



To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance,
County and County Borough Councils in Wales

Chief Executive and Director of Finance,
Welsh Local Government Association

9 December 2015

Dear colleagues,

Local Government Revenue and Capital Settlements for 2016-17

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2016-17 for Local Authorities in Wales through a Cabinet Written Statement which I attach for your information.

The late timing of the UK Government's Spending Review has presented significant challenges for the preparation and publication of the Welsh Government Draft Budget and the 2016-17 Local Government Settlement. However, I am publishing the Provisional Local Government Revenue and Capital Settlements for 2016-17 the day after the announcement of the Welsh Government's Draft Budget. This is the earliest opportunity which is possible in the circumstances.

Within this Provisional Settlement, unhypothecated revenue funding for 2016-17 amounts to £4.099 billion. The provisional funding announced today represents a decrease of 1.4% (£57 million) from 2015-16, when adjusted for transfers into the Settlement.

Included within this amount is an additional £21 million in recognition of the crucial role Local Authority social services play in improving outcomes for the most vulnerable. Building on our investment in previous years, we continue to deliver our commitment to prioritise schools funding with an additional £35 million in this year's Settlement.

General Capital Grant for 2016-17 remains at £54 million for the fourth year running.

The draft *Local Government Finance Report* and additional tables containing details of the Provisional Settlement by individual Local Authority are also being published on the Welsh Government website. These tables include the individual Local Authority allocations of Aggregate External Finance (AEF). These comprise Revenue Support Grant (RSG) and Redistributed National Non-Domestic Rates (NNDR). I would like to draw your attention to the following.

- a) The Provisional Settlement is based on the tax-base figure for 2016-17. This is the most up-to-date information available from Authorities' CT1 returns for 2016-17. It will also be the tax-base figure to be used in the Final Settlement.
- b) The split between RSG and NNDR is provisional and there may be further changes to this split. However, this will not affect the overall distribution of the Settlement.

I am also publishing on our website the available information on revenue and capital grants to which are planned for 2016-17. I hope to be able to add to this information at the Final Settlement stage. My Ministerial colleagues and I are considering whether further flexibility might be offered regarding certain grant funding for 2016-17 and beyond. In particular, we are considering whether the Education Improvement Grant, or part of it, might be transferred into the Final Settlement for 2016-17. No decision has been taken on this as yet and there will be further engagement with Local Government representatives as part of the consultation on this Provisional Settlement.

My announcement today launches a 6-week period of formal consultation on the Provisional Local Government Settlement for 2016-17. I would be grateful if you could ensure your response arrives no later than **Wednesday 20 January 2015**. All responses to this consultation should be sent to:

Simon Edwards
Local Government Funding & Performance Branch
Welsh Government, Cathays Park, Cardiff, CF10 3NQ;
or e-mail: LocalGovernmentSettlement@Wales.gsi.gov.uk.

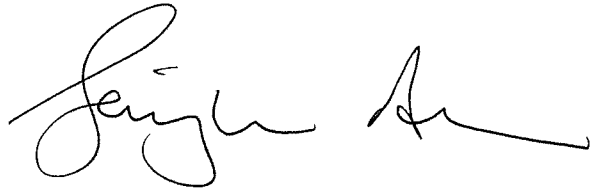
The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's Library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before a determination is made and published.

Local Authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

This Provisional Settlement provides you with the information you need to plan your budgets for 2016-17. The inclusion of the most recent tax-base data helps to minimise the potential changes between the Provisional and Final Settlement. I would strongly encourage you to consider how best you engage with your local communities in formulating your proposals and making budget decisions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Leighton Andrews', written in a cursive style.

Leighton Andrews AC / AM
Y Gweinidog Gwasanaethau Cyhoeddus
Minister for Public Services

