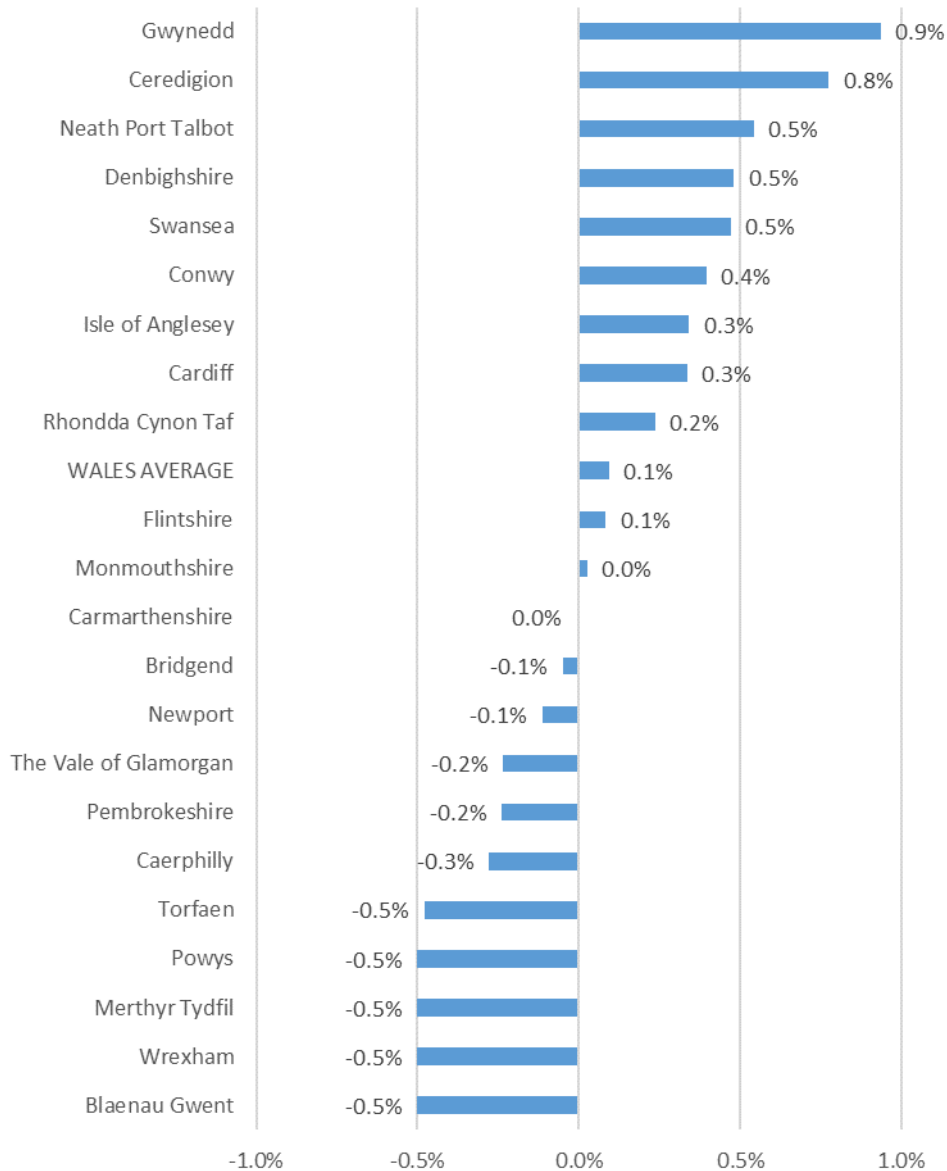
There appears to be a large increase in the Local Government MEG of £133m but this is **due to the consolidation of around £100m of General Capital Funding into that portfolio**. As the Cabinet Secretary stated, general capital funding remains unchanged at £143m.

