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Llywodraeth Cymru
Welsh Government

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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 Resources, Welsh Local Government Association

28 February 2023

Dear Colleagues

Today I am announcing details of the Final 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. I am also publishing Wales-level indicative core funding allocations for 2024-25.

As I set out in my letter to you setting out the Provisional Settlements for 2023-2024, this Government's priorities continue to be health and local government services. My announcement confirms 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 and future budgets.

In preparing the final Settlement, I have given careful consideration to the responses I received to the consultation on the provisional settlement, which closed on 2 February. The responses did not identify any matters which required a change of approach for the final Settlement.

There is an additional transfer between the draft and final 2023-24 Settlements which I should draw to your attention, the transfer of 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. This is a transfer of £5.871m from SCAPE Budget to the RSG budget.

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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.

Other than a small increase of £113 thousand to the distributable RSG as a result of adjustments to specified bodies data, I allocated all available funding into the provisional settlement to give as much early certainty as I could to authorities. I have no further funding currently available. I have decided not to include a funding floor for the final Settlement.

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.

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. I have again taken the decision to provide all the available funding up front. I have not held back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities must therefore make prudent assumptions as part of their budget planning on this as well as for your other staff. Discussions are continuing with the Teaching Unions over agreement on the 2022/2023 academic year pay negotiations and I will continue to discuss with WLGA the implications of this for local government for the financial year 2023-2024.

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.

Non-domestic rates (NDR) are an important element of the funding for local government. On the 28th February the Senedd approved the regulations to freeze the multiplier for 2023-24. This means it will remain at the level set since 2020-21. This ensures the amount of rates businesses and other ratepayers are paying will be lower than it otherwise would be. The freeze is fully funded by the Welsh Government. We are investing over £100m annually to cover the cost, so there will be no impact on the funding provided for local services, while maintaining a stable stream of tax revenue for local services.

I am also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the NDR revaluation, which takes effect on 1 April 2023. Finally, the NDR support package also provides over £140m of relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% NDR 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 England.

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. General capital funding for local government for 2023-24 is confirmed at £180m and will remain at £180m 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 setting of budgets, and in turn council tax, is the responsibility of each local authority. I know you will be taking 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. In the face of continuing high levels of inflation and associated demand for public services, I recognise you are making tough decisions in doing so. I hope that this Settlement, which represents a significant increase over the indicative figure provided in the previous budget enables you to continue to deliver the services communities need as well as supporting national and local ambitions for the future.

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

The final *Local Government Finance Report* and additional tables containing details of the final Settlement by individual authority are also being published on the Welsh Government website.

You 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 2023-24.

This final Settlement provides you with the information you need to plan your budgets and services for 2023-24 as part of your medium term financial plans.

We will continue our positive engagement with local government on all matters finance-related through the Finance Sub Group.

The Government will now proceed to lay the Local Government Finance Report (No. 1) for 2023-24 for debate in the Senedd on 7 March 2023.

Yours sincerely



Rebecca Evans AS/MS

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