

Appendix 5 – Proposed Response to Welsh Government on the Provisional Settlement

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The Person dealing with
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Dear Mr Edwards,

Re: Local Government Provisional Settlement 2021/22

Thank you for the opportunity to comment on the Provisional Settlement announced on 22nd December 2020.

Cabinet released its draft budget proposals out for public consultation and scrutiny on 20th January 2021 for a four-week period. At the meeting Cabinet endorsed this response to the provisional settlement and that provides the views of members.

Given the current pandemic and the restrictions that remain in place the Council will be looking to engage with key stakeholders and the public through its website, social media and via virtual budget consultation events.

In terms of the settlement itself it was welcome news to find that the Council has received confirmation from Welsh Government that it will receive a 3.9% increase in its core funding next year, ahead of the 3.8% average for Wales and where councils across Wales had settlements ranging from increases of between 2.0% and 5.6%.

It was pleasing to note that the role of local government in this extraordinary year has been recognised by Welsh Government. The Council's services continue to be under continued and increasing pressure, even beyond the cost increases and income shortfalls resulting from the pandemic. The above average increase will at the very least give the Council some additional flexibility to respond to the unprecedented strain on the Council's finances and the choices it makes when setting the budget for next year.

One notable aspect of concern in the settlement announcement is the position being taken by Welsh Government with regards to pay awards. A significant question mark still arises over the pressures that will arise for pay awards and in the context of the Chancellors Spending Review Statement on the 25 November. This leaves the Council in a difficult position and at the behest of the pay awarding bodies for teachers and local government staff and that could result in further pressures falling on the Council to fund. Given the current financial challenges this is not acceptable and we

call for Welsh Government to make available further in-year funding if the pay awards are ahead of expectations set by the Chancellor.

Alongside the settlement announcement and the COVID funding that the Council has successfully claimed this year already it is vital that further COVID related costs and income losses are funded by Welsh Government. Both for the remainder of this financial and through 2021/22. Without such funding the Council will again be left in a position of having to take hard and difficult decisions and regardless of the good news offered by the provisional settlement.

Whilst it is understandable given the global and national economic uncertainty at this time, and that UK Government has only allowed Welsh Government to provide a one-year funding outlook, this will continue to make medium-term financial planning difficult.

We hope that this above average increase is not short lived and given that the Council has historically and to date been the worst funded Council in Wales. In fact, the Council remains firmly rooted to the bottom of the table for the amount of funding per head of population it receives from Welsh Government.

As a rural authority Monmouthshire is confronted by particular challenges in offering services like social care, waste collection, transport and highways across a wide area. Indeed, the council has recognised these difficulties by prioritising the maintenance of locally accessible services to combat rural isolation. Monmouthshire calls on the Welsh Government to base funding on a fairer system, acknowledging the problems rural counties face when providing services. There are also a range of preventative services that will not survive unless the Welsh Government has a long hard look at the way it allocates money across the totality of public services.

Turning to specific grant funding support we ask that Welsh Government provide early notification of grant awards to assist budget planning for next year. Furthermore, and given the extraordinary challenges brought about by the pandemic, the Council asks Welsh Government to give consideration to allow local authorities the flexibility to carry forward unspent grant allocations. Councils across Wales have had to focus on the emergency response to the pandemic and ensuring that vital services are maintained. The natural consequence of this is that capacity and resources are stretched which impacts on delivery of Welsh Government and the Council's policy objectives that are funded from specific grants.

Monmouthshire also supports and encourages the transfer of specific grants into the settlement and is disappointed that more progress has not been made in this regard. If there are opportunities to put more grants into the final settlement this would be welcomed providing it continues to be distributed on the same basis as the original grant to prevent large changes at a very late stage in the process.

On capital account there is concern that local authorities have not benefitted from the significant investment in capital and infrastructure announced by UK Government as part of the spending review. It is also a concern that many capital grant funding streams are provided through specific grant funding streams rather than increases in General Capital Funding. We urge Welsh Government to give consideration to a fairer

capital settlement for local authorities in Wales and to afford local authorities with the flexibility that would be given through increases in General Capital Funding rather than specific grants. The need to invest in priority areas such as 21st Century Schools, climate emergency, homelessness provision, waste management and infrastructure remains high, with WG support remaining a critical success factor.

Despite the welcome news that came with the provisional settlement the future funding prognosis remains of real concern and given that the expectations and demands on local council services are continuing to grow. Councils will face difficult decisions in managing budget pressures next year if they are not adequately funded for COVID related costs and income losses.

It is important that the WG recognises the need for difficult decisions, is supportive of local authorities facing difficult times and does not promote undeliverable policy expectations.

As Wales as a nation comes out of the pandemic and thoughts turn to recovery this is a time for us all to work together to minimise the consequences of the downturn in public finances on the most vulnerable in society and to send clear and consistent expectations to the public we exist to serve.

Yours sincerely,

Councillor Philip Murphy – Cabinet Member