On the revenue side, the increase of £10.6m will cover a number of budget headers in that portfolio including the increase in the settlement. This will include additional funding for new responsibilities. As set out in the LGF settlement section below the increase in **Aggregate External Finance is £3.8m (or 0.1%)**. **When new responsibilities are netted off the settlement will show a slight decrease.**

Local Government Settlement

You will have received the Cabinet Secretary's Written Statement (annex III) and letter earlier this afternoon and our response is set out at annex IV. The range of AEF reductions is set out in figure 1.

Figure 1: Changes to AEF, 2016-17 to 2017-18 by local authority



Source: WG Provisional LGF Settlement 2017-18

Other key points

- the key headline is that **Aggregate External Finance is increasing by 0.1% on a like-for-like basis** (subject to the point above that this could be interpreted as a reduction if you net off new responsibilities)

- there is a **range around of the average from an increase of 0.9% in Gwynedd to reductions of 0.5% in Torfaen, Powys, Wrexham, Blaenau Gwent, and Merthyr**, with the latter three authorities receiving **floor protection**
- The **sparsity changes recommended by the Distribution Sub Group** have been phased over two years.
- there are new responsibilities that appear to be funded from additional resource such as **£4.5m for the increase in residential care capital limits** and **£0.3m for the full disregard of the WDP in financial assessments**
- the Welsh Government's statement makes reference the settlement including '£25 million to support the delivery of strong social services' and an 'additional £25 million through the settlement to support the delivery of vital services'; **these should be regarded as within the funding envelope announced today**
- this also applies to other initiatives mentioned in the Cabinet Secretary's statement such as the **£1 million for school transport** or the **£3 million for a pilot scheme to support town centre car parking**, we will seek clarity from civil servants in due course
- Overall general capital funding falls by 1% although General Capital Funding is **maintained at £143 million**, (all budget lines are now merged into the Local Government MEG), there are concerns about some of the regeneration funding lines in the WG Budget and our WLGA colleague, Tim Peppin, will seek clarity in due course

Specific Revenue Grants

There is a table of specific grants outlined in Annex V

- Out of the 60 specific grants that existed in 2016-17, **14 grants consolidate into new grants, 5 grants transfer into the settlement or to Social Care Wales and 1 grant ceases.**
- There was **no information on 11 grants at the time of publication.**
- For those that have been announced and are comparable to 2016-17, there is a **reduction in the total amount of around 1%**
- There are notable **increases in the pupil deprivation grant and Pioneer Schools of 7%**, and a notable **decrease in the Single Revenue Grant (Environment) of 7%**

Also appended:

Annex I: Welsh Government Press Statement on Draft Budget

Annex II: WLGA's response to the Draft Budget

Annex III: Welsh Government Press Statement on Provisional Settlement

Annex IV: WLGA's response to Provisional LGF Settlement

Annex V: Table of Specific Grants

Welsh Government Press Statement on Draft Budget

A 2017-18 Draft Budget to Take Wales Forward

Providing stability and ambition in uncertain times

The Welsh Government has today [Tuesday October 18] published its draft Budget for 2017-18 to provide stability and ambition in uncertain times.

The draft Budget contains investments to take forward the delivery of key priorities in the new programme for government and provides stability for core public services.

It is a Budget which will kick-start the delivery of the six key commitments in *Taking Wales Forward*, providing:

- £111m for apprenticeships and traineeships to start delivering the commitment to create 100,000 all-age apprenticeships;
- A £100m tax cut for small businesses;
- £10m to support pilot childcare projects as part of the commitment to provide 30 hours of free childcare a week for working parents of three to four-year-olds;
- A £20m boost to raising school standards as part of our commitment to provide £100m over the lifetime of this Assembly term;
- £16m for a new treatment fund to provide fast access to new and innovative treatments for life-threatening diseases;
- £4.5m towards raising the residential care capital limit to £50,000.

The draft Budget has been developed against a backdrop of uncertain times. The continued real term cuts to the Welsh block grant by the UK Government as a result of its ongoing programme of austerity and the uncertainty following the EU referendum result underpin the need to provide stability for public services and the need to invest in Wales to grow jobs and our economy.

