

## **Appendix 3 – Proposed Response to Welsh Government on the Provisional Settlement**

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Our Ref/Ein Cyf:  
Date/Dyddiad:  
File Ref:  
The Person dealing with  
this matter is/ Y  
Person sy'n delio gyda'r  
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Dear Ms Melvin,

### **Re: Local Government Provisional Settlement 2024/25**

Thank you for the opportunity to comment on the Provisional Settlement announced on 20<sup>th</sup> December 2023.

On 17<sup>th</sup> January 2023, Cabinet published its draft budget proposals for public feedback and review for a four-week period. At the meeting, Cabinet approved this response to the provisional settlement and that reflects the opinions of members.

As confirmed in your letter of 20<sup>th</sup> December the Welsh Government's funding was insufficient to shield public service budgets from inflation and rising demand. It is acknowledged however that the Welsh Government did deliver a 3.1% average increase in the local government settlement for 2024/25, in line with previous indications.

The Council's services are facing major challenges due to the cost of living crisis and is having to make hard choices in setting its budget for next year.

The Council is also having to consider raising council tax to avoid more impacts on schools and frontline services.

The Council will now seek to involve stakeholders and the public in various budget consultation events through its website and social media.

There are a number of points that we would like to constructively make in response to the consultation on the provisional settlement:

- a) Monmouthshire relies on council tax to fund its services more than any other council in Wales. Council tax will have to go up in 2024/25 because of the financial challenges facing the council.

The council welcomes the Welsh Government's funding for the scheme that helps low-income and vulnerable households pay their council tax. The council

welcomes the ability to respond to the Welsh Government's consultation on a fairer council tax system and the council tax reduction scheme.

- b) We express concern about the Welsh Government's stance on funding of pay awards for teachers and local government staff, and the potential impact this has on the Council's budget. There is no transfer into the settlement as a result of the specific grant funding for the 2023/24 teachers pay award albeit it partially funded, which adds further to the pay pressures needing to be managed in 2024/25.

We urge Welsh Government to engage with pay review bodies and to disclose the anticipated pay offers to local authorities well in advance of budget setting. The current situation leaves the Council vulnerable to further potential pay pressures next year.

- c) We express concern about the impact of the latest actuarial review of the Teachers' Pension Scheme (TPS), which would affect all local authorities in Wales. The review indicates that employer contributions are due to increase by 5 percentage points to 28.6% of pensionable pay from 1st April 2024, a 21.1% increase from the current level.

The increase in TPS contributions would result in an additional cost of approximately £1.5m for Monmouthshire and the Council is not incorporating this cost in its draft budget, as it assumes that the UK Government will fully fund the increase as it is anticipated that there will be consequential funding for Wales from the UK Government to cover the increase in TPS contributions, but the timing of this confirmation is uncertain. The document supports Welsh Government's intentions to press the UK Treasury for assurances on this matter.

- d) The Council faces challenges in meeting the needs of the most vulnerable people within Monmouthshire, as the care sector is fragile and has recruitment and retention issues. The Council appreciates the funding from Welsh Government to ensure that care workers are paid at least the Real Living Wage, but notes that the market forces are driving the wages higher than that level.

The Council urges Welsh Government to come up with a fully funded plan for social care in Wales, and to pressure UK Government to provide the necessary funding. The Council also calls for more recognition of the role and importance of social care, and more collaboration and prevention work with the NHS.

- e) We appreciate the Minister and Welsh Government listening to the calls for increasing the weekly cap on paying for non-residential care from £100 to £120. We ask Welsh Government to conclude the consultation quickly and give Councils in Wales the earliest opportunity to implement the changes, as this would help offset the increasing cost pressures within adult social care.

Welsh Government should introduce mechanisms that allow the cap to be increased annually in line with inflation and given that there are safety mechanisms in place through financial assessment for those vulnerable adults in receipt of such care.

- f) The Council is dedicated to responding to the needs of homeless people in Monmouthshire and is still facing challenges in securing temporary accommodation.

The Council is concerned about the reductions in some grants from the Welsh Government, which affect the services that prevent and address homelessness. We ask Welsh Government to reconsider its final budget proposals and provide more funding for homelessness prevention and housing support.

