

Councillor/Cynghorydd Ian Roberts
Leader of the Council
Arweinyddi Cyngor



Via email :

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 Date/Dyddiad 3rd February 2021
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Dear Ministers,

Provisional Local Government Settlement 2021/22

Thank you for the opportunity to comment on the Provisional Local Government Settlement 2021/22.

In past years we have engaged with Ministers directly on the sufficiency of annual settlements, and on the inadequacy and unfairness of a local government funding formula that is dated and no longer fit-for-purpose. Our long-established view is that it is for Governments to ensure that local authorities are properly funded to meet their legal, mandatory public service, policy and ethical duties and obligations noting that most of these are prescribed or set by Governments themselves, the commissioners and other advisors they appoint and/or the statutory regulators. Governments need to ensure that local authorities can be resilient not only to meet these duties and obligations but also to cope with unexpected events and disruption. No more so than now, in the midst of a protracted emergency situation.

We recognise and value the commitment Welsh Government has made to funding local government through the emergency situation through the Hardship Fund and the Income Loss Fund. We also value the renewed relationship between central and local government in Wales.

Our general observations on the Provisional Settlement are set out below: -

1. given this renewed central-local relationship, and the welcome statements made by Ministers in recent months, we had expected local government to be given a high priority in this year's Welsh Government budget. We are disappointed that this is not the case as illustrated in the comparative Year-on-Year Percentage Change in Main Expenditure Groups (MEGs) analysis on page 47 of the *Draft Budget 2021-22 Protect, Build and Change*. **The Welsh**

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We welcome correspondence in Welsh. We will respond to correspondence received in Welsh without delay.

Rydym yn croesawu gohebiaeth Gymraeg. Ymatebwn yn ddi-oed i ohebiaeth a dderbynnir drwy gyfrwng y Gymraeg.

Local Government Association made a detailed and compelling case for a recommended uplift in the Provisional Settlement for 2021/22 and the offer of Welsh Government, in response, falls short;

2. it is established annual practice to protect those councils most exposed to the annual changes to entitlement through the formula (based on the work of the Distribution Sub-Group) with a 'funding floor'. Several councils are left extremely exposed by the annual changes in this year's settlement and should be protected in the same way that peer councils have in previous years with some supplementary funding over and above the settlement quantum. We formally request that a funding floor is set at a minimum of 3% for 2021/22. The disparity in funding per council which is driven by annual demographic change, as illustrated in a range of settlement increases from 2.0%-5.6% in a single year is yet another indication that the funding formula is too sensitive to change based on certain indices of need, and is overdue an overhaul. **We appreciate that this issue is for another day, and we formally request that a commitment is made to a review of the formula;**
3. Welsh Government remains silent on Council Tax policy. The proportion of local authority income which is derived from Council Tax has grown steadily year-on-year. This trend cannot be sustained, and the tolerance of the public for above inflation annual increases in local taxation is being tested. **Our ability to achieve our Council Tax collection targets has been compromised by the socio-economic impacts of the emergency situation, and a longer-term strategy for local taxation is now called for;**
4. we had expected all core specific grants to be maintained at the current funding level if not increased to allow for inflation-indexation. We are assured that in most cases this protection has been given. However, the Sustainable Waste Management Grant is an exception and has again been reduced, this year by £1.1m. This is in conflict with Welsh Government stated policy objectives and aspirations to be a world leader in waste generation prevention and recycling. This grant directly funds operational waste and recycling collection and treatment services. All councils will either have to reduce services or fund the difference as a new cost pressure. We have had to make provision for a new cost pressure. This is a false economy. **We formally request that the grant is reinstated to its former level, and is both protected and index-linked for future years; and**
5. Welsh Government has no public sector pay policy for 2021/22 and the medium-term. The position of the UK Government on pay policy for the short-term is clear. We do not agree with this position as an employer and believe that there should be annual cost-of-living pay awards each year, even if set at a modest level. However, we do not have the capacity to locally fund any pay awards which might be negotiated nationally during the course of the financial year we are about to enter. Ministerial statements on this subject are rather ambivalent, and councils cannot be left exposed in this way. **We call on Welsh**

Government to make a clear and firm statement that it cannot support (1) any negotiations between trade unions and employers for a UK national pay award for employees contracted under NJC and JNC terms and conditions unless there is a UK Government commitment to fund that pay award for England and Wales and (2) any annual devolved pay award for teaching staff in Wales unless additional funding is provided by the UK Government for comparable awards in England and Wales.