The Welsh Government is therefore publishing one-year revenue plans for 2017-18 to provide stability and assurance in the short term. Four-year capital plans worth £6.9bn are being published to progress our ambitious commitments and to provide security and confidence to key stakeholders, the construction sector and businesses.

The draft Budget also includes a package of additional spending commitments and non-fiscal measures agreed with Plaid Cymru. These reflect the compact between the two parties concluded in May 2016 and a number of new, jointly agreed investments. In 2017-18 we will:

- Provide a £240m boost to the Welsh NHS to meet the ongoing growth in demand and costs of services;
- Deliver the best local government funding settlement in years;
- Invest £60m in the Intermediate Care Fund to help people maintain their independence in the community and prevent unnecessary hospital admissions;
- Protect funding for the pupil deprivation grant and double the early years pupil deprivation grant.

Over the next four years, our infrastructure plans include:

- £1.36bn towards the delivery of our commitment for 20,000 affordable homes;
- £900m for the M4 relief road, subject to the outcome of the public inquiry;
- £369m towards a South Wales Metro and funding to take forward proposals for a North Wales Metro;
- £300m for improvements to our motorways and trunk roads;
- £46m for a new Welsh Development Bank to support our business sector
- Supporting city and growth deals across Wales;
- More than £500m in our 21st Century school programme;
- £1bn to transform and maintain the NHS estate;
- Using innovative finance models to develop a new Velindre Cancer Centre.

Finance Secretary Mark Drakeford said: “This is a budget to Take Wales Forward – it is about providing stability and ambition in uncertain times.

“We continue to face ongoing cuts to our Budget as a result of decisions made by the UK Government. We cannot hide from the challenges this presents.

“We are facing a period which the Institute for Fiscal Studies calls an extraordinary 11 or more years of retrenchment in public service spending. This is also a Budget which has been developed against the backdrop of the outcome of the EU referendum and the uncertain future of vital European funding streams. Our plans have been shaped by these unprecedented challenges.

“In these uncertain times, we have published a one-year revenue budget, which will provide stability and assurances for our valued public services in the immediate future while we work collectively to plan for the future. Similarly, our four-year capital plans will give security and confidence to our key stakeholders, local construction sector and business.

“And this is also an ambitious Budget. It makes progress in delivering our ambitions for Wales and against the key commitments in our programme for government. It also reflects the Budget agreement we have reached with Plaid Cymru.

“Over the next 12 months, we will invest in new apprenticeships; in childcare schemes to support working parents; in tax cuts for small businesses; in a new treatment fund to give fast access to new and innovative treatments and we will raise the capital limit before people have to pay care home fees.

“This is a Budget in which we are doing all we can to protect our vital public services and invest in Wales to grow jobs and our economy, taking our country forward.”

Notes

Draft Budget documents and action tables are available at:

<http://gov.wales/funding/budget/?lang=en>

WLGA Response to Draft Welsh Government Budget

Welsh Government Draft budget fully acknowledges the WLGA's call for Investment in preventative public services - 18 October 2016

The draft budget announced by Welsh Government today fully acknowledges the important role that local public services play in the preventative agenda. Last week two reports, one from the Health Foundation¹ and one from the Care Quality Commission², highlighted the important contribution that local services like social services make to the health and wellbeing of all our communities.

Commenting on the draft budget, Cllr Aaron Shotton (Flintshire), WLGA Deputy Leader and Finance Spokesperson said:

"The detailed draft settlement for local government in Wales will not be published until tomorrow and we shall consider today's draft budget announcement in much finer detail. Until then we welcome the Welsh Government's draft budget for its focus on preventative public services such as social care. We also welcome the level of engagement with the Cabinet Secretary for Finance and Local Government in what has been the most inclusive budget consultation in the recent period. We await further detail of how tomorrow's provisional settlement can help to alleviate some of the mounting pressures on other critical local services and highlight individual allocations to councils.

