

Health, Well-being and Local Government Committee

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Title: Evidence paper - Department for Social Justice and Local Government - Local Government issues

The 2010-11 Local Government Settlement

The current financial year's local government revenue settlement provides local authorities with £4.05bn in Revenue Support Grant. This is an increase of 2.1% on a like for like basis which the Welsh Local Government Association has described as "challenging but fair" in the current financial environment.

The capital settlement for 2010-11 comprises total capital funding of £576m, a reduction of 12.2% on 2009-10. This reduction is mainly due to a combination of £19m in funding for schools and local roads brought forward to the 09-10 financial year and £26m in capital funding programmes (in areas such as fire and rescue; rail and air; and health and social services) that was planned to end in 09-10 anyway. Although the overall capital settlement is reduced the level of general unencumbered capital funding going to local authorities for which I have responsibility remained unchanged at £217m. Of this unencumbered capital pot, £54m is paid as capital grant with the balance of £163m being provided as support for borrowing.

The main driver of the Welsh Police Settlement is the level of unencumbered Police Grant funded by the Home Office. The settlement for 2010-11 represents an increase of 2.6% with the Assembly Government contributing £167 million. The Settlement was approved by the National Assembly in February.

At the time of submitting this paper, the Minister for Business and Budgets and her officials are seeking further clarification from the UK Government on the potential impact of the £6.2bn of in-year cuts announced by the Chief Secretary on 24 May. The UK Government has stated its view that the Devolved Administrations have the discretion to find the savings in year or carry them over until 2011-12. The latter option would add to the pain of finding the savings that will inevitably arise from the autumn Comprehensive Spending Review. In her Statement to the Assembly on 25 May the Minister said that any in-year savings consequential for the Assembly Government should take into account the actions the Assembly Government has already implemented to achieve efficiency savings such as the abolition of quangos (where the UK Government is in effect playing "catch up") and the Holtham Commission finding that Wales is underfunded under the existing "Barnett Formula" funding arrangements.

It would not be possible to reopen the 2010-11 revenue settlement. Nor does the Assembly Government intend to do so. It would require primary legislation. Current legislation empowers the Assembly Government to make an amending report to change the basis of distributing Revenue Support Grant but not to amend the overall quantum, once approved by the National Assembly.

On May 28 the Home Office announced a reduction of £135m in "in-year" police funding as a contribution to its share of the £6.2m savings. The 4 Welsh police authorities are being required to find £6.9m of this amount, predominantly from revenue funding. The reduction comes from a basket of 5 specific grants (one of which is not relevant to Wales) collectively known as "Rule 2 Grants". These grants comprise an aggregate funding pool for rural policing; forensic services; training and professional development; and priority remuneration for police officers in recognition of abnormal and difficult working conditions. The principal police funding formula which determines the Assembly Government's Revenue Support Grant contribution remains unaffected. Other key Home Office funding streams that are not subject to in-year changes are the Crime Fighting Fund and Neighbourhood Policing.

One Wales Commitments

Two "One Wales" commitments fall within my Local Government Portfolio:-

The enhancement of business rate relief for small business; and,

Help for pensioners with council tax.

Both have been implemented, the former in 2007-08 and the latter in 2008-09.

£7m a year has been made available to fund the enhanced business rate relief which gives between 50% and 25% relief for around 50% of small businesses in Wales, with specific relief arrangements for credit unions; registered child-minders and post offices. The Assembly Government makes around £20m available in small business rate relief in all.

£2m was made available for helping pensioners with their council tax in 2009-10, and £4m this financial year. The money was paid to local authorities as grant for use at their discretion in helping pensioners taking account of local conditions. The majority of local authorities have used the money to help pensioners who do not qualify for full council tax benefit relief.

Non Domestic Rating Issues

There has been a lot of activity on non-domestic rating arising from counter-recessionary measures and the statutory quinquennial revaluation exercise that came into effect from 1 April 2010. Regulations have been made to exempt all empty properties with a rateable

value of £18,000 or less per annum from rates until 31 March 2011. For those properties with a rateable value above £18,000 the existing exemption periods of 3 months for commercial premises and 6 months for industrial premises (including warehouses) continues to apply.

The Assembly Government has decided to extend to Wales the intended exemption from non-domestic rates for all businesses with a rateable value of £6,000 or below (with further tapered relief for businesses with a rateable value up to £12,000) for a year from 1 October 2010, announced by Alistair Darling MP in the March UK Budget. Work is progressing on regulations to give effect to these exemptions.

