

Lesley Griffiths AC / AM
Y Gweinidog Llywodraeth Leol a Busnes y Llywodraeth
Minister for Local Government and Government Business



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MB/LG/2445/14

To:
Leaders of County and County Borough Councils in Wales

Copied to:
Local Authority Chief Executives
Local Authority Directors of Finance
WLGA Chief Executive
WLGA a Director of Resources,

24 June 2014

Dear Colleague

As I highlighted during the WLGA conference on 19 June, I am committed to providing Local Authorities with as much clarity as possible to support you in improving your financial planning in the medium and longer term. In this context, and following our meeting of the Finance Sub Group on 23 June, I wanted to provide further information on the financial outlook for 2015-16 and beyond.

This aligns with our usual approach to support your financial planning by sharing indicative settlements in line with the budget position for Welsh Government. In this context, we have published indications at the time of each Local Government Settlement announcement to give you as much information as possible within the planning assumptions provided to us by the UK Government. This was the approach we took in the context of the Budget 2014-15, when we also published indicative plans for 2015-16.

Since the Budget 2014-15 was approved by the Assembly in December in 2013, rising demand levels and costs are placing our budgets under increasing pressures. You will be aware of the Nuffield Trust's report, which has highlighted the significant demands and pressures facing the NHS in Wales and the impact of our strategies to manage them, however, we are also facing new pressures.

In the context of these pressures, we need to consider carefully the emerging evidence, both in terms of understanding the likely scale of pressures and to reach conclusions on how we respond to these within the limited funding envelope we have available. The Welsh Government is in the midst of its budget planning process which will complete with the publication in the autumn of the budget proposals for 2015-16. I appreciate the importance of early planning and the need to begin work before the Government's spending plans are confirmed. I would, therefore, urge you to undertake planning work around a range of scenarios. The current published indicative plans for 2015-16 see a reduction of 1.5% compared to 2014-15. There remains a possibility further amendments may be required and I would suggest you consider how you would respond to reductions of up to 4.5%.

In addition to the challenges we face in the current spending review period, the period beyond 2015-16 looks set to be equally as challenging. Making forecasts of the fiscal position of the UK Government is also exceptionally challenging, not least because of the uncertainty about the performance of the wider economy, which drives both tax revenues and large areas of welfare spending. However, the UK Government has provided a broad envelope for likely spending over future financial years and from this there is a clear indication the scale of reductions we have faced since 2010-11 will continue over the next spending review period. In this context, it would be prudent for you to assume the current trends in Local Government funding will continue and you should scenario plan for a range of challenging settlements beyond 2015-16.

A handwritten signature in black ink, reading 'Lesley Griffiths'. The signature is written in a cursive style with a large, sweeping flourish at the end.

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