The WLGA estimate³ that local government is facing a cumulative shortfall of nearly £600m by 2019-20. Local Government is continuing shoulder the heaviest burden under austerity. The latest report from the Institute of Fiscal Studies shows that some local services are spending at levels not seen since the 1990s and they are the most susceptible to further cuts. Looking forward, there are inescapable financial pressures arising from the national living wage, pensions contributions and the apprenticeship levy which will increase the cost of providing services without any enhancement in services for local communities.

"The way local authorities are funded in Wales is antiquated and well overdue for an overhaul. This was the conclusion of Professor Tony Travers' Independent Commission⁴ on Local Government Finance. A system designed for the challenges for the late twentieth century will not rise to our aspirations for the future. We need less grant dependency, more flexibility and better incentives to form the foundations of system that will better support the Welsh Government's Programme for Government."

ENDS

For further information, contact: Jon Rae: 029 20468620

Notes to editors:

1. The Health Foundation report ***The Path to Sustainability***: Funding projections for the NHS in Wales to 2019/20 and 2030/31, can be found [here](#)
2. The Care Quality Commission's annual ***State of Care*** report can be found [here](#). offices.
3. The WLGA's evidence to the National Assembly's Finance Committee's inquiry in to the ***Welsh Government Draft Budget 2017-18*** can be found [here](#).
4. The report of the Independent Commission on Local Government Finance in Wales ***Ambition for Change*** can be found [here](#).

Welsh Government Press Statement on Provisional Settlement**A stable settlement in uncertain times: Mark Drakeford sets out Local Government funding for 2017-18**

Local Government Secretary Mark Drakeford has announced £4.107 billion of funding for local authorities in 2017-18.

Local government will see an increase in its funding for 2017-18 of £3.8 million compared to 2016-17. This is the first increase in the settlement for local government since 2013-14.

The settlement includes £25 million to support the delivery of strong social services which are vital to the long-term success of the health service in Wales. This additional funding recognises the growing pressures which social services face.

It also takes account of Welsh Government's agreement with Plaid Cymru to provide local government with an additional £25 million through the settlement to support the delivery of vital services, as well as providing £1 million for school transport and £3 million for a pilot scheme to support town centre car parking.

Capital funding for 2017-18 amounts to £442 million, with General Capital funding for 2017-18 unchanged at £143 million. This means that councils will be able to press ahead in building new schools, improving local roads and providing vital infrastructure.

The Local Government Secretary also today published as much information as possible about other Welsh Government grant schemes planned for 2017-18. This identifies a further £650 million of funding for key priorities and will assist local authorities in preparing their budgets for next year.

Another essential component of the provisional settlement is the funding for Council Tax Reduction Schemes. Maintaining the funding through the settlement at £244 million will ensure local government is able to continue to provide vital support to nearly 300,000 of our most vulnerable families.

Announcing the provisional settlement, Mark Drakeford said:

"The aim of this provisional settlement is to give local authorities the stability to manage the difficult decisions that lie ahead.

"We know that councils are delivering their services against a backdrop of austerity and this settlement provides a platform from which to plan for harder choices which will lie ahead.

"The changes we are implementing this year are based on the advice of an expert group comprised of local authorities and independent specialists.

"The package also includes additional funding to implement a minus 0.5% funding floor which limits the impact on councils that would have seen the biggest reductions in their core funding.

"As a result, this is the first cash increase in the local government settlement since 2013-14. Under the funding floor, no council will have to manage on less than 99.5% of the cash provided to them last year. When added to the other sources of income available to them, many councils will be able to increase their spending next year.

“Within the overall settlement, councils will also receive £25 million in recognition of the importance of strong local social services and the growing pressures felt by this service.

“This is a stable settlement in challenging times and will allow local government to set sustainable budgets despite constraints on public finances.”