The statutory 2010 quinquennial review undertaken by the Valuation Office Agency resulted in around 60% of businesses in Wales having lower rateable values. Of the remaining 40% there have been some well-publicised hot-spots such as Narberth. The Revaluation does not increase the overall quantum of non-domestic rates collected, it just redistributes the liability in line with changes in rateable value. In February I announced a 16% reduction in the rating multiplier to ensure that no increase in quantum resulted. I also, after consultation with the Federation of Small Businesses, decided against the introduction of a transitional relief scheme. Any transition scheme would have to be self-funding with potential gainers through lower rateable values paying for those businesses (usually at the larger end of the scale) that had an increase in rates liability. I did, however, adjust the small business rate relief scheme thresholds to ensure that the full £20m remained available for relief. In December last I wrote to all Assembly Members setting out my decisions and the reasoning behind them.

Council Tax Issues

Council tax in Wales for 2010-11 increased on average by 3.7%, the lowest level of annual increase since Devolution in 1999.

On 1 April a single all - Wales Valuation Tribunal came into effect. A revised Governing Council structure with, for the first time, a single elected President will come into effect from 1 July. Detailed proposals for a unified tribunal structure, were subject to two consultation exercises prior to implementation. It will improve both the efficiency and quality of service without undermining the strong regional presence. Regional offices in Newport, Carmarthen and North Wales will remain to service local tribunal hearings.

Regulations have also been put in place to give a 50% council tax discount, from 1 April 2010, on the second homes of armed forces personnel in Wales.

Local Authority Accounting, Audit and Governance Issues

Two key sets of regulations have been made to come into force from 31 March 2010 and 1 April 2010. The Account and Audit Regulations 2010 improve the control environment within local authorities and improve transparency with greater reporting of details of senior officers' remuneration. The Capital Financing and Accounting Regulations 2010 provide for the introduction of International Financial Reporting Standards to local authority accounting policies from the 2010-11 financial year.

Regulations have also been made to enable local authorities to extend the deferral of accounting for potential losses arising from the Icelandic banking collapse in 2008 until the end of the 2010-11 accounting year. The general position is considerably more optimistic than it was a year ago with money beginning to be repatriated and the additional deferral should enable the position on the actual level of losses to become much clearer.

Work also continues on the collection and refinement of local authority financial data needed for input into the UK consolidated Whole of Government Accounts which will give a far more comprehensive and consistent view of public finances in Wales and the rest of the UK. The exercise has been the subject of two "dry-runs" over the past few financial years. The 2009-10 consolidation will provide the first "live" set of fully audited accounts.

Future Financial Outlook

It is clear that the forthcoming Budget and Autumn Comprehensive Spending Review (and very possibly beyond) will result in very difficult and challenging decisions having to be made across the public sector. How difficult and challenging will depend on the outcome of the CSR but I have been very open with local government in telling them that they should plan for year-on-year cumulative cash reductions of at least 3% in revenue and 10% in capital. We cannot rule out the fact that the final picture when known, will be significantly worse than even this.

Local Government fully accepts that business as usual in service delivery is not an option for the future and that the mode of planning and delivering services has to change radically if we are to meet the challenges. To this end I welcome Local Government's very full engagement in the Efficiency and Innovation Board work-streams. The WLGA's annual Expenditure Sub-Group Report which sets out key risks and pressures and ways in which they can be mitigated is nearing completion. This will help considerably in informing the budget setting round. I am giving line-by-line scrutiny to the current Social Justice and Local Government Budget and in the circumstances we face no category of expenditure can be considered "off limits" in terms of looking for savings.

Equal Pay in Local Government

There are two aspects to the equal pay issue for local authorities. Both need to be addressed before it could be said a satisfactory resolution has been reached. These relate to back pay arrears and introducing, as necessary, revised pay and grading structures.

The position on back-pay differs markedly between individual local authorities and their potential liability relates largely to the historic

incidence of bonus schemes within an authority pay structure. If a liability is established for back pay arrears, typically the employees affected are female and work as cleaners, carers and catering staff.

The Assembly Government has made a total of £54 million available within unhypothecated revenue support grant over the three financial years from 2005-06 to 2007-08 to fund the implementation of new single status pay and grading structures. This money has increased in line with the general level of uplift in the annual revenue settlement in the financial years since then.

