

# Health Wellbeing and Local Government Committee

## HWLG(3)-19-10 Paper 1 - 24 November 2010

### Health, Wellbeing and Local Government Committee

**Date:** 24 November 2010

**Time:** 9.20am to 10.20am

**Title:** Evidence paper - Department for Social Justice and Local Government, Draft Budget Allocations for 2011-12.

#### 1. Introduction

This paper provides comments and information to the Committee regarding the Department for Social Justice and Local Government's future programme budget proposals outlined within the Draft Budget which was laid on 17 November 2010. It covers those areas included in the remit of the Health, Wellbeing and Local Government Committee, namely local government.

#### 2. Background

As part of the 2011-12 Draft Budget, revenue funding in the Social Justice and Local Government Main Expenditure Group (MEG) by 2013-14 will reduce by £24.4 million by the financial year 2013-14 when compared to the 2010-11 baseline position. Although there is a revenue reduction of 1.7% in 2011-12, this is followed by a 0.1% uplift in 2012-13 and a 1.1% uplift in 2013-14. The capital budget by 2013-14 has decreased by £18.006 million compared to 2010-11 which is a reduction of 34% resulting from the impact of UK fiscal decisions.

The following summary financial table shows the overall effect on the SJLG Departmental Expenditure Limit (DEL) baseline budget. This does not include Annually Managed Expenditure (AME) which is outside the Welsh Assembly Government's Departmental Expenditure Limit. The table also shows the percentage change in the budget from the previous year.

#### Summary Financial Table:

	2010-11	2011-12	2012-13	2013-14
Revenue DEL	4,406,846	4,330,899	4,333,266	4,382,460
% Change		-1.7%	0.1%	1.1%
Capital DEL	53,095	42,319	39,363	35,089
% Change		-20.3%	-7.0%	-10.9%
DEL Baseline	4,459,941	4,373,218	4,372,629	4,417,499
% Change		-1.9%	-0.01%	1.0%

£000

### **3. Budget Overview**

The Department for Social Justice and Local Government's spending priorities are closely aligned to the Assembly Government's commitments in One Wales and are based on the budget criteria set out by the Cabinet. As such, the focus is on protecting front line services and, in particular, services to the most vulnerable in our society.

The Revenue Support Grant (RSG), the main element of funding for Local Authorities, includes the necessary resources to deliver a 1% protection to the reduction in the Assembly's block grant. This reflects the First Minister's commitment to protect education in order to ensure improved outcomes for Welsh children. In addition, the funding for local authority social services has also received an equivalent level of protection within the RSG in recognition of the major pressures local authorities face in this area.

The remaining budgets within the SJLG MEG contribute to a wide range of strategic aims and objectives. Our aim during the budget planning process has been to ensure that we have the necessary resources in place to deliver both long term investment together with short term, ameliorative interventions against the following outcomes:

Poverty in Wales is reduced – through a wide range of measures including the implementation of the Financial Inclusion Strategy and Communities First.

People live in safe, vibrant, inclusive urban and rural communities - delivering the Domestic Abuse and Violence Against Women Strategy and Delivery Plan, improving the resilience of the Welsh Fire & Rescue Services, and taking forward a number of strategies including Refugee Inclusion, Gypsy Traveller and Community Cohesion. In addition, we support the Third Sector in Wales.

Communities are regenerated across Wales – delivering all-Wales community development programmes such as Communities First and physical regeneration through the Communities Facilities and Activities Programme and Community Asset Transfer. We're also developing social enterprise.

Public services are citizen-centred, effective and value for money - delivering performance improvement by embedding a new understanding and relationship with Local Government and implementing the programme of Outcome Agreements. We're also taking forward changes in the structure and operation of local government through the proposed Local Government Political Structures (Wales) Measure 2010. Finally, we're responsible for ensuring the independence in local taxation valuation issues.