ENDS

Notes to Editors

Bilingual copies of the Cabinet Secretary’s written statement and a link to the provisional local government settlement are below:

<http://gov.wales/topics/localgovernment/finandfunding/settlement/lg-settlement-2017-18/?lang=en>

<http://gov.wales/topics/localgovernment/finandfunding/settlement/lg-settlement-2017-18/?lang=cy>

WLGA Response to Provisional Settlement

Local government settlement – ‘challenging but fair’ says WLGA

19th October 2016

The local government settlement announced by Welsh Government continues to show a slowing down of budget reductions.

In the context of ongoing and prolonged austerity councils will view this as a challenging but fair settlement for supporting the vital services that contribute to the education, health and well-being of our communities.

With the draft settlement showing a slight rise over last year’s level of funding, it is better than the reductions that councils have experienced in recent years. For some councils it is better than their planning scenarios but within the range predicted by the WLGA.

While councils will have to absorb nearly £200m worth of pressure in 2017-18, the settlement gives some concessions to calls from the WLGA for resources to be invested in preventative local services. Cabinet Secretaries have clearly reflected on their detailed discussions with WLGA spokespersons and have produced an equitable outcome.

Commenting on the draft settlement, Councillor Bob Wellington CBE (Torfaen), WLGA Leader said:

“I am pleased that during difficult times Welsh Government Ministers are listening to local government working with us to mitigate the worst excesses of austerity. Today’s settlement offers a welcome easing to the reductions of recent years. We recognise that it has not been easy for the Welsh Government to achieve this when there are competing demands on their own funding that is further stretched by continued austerity.

“We also welcome the Welsh Government’s announcement today which recognises the strong call made by the WLGA for recognition of the important contribution that council-run services make to reducing costly pressures in other public services such as the NHS.”

Councillor Aaron Shotton (Flintshire), WLGA Deputy Leader and spokesperson for finance said:

"In recent years Councils have made the greatest efficiency gains and suffered the deepest cuts than any other public service in Wales. In the interests of the people of Wales, this cannot continue.

“I thank and support the Cabinet Secretary for Finance and Local Government in his call for a halt to the UK Government’s ‘self-defeating policy of austerity’ in order that we are able to invest for a sustainable future for Welsh communities. I also warmly

welcome the way in which the Cabinet Secretary has approached discussions with local government leaders on the preparation of his budget."

Councillor Dyfed Edwards (Gwynedd), WLGA Plaid Cymru Group Leader said:

"Welsh councils will still face severe financial pressures estimated to be around £200 million for the next financial year alone and this settlement is very much less severe than past announcements."

"As leaders we will need to look at how we can transform our services and fully grasp the digitalisation agenda. I would urge my colleagues, elected members and officers to fully engage with their communities about the future of local public services and be clear about the financial pressures being placed upon them."

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

"The overall settlement shows a slight increase in last year's allocation but the funding formula delivers a range of increases and decreases across the 22 local authorities. I am pleased that the Welsh Government has provided a floor mechanism safety net and I hope that continues in future years.

"The funding reductions that local government has seen in recent years have been unprecedented and this settlement shows a levelling-off from this recent trend. I appreciate what the Cabinet Secretary has said about allocations beyond 2017-18 but we still need to look beyond annual incremental budgeting. Local public services require a much longer-term approach to financial planning and we will work with the Welsh Government to achieve this after the UK Government's Autumn Statement."

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

"The announcement this afternoon shows that the Welsh Government has listened on a number of key issues including the distribution formula. However, we still need to make sure that the system takes account of the additional needs of providing services in communities with diverse needs and especially the additional costs of providing services in rural communities.

"We look forward to the UK Government's Autumn Statement when we will get a clearer picture of the Welsh Government's budget allocations for future years. We will look forward to working with the Welsh Government to align any future funding with the £600 million of pressures that face local government over the next three years running up to 2019-20."