Turning to Flintshire itself our response to the Provisional Settlement based on our specific circumstances and needs is as follows: -

- We had set two levels of a minimum Council Fund Revenue Budget requirement estimate in our budget planning prior to the announcement of the Provisional Settlement. The higher of the two included a provision for annual pay awards at 2% for all NJC and JNC employees and all teaching staff. The lower of the two was based on the same calculations but with the provision for pay awards removed. Following the budget announcement by the Chancellor of the Exchequer we have opted for the lower of the two estimates, noting that Welsh Government Ministers have confirmed in their own statements that no provision has been made in the UK budget for pay awards in the public sector (other than the NHS) and that Welsh Government accordingly has no new funds for this purpose. The higher of the two estimates would have required an AEF/RSG uplift of 5.7% and the lower estimate an uplift of 4.1%. We are set to receive an uplift of 3.8% which falls short of the lower estimate. **Therefore, whilst there are some financial benefits from several extended specific grants, the Provisional Settlement is barely sufficient for our needs;**
- To follow the local budget planning set out above we have made no provision for any annual cost-of-living pay awards as (1) this is UK Government policy for the public sector and (2) neither Welsh Government or public sector employers are funded to meet any pay awards for 2021/22 which the recognised trade unions might attempt to negotiate. **The Provisional Settlement is insufficient for Flintshire to be able to meet the costs of any pay awards for 2021/22. We would refer you to our formal request in point 5 above;**
- We have set a local policy of containing any future annual rises in Council Tax to 5% or under. The public expect this of us and the tolerance for a continual shift of responsibility from national to local funding to sustain local services is being tested. **Therefore, we have limited financial ‘headroom’ to derive local income noting that we already have a commercial fees and charges policy in place for chargeable services. We request that Welsh Government commits to a review of the sustainability of Council Tax in its current form;**
- The planned reduction in the Sustainable Waste Management Grant will impact on direct service delivery and will cause an unexpected local budget pressure for the Council to be able to maintain service delivery standards. **We formally**

request that the grant is reinstated to its former level, and is both protected and index-linked for future years; and

- All councils are being exposed to significant demand-led cost pressures for Looked After Children and in particular for Out of County Placements in a market-place where the providers are dominant. We have had to make a further increase in our base budget provision for Children's Services of £0.750m for 2021/22. **We formally request that a national fund be set aside for councils to be able to claim against in-year for sudden escalations in costs in Children's Services over and above a certain annual threshold.**

In addition, we would request that consideration is given to the following: -

- Support to councils in the last quarter of 2020/21 through the timely release of available in-year Welsh Government underspends which might otherwise be returned to the Treasury under the national exchequer operating rules and guidelines. Councils to have the discretion to allocate such funds against planned expenditure to give them the flexibility to (1) help reach a balanced out-turn position at 31st March and/or (2) cross-allocate funds to reserves as a protective measure for future financial risks; and
- That the Hardship Fund and Income Loss Fund are continued into 2021/22 (1) for as long as restrictions on trading and fee generating services apply and (2) as part of longer-term recovery planning. We appreciate that announcements will be made as part of the final Welsh budget.

We would welcome the opportunity to explore any of the above points either as part of the collective local government family or individually.

We ask that careful thought is given to the point and arguments we have set out above.

Yours sincerely



Councillor Ian Roberts
Leader and Cabinet Member for Education



Colin Everett
Chief Executive



Councillor Glyn Banks
Cabinet Member for Finance



Gary Ferguson
Chief Officer, Finance