



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

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## **WRITTEN STATEMENT BY THE WELSH ASSEMBLY GOVERNMENT**

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**Title: Provisional Local Government Revenue Settlement 2011-12**

**Date: 23 November 2010**

**By: Carl Sargeant, Minister for Social Justice and Local Government**

I am publishing today my proposals for the funding of Local Government in Wales for 2011-12. This includes details of the provisional allocations of the core unhypothecated funding provided through Revenue Support Grant (RSG) that each local authority may expect to receive for the forthcoming financial year table A attached. Also announced are indicative allocations for 2012-13 and 2013-14.

The allocations in respect of 2012-13 and 2013-14 are subject to revision in the light of the more up-to-date tax base and other relevant data. Also they do not reflect any floor funding arrangement. I am confident, however, that the allocations provide a robust basis for forward planning by local authorities.

The Settlement is challenging. In my many discussions with the Welsh Local Government Association and individual local authorities in the months leading up to the UK Spending Review I have made clear that it would be. The package I propose to deliver is challenging as a result of the large reductions imposed on the Welsh Assembly Government's budget from the UK Government. However it reflects the Welsh Assembly Government priorities of protecting schools and social care which are, in the main, delivered by local authorities and represents a fair deal in the challenging economic climate we find ourselves in.

The very rigorous public spending assumptions upon which the Assembly Government based its forward planning in advance of the Spending Review – assumptions which we shared with Local Government - will result in a far more focussed and priority driven (although still difficult) budgeting process by local authorities.

I propose to set Revenue Support Grant (RSG) for 2011-12 at £4.007 bn, a cash reduction of 1.1%. After adjusting for transfers the reduction is 1.4%. My proposed RSG allocations for 2012-13 and 2013-14 are £4.017 bn and £4.069 bn, increases of 0.2% and 1.3% respectively. The aggregate effect of this is that I have been broadly able to increase slightly local authority cash funding above 2010-11 levels over the three year period of the Assembly Government budget. This is in stark contrast to the position in England where local government core funding plans set out in the CSR, show a decrease of 2.3% on a like for like basis.

## **Protection for Schools**

In line with the First Minister's commitment to protect schools in order to ensure the delivery of the best outcomes for Welsh children, the RSG includes the necessary resources to deliver a 1% protection above the change in the Assembly's block grant each year. This equates to a commitment to increase the funding for education within the settlement by £61 million over the three year period in order to ensure the delivery of the best outcomes for Welsh children. Recognising the need to minimise bureaucracy the monitoring arrangements have been developed in consultation with local government. They are simple and transparent focussing on schools budgets and will ensure that delivery of this commitment can be demonstrated, reflecting local circumstances.

## **Protecting the Vulnerable and Managing Pressures.**

I am very pleased to announce that within the Settlement there is also provision to honour the commitment the Assembly Government has given to protect the vulnerable in our society during these particularly difficult times.

Our collaborative work with Welsh Local Government Association on establishing and analysing the key service pressures and risks identified social services as a key area. The increasing costs, and in particular the demand led demographic pressures that are increasingly impacting on service provision, were identified as a crucial area of concern. The Assembly Government recognises this concern and the protection afforded through the settlement will

mean over the course of the Assembly Government's budget, an increase of £35 million in the funding to enable Local Government to meet the pressures it faces on these vital services for young and old.

More specifically, the settlement includes an additional £10 million to fund the 'First Steps' Improvement package in order to progress the social care charges (Wales) Measure 2010 to implement a fairer charging regime for domiciliary care services.

The Revenue Support Grant is an unhypothecated grant and together education and social services expenditure account for around two-thirds of grant related expenditure. In these extraordinary times, I fully acknowledge that this will put additional pressure on other services that Local Government provides but this was never going to be an easy process. The prudent use of other sources of funding including utilising income streams from fees and charges are options available to authorities to ease these pressures.

### **Innovation in Service Delivery.**

But the real key to managing the pressures is through a sea-change in the way we plan and deliver services going forward. Local authorities are making progress in planning and delivering services in more cost effective and innovative ways. I have been heartened by the evidence of increased momentum in cross-service and cross-authority collaboration that has been presented

through the Expenditure Sub-Group process and that I have witnessed in my visits to local authorities throughout the year. I also welcome Local Government's strong commitment to the Efficiency and Innovation Programme in leading 6 of the 7 workstreams.

Nevertheless local authorities need to be more ambitious in the scale and pace of change if they are to meet the financial challenges that face us. In order to assist with this I have commissioned an independent Review to consider the best configuration of service delivery in Wales; which services are most efficiently and effectively delivered nationally, regionally and locally. I have asked to see initial findings by early in the New Year.

### **Equality Impact.**

As the Minister for Equality, I have been particularly conscious of the need to consider the equality implications of my budgetary decisions including those relating to the RSG. I am of the view that the Settlement will serve to protect the most vulnerable and will not disproportionately impact on protected groups for the purpose of equalities legislation. In writing to individual local authorities today setting out the detail of the Settlement I have asked them to similarly consider the potential impact of their budgetary decisions in the context of their statutory duties under equalities legislation.

