

## LOCAL GOVERNMENT AND HOUSING COMMITTEE

### BUDGET 2002 – CONSIDERATION OF MINISTER’S ISSUES

#### Purpose

1. This paper sets out the preliminary assessment by the Minister for Local Government and Communities of the priorities and pressures for the period covered by the 2002 Budget Planning Round (BPR), as required by the commissioning paper for the BPR. This is a spending review Round.
2. The BPR affects the financial year 2003-04 and the two following years, but it will also have an important bearing on progress towards meeting the 2010 benchmarks set out in Better Wales for the programme areas covered by the Local Government, Housing and Communities portfolio, and therefore the remit of this Committee. These areas, in essence, cover the totality of service delivery by local government, and the funding issues that arise from that service delivery, as well as housing, urban regeneration, crime reduction and substance misuse, for which the Minister has recently assumed responsibility.
3. The Committee is invited to consider the strategic issues and main priorities for the coming 3 years, and to give its views on the Minister’s issues paper concerning the 2002 budget round, in accordance with Standing Order 19.1.

#### Timing

4. To meet the time scale for this Round laid down by the Finance Minister, the Committee will need to set out its views in a note to the Minister for Local Government and Communities by 16 July 2002.

#### Compliance

5. The Assembly’s procedures in relation to the allocation of programme budgets are covered under Standing Order 19. This paper relates to the Local Government and Housing Main Expenditure Groups of the Assembly’s budget. The powers relating to them have been transferred to, or made exercisable by, the Assembly and have been delegated to the Local Government and Communities Minister and officials. There are no issues of propriety or regularity.

#### Introduction

6. This paper deals with general policies and priorities. It covers:
  - A : A review of achievements in 2001-02;
  - B : An assessment of the priorities and expected pressures on expenditure over the next three financial years.

#### A : Review of 2001- 2002

6. The Government of Wales' priorities are the policies and values set out in the Assembly’s strategic plan – **PLAN FOR WALES 2001** – and the commitment to joint working with local government and other partners. They are also the delivery of the programme set out in the Partnership Agreement: **Putting Wales First: A partnership for the people of Wales**. Over the last year we have made progress on a broad range of these policies.
7. Policy agreements setting agreed objectives and specific targets for the three years up to 2003-2004 have been agreed with all 22 local authorities. Each policy agreement addresses the issues of equality of opportunity, sustainable development, tackling social deprivation, and working in partnership with the voluntary sector.

8. For community development and social inclusion, our **PLAN FOR WALES 2001** objective is to tackle deprivation in areas of greatest need, providing better support for Wales' most deprived communities through the Communities First programme. We are helping local people, particularly those living in disadvantaged areas, to develop confident communities with decent housing, good local facilities and a high quality environment, which is non threatening and free from crime.
9. For Housing, **PLAN FOR WALES 2001** includes as main objectives the provision of a new *National Housing Strategy* which will improve the quality of life for the people of Wales; tackling homelessness and rough sleeping through the funding and the work of the Homelessness Commission; and continuing to support the Care and Repair Scheme to enable people to stay in their own homes. We have made good progress on all three fronts, and the National Housing Strategy for Wales was approved by the Assembly on 12 July 2001.
10. Funding decisions by the Welsh Assembly Government have meant significant increases in unhypothecated revenue funding for authorities. This has enabled them to make a year on year increase in net revenue expenditure of 6.2%, following on from a 6.1% increase in the previous year (see Annex 1). This is well ahead of pay and price inflation and that means real increases in services are possible.

### **B: An Assessment of the Priorities and Expected Pressures on Expenditure over the Next Three Financial Years.**

12. The starting point for local government is having the appropriate level of funding to allow them to maintain and develop their services across the board. That means providing sufficient central government support to enable authorities to meet pay, prices and other unavoidable service pressures without excessive increases in council tax.
13. The Assembly budget agreed in plenary in December 2001 set the allocations for 2002-03 and the forward indications for 2003-04 and 2004-05. Expenditure budget lines from the Supplementary Budget are attached at Annex 2 for ease of reference. Within the sphere of local government activity, I consider that community development, housing, and deprivation are particular priorities. I will be making bids for additional funding for all these areas.
14. Aggregate External Finance for local authorities, comprising Revenue Support Grant and Non Domestic Rates, contains funding for Education, Personal Social Services, and the whole range of authorities' services. The Government of Wales remains committed to the principle that we will give authorities maximum discretion over the decisions on spending the funding available to them. We will continue to provide unhypothecated revenue support grant, subject to the successful operation of the policy agreements.
15. The following paragraphs set out the programme areas that I consider to be the most important, and where I propose to bid for additional expenditure in the budget planning round.

### **Maintaining and Developing Services**

16. The overall Local Government budget is set to rise by £129 million in 2003-04, and presently remains level for 2004-05. This represents a year on year rise of 3.3% per cent from 2002-03 to 2003-04. I propose to bid for a sufficient increase in revenue support grant over the three years to enable authorities to maintain and develop services in the face of pay and price pressures, and new burdens, whilst keeping council tax increases at reasonable levels in all 3 years.

