

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/RE/3705/22

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

14 December 2022

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2023-24 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information.

As you know the funding announced in the Chancellor's autumn statement was not sufficient to protect public service budgets against the immense challenges caused by record inflation. While there was some additional funding for Wales in the Autumn Statement – £1.2bn over two years – almost half of this came from decisions made about non-domestic rates policy in England. This will not fill the big gaps in Wales' settlement over the three-year spending review period (2022-23 to 2024-25).

As in recent years, this Government's priorities continue to be health and local government services. My announcement outlines my intention to set local government core revenue funding for 2023-24 at £5.5 billion. This means, after adjusting for transfers, overall core funding for local government in 2023-24 will increase by 7.9% on a like-for-like basis compared to the current year. No authority will receive less than a 6.5% increase.

The indicative Wales-level core revenue funding allocation for 2024-25 has also increased as the additional funding for the revenue support grant in 2023-24 is baselined, the impact of the multiplier freeze continues for the second year as does the transitional rates relief (although this is at a reduced rate in 2024-25). The AEF for 2024-25 is £5.69 billion equating to an uplift of £169 million. This figure is indicative and dependent on our current estimate of NDR income.

In making decisions about the level of funding for local government I have responded to the need to support key front-line services. In particular I have included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to local government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023-24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.

I know local government has been facing significant pressures and has sought to recognise the impact of inflation on the living standards of those who work in local government as well as the broader community. I hope that this increased Settlement enables you to continue to deliver the services your communities need as well as supporting national and local ambitions for the future.

Alongside the Settlement we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

In line with our focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2023-24 and are again providing £244 million for CTRS in the Settlement in recognition of this.

The current economic context, including high inflation, is placing significant pressure on businesses and other ratepayers in Wales. Those pressures are also being felt by the public services we all rely on, and which are themselves reliant on the revenue raised through local taxes. To support all ratepayers during this period I am providing a package of non-domestic rates support worth more than £460m over the next two financial years. I am maintaining the approach taken in previous years and freezing the non-domestic rates multiplier for 2023-24. This ensures there will again be no inflationary increase in the amount of rates businesses and other ratepayers are paying.

I am also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the UK-wide revaluation exercise, which takes effect on 1 April 2023.

Finally, the NDR support package also provides over £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24, capped at £110,000 per business across Wales. Our approach means that businesses in Wales will receive comparable support to that provided in other parts of the UK.

Given the increase in this Settlement, I am not proposing to include a floor this year and have allocated all the available funding in this Settlement.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Tuesday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future, with our overall capital budget 8.1% lower in real terms than the current year.

Following the review of our capital budgets, general capital funding for local government for 2023-24 will remain as indicated in the final 2022-23 budget at £180 million, an increase of £30m over the current year. This will continue for 2024-25.

Even as we meet the challenges posed by inflation, and respond to humanitarian needs arising from conflict, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation. I have not considered hypothecating revenue funding to support authorities' response to climate change recognising that all our decisions must consider how to reduce our ongoing emissions and to allow authorities maximum flexibility to do so and to manage their budgets.

The draft *Local Government Finance Report* and additional tables containing details of the Settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising RSG and redistributed NDR. We are also providing information on revenue and capital grants which are planned for 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in mid-December has enabled us to draw on the latest tax-base figures for 2023-24, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement. There is one change planned for final budget which I should draw to your attention and that is the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement. Your officers will wish to ensure that they consider this with each appropriate FRA during the usual discussions on funding.

This Settlement provides you with a stable platform for planning your budgets for the forthcoming financial year and beyond.

I and my colleagues have engaged closely with local government in the lead up to this Settlement. While this is a relatively good Settlement, building on improved allocations in recent years, I recognise that the rates of inflation we have experienced over the last few months and the forecasts from the OBR of continuing significant levels of inflation means that you will still need to make difficult decisions in setting your budgets and it is important you engage meaningfully with your local communities as you consider your priorities for the forthcoming year.

The setting of budgets, and in turn council tax, is of course the responsibility of each authority. You will need to take account of the full range of funding sources available to you, as well as the pressures you face, in setting your budgets for the coming year.

I will continue to engage closely with local government through the WLGA.

My announcement today launches a 7-week period of formal consultation on the Settlement for 2023-24. I would be grateful if you could ensure your response arrives no later than **Thursday, 2 February 2023**. All responses to this consultation should be sent to:

Tim Evans: LGFPSettlement@gov.wales

Comments are invited about the effects (whether positive or adverse) the proposed Settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed Settlement could be formulated or revised to have positive effects, or decrease adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

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 the final determination is made and published.

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.

Authorities also need to take account of their duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2022-23.

Yours sincerely

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government