## **Floor Funding**

The Settlement for 2011-12 means that all but one local authority face a reduction in their grant allocation. I therefore propose to retain a funding floor that will safeguard all authorities from facing a grant reduction of more than 1.7% in 2011-12. I will give further consideration to the continuing need for a floor in years 2 and 3 but my intention will be to phase out floor funding arrangements as soon as practically possible. As with this year there will be no new money for floor funding. It will need to be self-financing.

## **Council Tax**

As part of the UK Spending Review, the UK Government announced its proposals to compensate local authorities in England that decide to implement a council tax freeze for 2011-12 with specific grant funding equivalent to a 2.5% tax increase. It is clear from the SR that the £700m a year that it estimates such a scheme will cost is being top-sliced from the money provided through the RSG to fund core services. There is no additional money.

An equivalent top-slice for Wales would amount to around £32m. Top slicing this funding similar to England would mean the local government facing a reduction in their settlement of 2.2% in 2011-12, rather than the 1.4% I am proposing. I am distributing the whole RSG pot for the benefit of all local authorities and their citizens in Wales. Providing the funding within the settlement will allow councils to freeze their council tax if they so choose

providing they can reconcile this with the need to sustain services and without prejudicing the protection we are providing for schools and social care funding. The choice is theirs. It will be for each local authority to justify their decision on this issue to their citizens. I expect local authorities to be very forensic in their consideration of the balance between the need to sustain key services for their citizens' benefit and the need to limit any additional pressure on hard-pressed households.

As in previous years, I stand ready to use the capping powers vested in Welsh Ministers to limit any increases that I consider unreasonable in all the circumstances.

### **Capital Funding**

Overall as a result of the settlement from the UK Government capital funding is projected to reduce by 14% in 2011-12. While this is challenging, the Assembly Government has avoided a more significant reduction in capital funding as I have been able to protect the General Capital Fund grant within the Social Justice and Local Government portfolio. Provision for 2011-12 will be £20 million, the same level as for 2010-11.

### **Specific Grants.**

The provisional RSG figures I have announced today includes transfers into the settlement of £10 million in funding currently paid through specific grants. Details of the transfers are included in the settlement tables published on the internet. We are continuing to

look at the potential for consolidating further specific grant funding within RSG for the final settlement.

I have written to my Cabinet Colleagues on the need to consider rationalising existing grants to reduce bureaucracy and administration costs. The Minister for Education and Lifelong Learning's work to rationalise education grants through the Front Line Resources Review and the announcement yesterday by the Housing Minister to merge the Supporting People grants demonstrate the Assembly Government commitment to this agenda.

### **Conclusion.**

This is not an easy Settlement. I have been able to increase slightly the current level of cash funding over the 3 year funding period but there is no provision for inflationary pressures. This said, it is considerably more positive than I suspect, local authorities hoped for and anticipated in the months of scenario planning leading up to the Spending Review. It reflects the Welsh Assembly Government's commitment to schools and social services and in recognition of the importance of the public services delivered by local authorities and puts the key services they deliver on a par with Health Service priorities.

But, we cannot see this settlement as a respite. The challenges to the public sector remain and will be no less tomorrow than they are today. Good quality services for less money is still my mantra and



this settlement can help as a catalyst to create further improvement.

I, and the citizens of Wales, will be relying on the determination, skill and experience of local authority managers, trade unions and those at the front line of service delivery. I am confident that they will rise to the challenge.

Today marks the start of a six week consultation period that will end on 4 January 2011.

**Table 1: Change in AEF<sup>1</sup>, adjusted for transfers, by unitary authority***£000s*

<b>Unitary authority</b>	<b>2010-11 final AEF<sup>2</sup></b>	<b>2011-12 provisional AEF</b>	<b>% change</b>
Isle of Anglesey	94,941	93,327	-1.7%
Gwynedd	170,793	167,889	-1.7%
Conwy	146,973	144,474	-1.7%
Denbighshire	138,654	136,378	-1.6%
Flintshire	188,000	184,804	-1.7%
Wrexham	162,981	160,983	-1.2%
Powys	181,537	179,270	-1.2%
Ceredigion	101,601	100,863	-0.7%
Pembrokeshire	162,556	159,792	-1.7%
Carmarthenshire	252,260	249,090	-1.3%
Swansea	302,447	297,991	-1.5%
Neath Port Talbot	199,799	196,402	-1.7%
Bridgend	181,168	178,546	-1.4%
The Vale Of Glamorgan	153,100	150,497	-1.7%
Rhondda Cynon Taf	349,476	343,535	-1.7%
Merthyr Tydfil	87,652	86,162	-1.7%
Caerphilly	255,158	250,820	-1.7%
Blaenau Gwent	110,245	108,370	-1.7%
Torfaen	131,759	129,519	-1.7%
Monmouthshire	97,757	96,095	-1.7%
Newport	197,564	194,205	-1.7%
Cardiff	394,807	395,006	0.1%
<b>Total Unitary Authorities</b>	<b>4,061,228</b>	<b>4,004,022</b>	<b>-1.4%</b>

Notes: 1. Aggregate External Finance (AEF) comprises Revenue Support Grant and Re-distributed National Non-Domestic Rate income.

2. The published AEF for 2010-11 is subject to a number of adjustments.