

Budget 2021/22

Local Government Settlement

Cabinet

December 2020



Recent Events

- Chancellor of the Exchequer's UK Spending Review Announcement made on 17th November
- Welsh Government announced its budget for Wales for 2021/22 on 21st December (open for consultation)
- Welsh Government announced the Provisional Local Government Settlement for 2021/22 on 22nd December (now open for consultation)

Provisional Settlement – Headlines 1/2

- Average uplift in Revenue Support Grant (RSG) for local government of 3.8% after transfer adjustments
- Range of increases Council by Council from 2.0% (Ceredigion) to 5.6% (Newport)
- Flintshire on the average this year based on the demographic data which is applied to the Local Government Funding Formula and will receive 3.8%
- Additional £10m for Social Care Workforce Grant on top (up to £0.5m for Flintshire)
- The allocation for local government at £176m is £104m less than the total requirement presented by WLGA

Provisional Settlement – Headlines 2/2

- **Specific Grants:** list of grants published and variations being worked through. Some potential risks to core budgets if any reduction in grant
- **Capital:** an unchanged allocation for local government. Confirmed continuation of the Public Highways Refurbishment grant
- **Continued Emergency Funding:** provision made in Welsh budget. Detail on allocations awaited
- **Public Sector Pay Policy:** see next slide

Pay Policy 1/3

- The Chancellor of the Exchequer's UK Spending Review Announcement made no provision for public sector pay awards other than lower paid workers (we have included £600k in our budget estimate for this) and NHS workers (not applicable to ourselves)
- UK Government cannot dictate pay negotiations for local government in the UK or teachers' pay in Wales which is now a devolved function
- Any additional pay awards for 2021/22 - which may transpire later - will need to be fully funded over and above this level of Settlement

Pay Policy 2/3 – Ministerial Statement

“The Minister was clear in the draft budget that one of the hard choices we have faced in setting our spending plans for next year is our approach to public sector pay. The reality is that we did not receive any additional funding through the Barnett formula to provide for public sector-wide pay awards next year given the UK Government’s decision to pause public sector pay increases with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within your budget planning in the light of this Settlement.”

Pay Policy 3/3

- The Ministerial statement is ambivalent on pay policy
- The WLGA case for £280m included full provision for pay awards. It can be only be assumed that the lower Settlement figure – given the wording of the Statement - has pay provision extracted and that there is no intention to offer further annual pay awards in Wales in 2021/22 e.g. teachers
- We have built-in provision for a pay award for lower paid employees as per UK Government policy
- We have no budget provision in our revised minimum budget estimate for any further pay awards

Analysis – Impacts for Flintshire

- Flintshire appealed to Ministers for a minimum uplift in RSG of 5.7% against a minimum budget estimate of £16.750m (with full provision for pay awards calculated prior to the Spending Review)
- If the Spending Review is to be applied as is – and pay awards can be removed from the minimum budget estimate reducing it down to £13.818m – then an uplift in RSG of 4.1% would be sufficient
- On the lower minimum budget estimate the RSG uplift is around £0.6m or 0.3% short
- Subject to our working assumptions on national pay policy we can aim to set a legal and balanced annual budget on these figures with an annual Council Tax rise of under 5% and with ongoing work on (a) budget estimates and (b) emergency situation bad debt provision aiming to generate additional funding of £1.5m to set in the base against the major open risks (see final slide)

Provisional Settlement –Response 1/2

- The Provisional Settlement is close to sufficient at our revised minimum estimate level but could/should be higher - with the funding provision devolved in the recent Spending Review Statement - to protect councils against in-year risk in a volatile emergency situation
- It is disappointing that Welsh Government has fallen £104m short of the budget requirement set out by the WLGA
- Pay policy needs to be clarified as any annual pay awards, negotiated later and post budget-setting, will be unaffordable. National pay policy has to be synchronised with annual budget setting and should not be out of alignment
- a funding ‘floor’ is essential - and should be annual practice based on precedent and WLGA policy - and funded by Welsh Government over and above the Settlement figure and not cross-subsidised by councils above the floor

Provisional Settlement –Response 2/2

- specific additional funding provision should be set-aside for the risks in social care e.g. commissioning costs non-standard inflation and children's services
- all specific grants should be protected and index-linked. There appear to some risks in the specific grants scheduled
- Welsh Government to set out a clear policy on Council Tax
- Hardship and Income Loss funds for 2020/21 to be fully protected for Quarters 3 and 4
- Welsh Government to support councils with 2020/21 Quarter 4 additional payments against current service commitments and risks where it has projected underspends and available funds
- Hardship and Income Loss funds to be continued into 2021/22, with the additional funds in the Spending Review Statement, as required

Balancing the Budget 2021/22

Aims:-

- to set a legal and balanced annual budget based on these figures and assumptions
- to keep the annual Council Tax rise to under 5%
- to add £1.5m to the base budget – over and above the revised minimum estimate - to protect the Council from open risks in (a) commissioned social care (b) Out of County placements (c) education (d) any reductions in specific grants for core operational services