The Welsh Assembly Government has not made cash funding available to local authorities to meet back pay liability. Support in these cases comes in the form of a "capitalisation direction" from the Assembly Government. This effectively allows an authority to use capital receipts or borrowing to fund the liability. Applications made by local authorities to the Welsh Assembly Government need to satisfy certain criteria and the decision to issue a direction (or not) lies with the Minister for Social Justice and Local Government.

When borrowing occurs to fund the back pay liability, the local authority will still need to fund the debt repayments; in effect they are spreading the cost to the authority over a number of years (usually a 20 year period).

To date the Assembly Government has received requests from seven local authorities for directions. All have been approved up to the full value of the requests (£52.3 million in aggregate). Two authorities have settled back pay liabilities without recourse to a direction. It is clear from my discussions with local authorities that not all who have yet to finalise a liability will seek a direction. No requests for a direction have been received from local authorities during the 2009-10 financial year.

Although approval of a direction is not a cash transaction per se, the value of approved directions does count towards the Public Sector Borrowing Requirement and as such no guarantee can be given over the availability and overall value of the directions. This has been made clear to local authorities.

In January 2009, eight local authorities had yet to complete the job evaluation process as part of reaching single status agreements. Only one was outstanding by October 2009. Six authorities have completed the process and implemented new pay and grading structures.

Nine authorities have settled equal pay liability claims and one is due to settle in 2010-11. It is understood that the remaining twelve authorities have outstanding issues to be resolved and are defending against claims.

The economic and legislative landscape is changing, presenting challenges and opportunities that must be faced together. In the coming years, public authorities at all level of government will be faced with difficult choices as the pressure on the public finances increases. The advances made on narrowing the gender pay gap in Wales cannot be surrendered in this climate.

In my visits to local authorities I have made clear that I wish to see the gender equal pay issue brought to a conclusion. I have emphasised the moral obligation to resolve it as soon as possible. I do, however, recognise fully that this is a very complex issue which has entailed detailed analysis of pay and grading structures and sensitive and often protracted negotiations between employers and union representatives at both local and national level. This has been against a backdrop of changing and still evolving case law resulting from Employment Tribunal decisions, which has increased uncertainty and on occasions required a reappraisal of approach by authorities.

In March I wrote to all local authorities seeking confirmation of their current progress on the implementation of single status agreements; their timetable for completion; and the likelihood of a request for a capitalisation direction. I have received the majority of responses and my officials are following up with those authorities that are yet to respond. When I have a complete picture I will consider what action I can best take to move the process forward more rapidly.

The Equality Act 2010, will, for the first time, make provision for Welsh Ministers to introduce specific public sector equality duties in Wales. In 2009, our key stakeholders were asked what should be included in these duties. There was a clear response that these new duties should seek to remedy continuing pay inequality. Consideration is being given to how best this can be achieved and I look forward to working with the National Assembly for Wales, the Equality and Human Rights Commission, Wales TUC and our other partners in the statutory and Third Sectors in the coming months about how this aspiration can be made a reality.

Legislation in absence of leadership will not be sufficient. I will continue to encourage public authorities to make progress on pay equality during my regular meetings. The Welsh Assembly Government will continue to support the activities of the Equality and Human Rights Commission, the Wales TUC and Local Government to further narrow the gender pay gap. As Minister for Social Justice and Local Government, I will continue to offer leadership and support where appropriate to resolve pay inequity.

Outcome Agreements

The Outcome Agreement Prospectus was published on the 31st March 2010, following engagement with the Partnership Council and a range of other local authority partners.

The purpose of Outcome Agreements is to establish a more effective accountability framework for local authorities based on outcomes. They are designed to provide incentives to improve as well as increase the delivery of quality local outcomes. The programme is supported by £31 million in 2010-11. In order to access these funds, authorities will need to deliver the outcomes agreed with the Assembly Government. In the same way as for Improvement Agreements, payments to authorities will be based on results.

There has been some recent disquiet about our approach which is necessarily more demanding than previously. The situation was exacerbated by the announcement that the Cymorth grant would not be returned to the RSG as originally envisaged. Nonetheless, I am

pleased that we are now well advanced with preparing and negotiating agreements with most local authorities. I shall be writing to John Davies shortly to underline my commitment to the programme and the need to secure real improvement in outcomes for the citizen. I will engage closely in the development of the Agreements and, in due course, the evaluation as to whether the agreed outcomes have been achieved.