Ends

For further information, contact:

Jon Rae: 029 20468620

WELSH LOCAL GOVERNMENT SETTLEMENT 2017-18

Provisional

Table 9: List and estimated amounts of Grants for total Wales

Existing Grant name	2016-17	2017-18	Notes	£'m
Communities and Children				
Prevention and Early Intervention (PEI - new spending line)	..	154.383		
Supporting People	123.688	123.688		
Flying Start Revenue Grant	76.052	PEI	New spending line	
Families First	38.352	PEI	New spending line	
Communities First	27.539	PEI	New spending line	
Communities for Work	6.092	PEI	New spending line	
Cardiff Bay Legacy	5.891	5.891		
Promoting Positive Engagement for Young People	4.330	4.330		
Out of School Childcare	2.300	PEI	New spending line	
Domestic Abuse Grant	1.938	1.938		
Lift	0.980	PEI	New spending line	
Community Cohesion	0.360	0.360		
Town Centre Partnership	0.220	NA		
Remploy Employment Support Grant	0.198	0.000		
Welsh Adoption Register	0.103	0.100		
Business Improvement District Development	0.065	0.050		
Armed Forces Day	0.020	0.020		
Economy and Infrastructure				
Concessionary Fares	60.557	NA		
Bus Services Support Grant	25.000	NA		
Young Persons Discounted Bus Travel Scheme	9.750	NA		
Bus Revenue Support Travels Cymru	2.187	NA		
Road Safety Grant	1.937	2.000		
CyMAL Revenue	0.275	NA		
New Developments	0.149	NA		
Travel Plan Co-ordinators	0.125	0.125		
Community Rail Partnership	0.065	0.065		
Bus Revenue Support	0.050	NA		
Enterprise Zones	0.050	0.035		
Blue Badge	0.010	RSG	Transferring into Settlement	
Education				
Education Standards (ES - new spending line)	..	134.018		
Curriculum and Assessment (C&A - new spending line)	..	2.480		
Delivery Support (DS - new spending line)	..	0.411		
Education Improvement Grant	134.282	ES	New spending line	
Pupil Deprivation Grant	87.304	93.746		
Schools Challenge Cymru	13.747	NA		
Pioneer Schools	6.283	6.740		
GCSE Support Programme Grant	3.415	C&A	New spending line	
Additional Learning Needs Innovation Fund	1.100	1.100		
School Uniform Grant	0.736	ES	New spending line	
Modern Foreign Languages	0.480	C&A	New spending line	
Mentoring and Networking Support for Headteachers	0.100	0.100		
Special Schools Grant	0.100	C&A	New spending line	
National Numeracy Tests - Supported Marking Grant to Consortia	0.020	0.020		
Environment and Rural Affairs				
Single Revenue Grant	64.320	60.000		
Health, Wellbeing and Sport				
Deprivation of Liberty Safeguards	0.184	RSG	Transferring into Settlement	
Lifelong Learning and Welsh Language				
Youth Engagement & Employment (YE&E - new spending line)	..	3.856		
Post-16 Provision in Schools	101.000	NA		
Adult Community Learning	3.811	NA		
Youth Work Strategy Support	2.756	YE&E	New spending line	
Youth Engagement & Progression	1.100	YE&E	New spending line	
Learning in Digital Wales (Phase 2)	0.500	0.500		
Person Centred Practice	0.286	0.000	Grant ending	
Development of the Seren Network	0.100	0.000		
Skills and Science				
SBRI Innovation Accelerator Programme	0.015	0.090		
Social Services and Public Health				
Welsh Independent Living Grant	26.764	27.000		
Substance Misuse Action Fund	22.663	22.663		
Social Care Workforce Development Programme	7.149	0.000	Transferring to Social Care Wales	
Delivering Transformation Grant	2.830	RSG	Transferring into Settlement	
Secure Estates	0.448	0.448		
Food Hygiene	0.057	RSG	Transferring into Settlement	
All Grants	869.833	646.157		
All Grants excluding NA (for a like-for-like comparison)	653.087	646.157		-1.1%

Note: The information shown above details the grants where the amounts that Wales will receive in total in 2016-17 and estimated amounts for 2017-18 are known. Amounts for future years are indicative at this stage and are liable to change.

Formal notification of grant allocations is a matter for each relevant policy area.

NA = Figures not available at time of publication

.. = Not applicable