However, there are still significant pressures on Social Justice and Local Government's budget and tough decisions will continue to have to be made

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between competing priorities. It is therefore extremely important that we continue to drive efficiency savings and maximise the impact of our resources.

### **4. Local Government**

The local government revenue and capital elements account for around 97% of the entire SJLG MEG. Providing local government with a fair and equitable settlement during a period of fiscal constraint is therefore a key priority. In making decisions on the settlement we have taken very careful account of the joint work Assembly Government and Welsh Local Government Association (WLGA) officials have undertaken as part of the annual Expenditure Sub-Group exercise. It has been a collaborative process aimed at achieving a common understanding of the pressures facing local government, opportunities available for mitigating them, and initiatives ongoing in local government to identify and implement efficiencies.

As a result, in determining the funding for the Local Government Settlement the Assembly Government has sought to recognise the key pressures local government faces and we have therefore sought to protect the elements of funding for education and social services which between them account for over two thirds of the total RSG.

For the period of the Assembly Government's budget, the education element includes the necessary resources to deliver a 1% protection compared to the reduction in the Assembly's block grant. This reflects the First Minister's commitment to protect education in order to ensure the delivery of the best outcomes for Welsh children.

The social care element includes equivalent funding to deliver a similar 1% protection compared to the reduction in the Assembly's block grant. This will ensure that essential social care services can be sustained and that the most vulnerable in society are protected from possible reductions in service provision.

Further details will be provided when the Provisional Local Government Finance Report along with the basis of distribution are published on 23 November 2010. This will set out the amount of Revenue Support Grant the Welsh Assembly Government proposes to distribute to county and county borough councils in 2011-12 and indicative allocations for the following two years along with the basis of distribution.

#### Revenue Support Grant

We propose to set Revenue Support Grant (RSG) for 2010-11 at £3.992 billion which is a cash reduction of 1.5% compared to the 2010-11 baseline position. Proposed RSG allocations for 2012-13 and 2013-14 are £4.002 billion and £4.054 billion, increases of 0.2% and 1.3% respectively. The provisional RSG

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figures include a number of transfers into the settlement currently paid through specific grants. We are continuing to look at the potential for consolidating further specific grant funding within RSG for the final settlement.

The aggregate effect of allocations to the RSG is that we have been broadly able to preserve local authority cash funding at 2010-11 levels over the three year period of the Assembly Government budget. This is in stark contrast to the position in England where on a like for like basis local government core funding plans set out in the Spending Review show a decrease in the region of 2.3%.

Non-hypothecated funding is also provided from the MEG to local government through the Improvement Agreement Grant. This £31.1 million fund is a vital mechanism to encourage improvement in local authorities through Outcome Agreements and has therefore been rolled forward at 2010-11 levels.

(In addition to the non hypothecated support, the Assembly Government provides a significant level (£760 million in 2010-11) of specific grants from across the range of Assembly Government Departments to local authorities to support the delivery of specific services and initiatives.) Decisions on specific grant funding are the responsibility of my Ministerial colleagues. I propose to include as much information as is available on specific grants in my provisional settlement announcement of 23 November. I have written to my Ministerial colleagues asking them consider ways of reducing bureaucracy in the administration of specific grants and to assess the need for the continuation of grants of relatively low value..

Finally, given the important role local government plays in funding and delivering capital programmes, we have decided to protect the General Capital Funding line at £20 million which provides a capital grant to local authorities. In order to provide a balanced capital budget, savings have focused on other areas.

### **5. Other Revenue Allocations**

The Revenue Support Grant accounts for around 95% of the SJLG Revenue DEL. The remainder is allocated to community safety, supporting communities, equality, diversity and inclusion and local government policy and taxation. The main areas of interest to the Committee are set out below.

#### Funding Support for Local Government

Along with RSG, this budget also funds other areas such as police and PFI revenue consequences. For 2011-12 and future years, police funding provision remains unchanged pending details of the police settlement. Further details of how much RSG and Non-Domestic Rates (NDR) will be distributed to police authorities in Wales will be published in early December 2010. In terms of PFI revenue consequences, savings of 10% can be released over the period. These

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are natural savings in line with contractual commitments to meet the revenue funding costs of Assembly Government approved PFI projects.