- g) The Eliminate agenda is a policy direction that aims to remove profit from the children in care market and improve their outcomes. However, it is not fully funded by the Welsh Government and its consequences creates operational and financial uncertainty for local authorities.

Welsh Government has only confirmed specific grant funding for the Eliminate agenda until 2024/25, while the operational pressures and ripple effects of this policy continue well beyond that. Local authorities are having to compete with other strategic priorities for capital monies from the Gwent Regional Programme Board. We ask that Welsh Government gives further consideration to the support needed to local authorities to enable the transition required.

- h) The Council will not be able to fully fund schools for all pay-related pressures, and schools will have to make efficiency savings and contribute to the wider budget challenge. These difficult decisions are at a time when schools will face significant challenges in delivering the new Curriculum for Wales and the ALN and Tribunal Act, as well as improving standards and supporting vulnerable learners.

There is also concern about the decline in school balances and the increase in the number of schools in deficit, which will require further remedial action by the Council and the schools.

- i) The Council expresses concern about the proposed reduction in the level of relief for non-domestic rate payers in Wales, especially for the retail, leisure and hospitality sectors. This might drive businesses to relocate to England, where similar reliefs will remain at 75% for 2024/25.

Challenges are faced by the council, residents and businesses alike during this cost of living crisis. Whilst appreciating the package of support that has been provided to non-domestic rate payers in recent years, it is concerned that the proposed and significant reduction in relief and the increase in the non-domestic rates multiplier by 5%, albeit it lower than the increase that would otherwise apply, is too much of a burden to sustain businesses in Monmouthshire at this time.

We urge Welsh government to reconsider the reduction in the level of relief for non-domestic rate payers and the increase in the multiplier for 2024-25, and to provide more support for businesses that represent the lifeblood of the Welsh economy. Our primary concern is that these impacts are likely to have a lasting damage on the businesses, towns and high streets in Wales.

- j) There is clear concern about the possibility of further real term reductions in public funding beyond 2024-25, and based on current indications from UK government fall well short of meeting the increasing and anticipated demands on local government and wider public services. We urge Welsh Government to press the UK Government to provide more reliable indicative funding increases over the medium term, to help local authorities with their financial planning.

It should be noted that some councils have very high levels of reserves, while Monmouthshire has very low levels of reserves and suggest that this should be taken into account in the distribution or allocation of specific grants.

- k) 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 looks to recognise these difficulties by sustaining locally accessible services to combat rural isolation.

Monmouthshire calls on the Welsh Government to base funding on a fairer system, acknowledging the unique challenges rural counties face when providing services across a diverse geography.

- l) Monmouthshire agrees with the Welsh Government's aim to reduce unnecessary bureaucracy and move grants into the de-hypothecated settlement. It welcomes rationalisation of education grants and is pleased to see the draft budget outlining how the Welsh Government is simplifying and refocusing education specific grants.

Monmouthshire does reiterate the need for early notification of grant awards to help with budget planning for next year.

- m) We welcome the fact that Welsh Government is embedding climate change and the nature emergency into everything it does, and aligns with the Council's own commitments and ambitions. However, it also seeks clarification on the funding that will be available and that is needed to support the transition to net zero.

Acknowledging that Welsh Government has maintained capital funding at current year levels, this translates into a real term reduction in both general and specific grants. We raise concern about the impact of this on the Council's ability to address unfunded capital pressures and to allow us to invest in priority areas.

The Council remains concerned that the Chancellor's future plans for public spending will fall well short in meeting the growing demands and expectations on local council services in Wales. Monmouthshire and all of local government in Wales wants to continue working closely with the Minister to ensure local government finances are put on a sustainable footing and to deliver the services that our communities need.

We share common goals of reducing inequality and poverty, and addressing the climate and nature emergency. There is clear and collective acknowledgement of the challenges of the cost of living crisis and public spending constraints and we look

forward to working with Welsh Government through the social partnership that binds us together as public services.

**Yours sincerely,**

**Councillor Ben Callard – Cabinet Member for Resources**