

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

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Dear Mr Edwards,

Re: Local Government Provisional Settlement 2022/23

Thank you for the opportunity to comment on the Provisional Settlement announced on 21st December 2021.

Cabinet released its draft budget proposals out for public consultation and scrutiny on 19th 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 an 11.2% increase in its core funding next year, ahead of the 9.4% average for Wales and where councils across Wales had settlement increases ranging from 8.4% to 11.2%.

It was pleasing to note that the role of local government has been recognised by Welsh Government for a second year in succession and applaud the openness and approachability of the Minister in allowing the settlement to be suitably informed.

Notwithstanding the positive settlement the services of the Council continue to be under continued, significant and increasing pressure, exacerbated further by the direct and indirect impacts of 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 to the choices it makes when setting the budget for next year. To that end there are a number of points that we would like to constructively make in response to the consultation on the provisional settlement:

- a) 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. 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. All at a time when inflationary pressures in the wider UK economy and where specifically forecasts by the Office for Budget Responsibility are suggesting wage and salary rises of 4% for 2022/23. The letter from the Minister that accompanied the provisional settlement confirmed that the settlement includes funding for the 2022/23 pay deal and furthermore states that no further funding will be provided in year and once pay deals are confirmed.

Given the current financial challenges faced this is not acceptable and we call on Welsh Government to disclose the pay assumptions upon which it has constructed the settlement and to make available further in-year funding if the pay awards are ahead of these assumptions. The current situation leaves the Council having to ensure that provision is made for this heightened wage and pay forecast from the Office for Budget Responsibility and to the detriment of making further investment in frontline services.

- b) It is encouraging to note that Welsh Government is starting to recognise the strain on social care and the care sector across Wales, one highlighted and magnified further by the pandemic. The specific grant funding received during the current financial year is welcomed and assists in partly mitigating the unbudgeted pressure that the Council is continuing to wrestle with. The Council continues to see increases in complexity and demand across adult and children's services. Set against a backdrop of an ever fragile care sector where recruitment and retention challenges are leading to increased hours of unmet need.

It is noted that Welsh Government has included an undisclosed level of funding in the settlement to allow councils to ensure that social care workers are paid at least in line with the Real Living Wage. Whilst welcomed the reality however is one where care providers are already having to pay above Real Living Wage in order to attract and retain care workers, recognising the role that social workers and carers play in supporting the most vulnerable in our society. The consequence of this market dynamic on local authorities is increasing budget pressures caused by increasing rates from care providers.

This together with the pay pressures noted above are all but absorbing the increase in funding brought about by the settlement and therefore leaving the Council having to consider a council tax increase for 2022/23 in order to sustain other essential frontline services.

We urge Welsh Government to come up with a sustainable roadmap and fully funded plan for social care in Wales. One which recognises the equal importance and role of the NHS and social care. Where sufficient challenge is placed on both the NHS to spend significantly more of their budget on preventative work and on Welsh Government to understand and acknowledge the role that social care has in supporting vulnerable people in more appropriate community care settings and at reduced cost.

- c) Alongside the settlement announcement and whilst understanding why the COVID Hardship Fund is coming to an end in March assurances are still sought that specific grant funding streams in 2022/23 will be suitably targeted and sufficient to

cover the remaining and residual effects of the COVID pandemic. A key example being the extent of to which the Council has been unable to secure temporary homelessness accommodation and continues to have to meet significant B&B and other associated costs. These resulting from Monmouthshire's unique circumstances that result in a lack of available temporary homeless accommodation. I would urge Welsh Government to ensure that increased levels of Homeless Prevention Grant being suggested for 2022/23 is appropriated distributed in line with need and that grant conditions are suitably flexible to enable councils to meet costs that would have been claimed previously via the COVID Hardship Fund. 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.

- d) It is worth noting that Welsh Government does not appear to have made any specific provision for the small but growing number of children in unregistered placements in Wales and where there is no identifiable market provision across the UK. This has been the subject of a number of high profile court cases that have found the local authority as holding the responsibility to provide a solution. These cases are notoriously expensive and without market provision require a Council to source or acquire suitable accommodation to provide such children with adequate temporary and permanent supported accommodation. We ask Welsh Government to work with local authorities such that the associated risks and costs are understood across Wales and such as to allow such exceptional costs to be more effectively managed and met.
- e) The Council very much welcomes the indicative all-Wales funding increases for 2023-24 and 2024-25. This will greatly assist medium-term financial planning and is timely as Councils move towards a new administrative term in May. We urge Welsh Government to engage early in the Spring and Summer with local authorities and the WLGA in order to inform and influence the settlement outcomes for future years.

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. The positive settlement received does nothing to remedy the underlying unfairness of the funding formula and distribution model. The variation between the top, average and bottom per capita is just too large. Whether this is based solely on AEF or includes council tax income raised by councils.

The level of reserves held by a minority of councils continues to be very high, Monmouthshire finding itself very much at the other end of the spectrum with de minimis levels of reserves held. An opportunity to take account of this in the distribution and/or allocation of specific grants should be taken.

Finally a question remains as to whether as part of the tax reforms being considered by Welsh Government as to whether it is sensible to review council tax

banding as a discrete exercise without also considering the local government distribution at the same time.

- f) 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 again 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.
- g) 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 revenue and capital grant allocations. Councils across Wales have again had to focus on the 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.
- h) 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. There is no evidence of any major transfer of hypothecated grants into the settlement. Furthermore, I would urge Welsh Government to review existing grant terms and conditions and where current criteria are set in a way that prevents grant being spent or in line with the needs of our communities.

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.

- i) On capital account we welcome the fact that Welsh Government's response to climate change and the nature emergency being embedded into everything it does. That clearly aligns with the Council's own commitments and ambitions. The Council does however seek early clarification on funding that will be made available to support the change need by the Council and its communities. Noting that whilst it is welcomed that a £20m Local Government Decarbonisation Fund will be established the real concern that this will not be coming on stream until 2023-34.

Unlike with the revenue settlement it is disappointing and concerning to see a reduction in both General Capital Grant and specific capital grant funding. The Council has placed reliance on this funding to support its capital programme in recent years. The Council like others in Wales faces a number of significant unfunded capital pressures. The Council does not have the benefit of significant useable capital receipt balances to support its capital programme and therefore

without the necessary funding support from Welsh Government this results in the Council having to consider further borrowing to enable the most pressing capital investments, risks and pressures to be addressed. Which in turn adds even further to the aforementioned pressures on the revenue account.

One specific and notable concern of the reduced capital settlement for 2022/23 is the consequence that this has on Council's ability to maintain an already creaking road network. Early clarification from Welsh Government on further funding to support highways road maintenance is requested. Regardless of Welsh Governments stated policy position with regards to the cessation of funding for new road building there is still a need for the existing road network and associated infrastructure to be maintained or modified.

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, flood prevention and infrastructure remains high, with WG support remaining a critical success factor.

Despite the welcome news that came with the provisional revenue settlement the future funding prognosis remains of real concern and given that the expectations and demands on local council services are continuing to grow and as evidenced by some of the pressures and risks that I have referenced above.

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 or at the very least ensures an adequacy of funding to support their delivery.

As Wales as a nation comes out of the pandemic this is a time for us all to work together to minimise the consequences 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