### Local Government Policy

The **Local Government Scrutiny and Standards** budget provides funding for a number of bodies including the Adjudication Panel Wales and the Independent Remuneration Panel Wales. Over half of the budget however goes towards the activities of the Local Government Boundary Commission. Budget allocations are being reduced in line with that for other Assembly Government funded bodies and by 2013-14 will release a recurrent £65k from the 2010-11 baseline of £640k. Budget reductions also reflect reducing workload for the Commission arising from the Assembly Government over the next few years as the cycle of electoral reviews comes to an end. I am confident that these budget changes will not affect the ability of the Commission to carry out the tasks that I specify in my Directions to it.

The **Local Government Performance and Improvement** budget provides funding for a range of activities and bodies including Outcome Agreements, the Wales Audit Office (WAO) and the Welsh Local Government Association (WLGA). The budget for the WAO has been reduced in line with the savings assumptions applied to other inspectorates and regulators and releases £195k over the period. In addition, we will be transferring £150k in respect of national survey work into a separate improvement budget. Turning to the WLGA, the £2 million grant funding that we provide to it for improvement work and capacity building among authorities has been reduced by £300k annually across the period. The resources released have been transferred back into the unhypothecated Revenue Support Grant.

The majority of the **Local Government Partnerships** budget is provided to One Voice Wales which is the principal organisation for community and town councils in Wales, providing a representative voice for councils' interests and a range of services to support their work. The budget for One Voice Wales is being reduced from £100k to £90k in line with the Assembly Government savings assumptions for funded bodies.

### Local Taxation Policy

The **Valuation Services** budget funds the work of the Valuation Office Agency (VOA) and Valuation Tribunal Service (VTS). The VOA is funded for valuation work in respect of business rating and council tax valuation undertaken in Wales. The VTS is an independent service which has a statutory duty to list, hear and determine appeals relating to valuations in respect of liability for non-domestic rates, council tax and land drainage rates. Both organisations are expected to find savings of 9.7% over the period. There is an expectation that reductions will be mitigated through efficiency savings within both organisations.

The **Council Tax Benefit Schemes** budget is being reduced by £3 million with the remaining £2 million transferred to the Financial Inclusion Budget within the SJLG MEG. There are currently four separate funding streams within the SJLG MEG related to benefits advice and there is scope for improved effectiveness and consolidation in future. We are therefore bringing these funding streams together into one budget and are considering the scope of future provision.

#### Safer Communities

The **Fire and Rescue Services Resilience** budget provides support outside of RSG for resilience and other major Fire and Rescue Service (FRS) projects and will be reduced by £1.17 million. These savings can be attributed to natural reductions in support for the Firelink programme as it reaches maturity and will not impact the FRS generally. The future budget provides for the additional revenue costs of running the Firelink system which is now fully operational.

The **Fire and Rescue Services National Framework** budget provides funding for a range for fire prevention and community safety initiatives. Savings of £58k, £108k and £208k will be delivered over the period. This coincides with the cessation of a number of existing grant schemes and the move to more targeted interventions by Fire and Rescue Authorities. Initiatives such as Home Fire Safety Checks, tackling arson and working with young people will continue.

#### **6. Conclusion**

In responding to the very challenging financial settlement, protecting resources for the delivery of frontline services has been my priority and I am confident that this allocation of resources reflects that aim. We cannot ignore the fact that demand for services across the board is growing and will continue to do, putting even greater pressure on local authorities and our third sector partners. It follows that we cannot take comfort from the relatively positive increases in the later years of this spending period and relax our efforts for greater efficiency and value in the provision of our services. I will therefore be continuing my robust dialogue with partners to ensure that is the case.



**Carl Sargeant AM**  
**Minister for Social Justice and Local Government**

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