2010 Local Government Measure

In his statement on the legislative programme for 2009-10, the then First Minister announced the Assembly Government's intention of bringing forward a Local Government Measure which would: strengthen the role of community councils, remove the barriers and disincentives to people standing for election to local authorities and improve the decision making and scrutiny functions of local government in Wales.

We are working to introduce the proposed Measure before the summer recess; it is on course to be one of the largest Measures to be considered by the Assembly so far, implying a substantial commitment of Assembly time to scrutinise. The proposed Measure will be accompanied by the usual supporting and explanatory documentation to assist Assembly Members.

Anglesey Recovery

Events on Anglesey continue to develop and the Recovery Board remains closely engaged with the affairs of the council

I welcome the recent political changes which should bring greater stability to the Council and which mean there will be more emphasis on delivering for citizens and less on internal squabbles. I urge all members of the new alliance to do just that. In particular, it is essential that the alliance urgently develops a coherent corporate vision for the Council and the island, including a credible set of improvement objectives for the current year. I expect to see these agreed and in place by mid-July.

The Recovery Board and I will support the alliance and it could represent a significant step towards political stability. While I am not inclined to take any further measures at this stage, I equally do not see any chance at all of ending our intervention before next summer. In the meantime, I continue to consider my options if the progress to recovery falters or if the alliance fails.

Digital Inclusion

The latest Welsh Assembly Government digital inclusion initiative, Communities 2.0 commenced on 1 April 2009. It assists individuals, communities and organisations in the Convergence Areas of Wales in benefitting from using technology, helping them overcome barriers, building their confidence and creating opportunities for them to use new skills.

The Welsh Assembly Government will publish a Digital Inclusion Framework for Wales for formal consultation in June. Through this Framework, the Welsh Assembly Government will provide strategic leadership, working closely with the public, private and third sectors to align plans and coordinate activities towards achieving the shared ambition of digital inclusion.

Communities First

The Communities First programme is moving forward with an increased focus on delivery through partnership. The establishment of the Communities First Outcomes Fund is encouraging more genuine partnership working between communities and service providers.

Work around the evaluation of the Communities First programme will commence in the summer. The evaluation will feed into any discussion of the future of Communities First post April 2012.

Community Safety

Community Safety Reassurance Scheme for Older People

Through its Community Safety Reassurance Scheme for Older People, the Welsh Assembly Government has provided £500,000 to support the All Wales Doorstep Crime Partnership in running a national initiative to tackle distraction burglary and other doorstep crime. I was very pleased to be able to attend the launch of the campaign on the 26 May at the Millennium Stadium in Cardiff. The campaign offers three clear steps to help decrease the number of rogue trader and distraction burglary victims across Wales. These are:

If in doubt, keep them out

Be prepared, be in control

Call a neighbour or the police

This initiative has been advertised on television since 31 May and on radio and billboards since mid June. In addition, the campaign has its own dedicated website which provides free advice to people who may be concerned about this type of crime.

In 2009-10 the Welsh Assembly Government also made nearly £1.2million available to Community Safety Partnerships under the reassurance scheme for local initiatives to tackle crime/fear of crime issues amongst older people. The funding was used for a range of local activities including:

Targeted operations

Target hardening

Awareness raising of crime/ASB issues

Intergenerational events to promote understanding and build relationships between older people and young people

Violence against Women

One of my key priorities is to continue to ensure that violence against women is not tolerated in Wales. I issued a Written Statement on 25 March 2010 when I launched "The Right to be Safe", the Welsh Assembly Government's 6 year integrated strategy for tackling all forms of violence against women. I also published a 3 year implementation plan to support the delivery of this strategy and the existing domestic abuse strategy.

I have made available an extra £1m added to the domestic abuse/violence against women budget for 2010/11 making a total budget of £4.4m to aid the delivery of the implementation plan. It is important that we not only support the victims of violence and domestic abuse but also that we challenge the underlying perceptions and stereotype which can lead to violence and abuse of women. That is why on 27 May 2010 I launched a Violence against Women publicity campaign which aims to challenge people's perceptions about where harmless ends and abusive begins. The campaign includes TV ads, posters and a website and I am sure will help to generate debate about this important issue which affects one in four women in Wales.

Carl Sargeant, AM

Minister for Social Justice and Local Government