### **Community Development**

17. The total community regeneration budget for 2003-4 will be around £39 million. Community First partnerships are now being established and I want to be able to continue to fund a wide range of activities in Community First areas. On other community regeneration programmes, my officials are undertaking a review of the Local Regeneration Funds for local authority non match funding projects and the community and voluntary sector match and non-match funding schemes. I will inform the committee of the outcomes of the reviews and of our future plans for these funds. In respect of the Coalfields Regeneration Trust, I want to provide an increase in funding next year.
18. In addition, I want to explore other options for targeting additional support at the most deprived communities, in ways which would give the relevant local authorities the greatest freedom in how they utilise any extra resources.

### **Housing**

### *Welsh Housing Quality Standard*

19. The implementation of WHQS by 2012 for all of the social housing stock is a major priority and also a challenging target for social landlords. I will be analysing the findings of the exercise currently being undertaken by local authorities to assess the investment needs to achieve the standard. I will then be looking at ways of supporting local authorities in this vital policy objective.

### *Supported Housing and Homelessness*

20. Next year will see the introduction of Supporting People which will include a major transfer of funds from the Department for Work and Pensions (Housing Benefit) to the Assembly. The exact amount of the transfer has yet to be determined on the basis of the information on the amount of Transitional Housing Benefit Scheme being claimed. The new Supporting People programme will include the existing Supported Housing Revenue Grant (SHRG) budget and some of the Section 180 programme.
21. We have made much progress on tackling Homelessness and Rough Sleeping but it is still a major priority and I will be looking to sustain current levels of support and meet additional demands as a consequence of the Homelessness Act.

### *Community Fire Safety and Other Safety Programmes*

22. "Wired for Safety", the first report of the Community Fire Safety Working Group made a big impact, and has put Wales in the vanguard of tackling Community Fire Safety issues. Work on implementation has commenced but I want to build on the success to date as this must be seen as a long term programme.
23. I want to complete the work on installation of anti-scald valves in the homes of our most vulnerable people, and look at other safety issues such as carbon monoxide detectors. The newly introduced Rapid Response Adaptations programme will be expanded to ensure that people with disabilities are not prevented from continuing to live in their own homes.

### *Ethnic Minority Groups*

24. The adoption of a black housing strategy is a major step forward in our goal towards housing equality. The action plan to implement this strategy will be supported and moved forward as quickly as possible.

### *Welsh Household and Dwelling Survey*

25. Good quality information is essential to evidenced based policy making. The WHDS will commence this year and will provide a great deal of contemporary data about households and the current condition of our housing stock. This survey, which will be project managed by the Local Government Data Unit, sits well alongside our ongoing research programme.
26. The housing budget, encompassing urban regeneration, is set to rise by £22 million in 2003-04, a year on year rise of 3.8 per cent.

### *Support to Local Authorities for Stock Transfer (Community Mutuals)*

27. I propose to make a bid to provide support for authorities engaged in stock transfer.

### *Valuation Tribunals*

28. I propose to bid for a modest increase in the budget of the Valuation Tribunals in 2003-04, to fund the quinquennial review.

### *Crime Reduction / Community Safety*

29. At the moment, there is no baseline for future years for this budget. Provision is being made out of end-year flexibility

to fund the On Track and Safer Homes initiatives for the current financial year.

30. I feel it is important that we continue to fund the two On Track pilot schemes for the next three years to ensure that we continue to benefit from the lessons being learned from these pioneering schemes, which are targeted at helping young children (ages 4-11) who are vulnerable to being drawn into crime. The experience gained and lessons learned from these exploratory projects will help inform areas with similar problems around Wales. Funding for these schemes needs to be put on a sure footing for the next three years.
31. The resources we have made available for the Safer Homes this winter campaign was very well received and I have seen at first hand the difference it has made to the lives of elderly, vulnerable people. It is important the Assembly continues to support such initiatives.
32. Looking at the wider picture, the Assembly has a statutory duty to pursue the safer communities agenda through the implementation of its programmes and we have related key objective in the Plan for Wales. Whilst not directly responsible for law and order, the Assembly does hold the policy responsibility for virtually all the issues that influence the incidents of crime, such as social deprivation truancy and drug use. It is the Assembly's programmes that bear the brunt of the effects of crime. Furthermore, many of the areas of potential intervention that might have a positive crime reduction effect are also Assembly responsibilities. There are, of course, safer communities related activities being carried out across the whole range of the Assembly's programmes and budgets.
33. However, the Assembly's ability and that of its partners, local partnerships and voluntary organisations to respond to worthwhile community safety initiatives is somewhat restricted at the moment as the Assembly does not currently have a flexible budget which partners etc can access. I am therefore proposing, as a high priority, that we should create a safer communities budget within the Local Government and Housing MEG which can be used to complement the Home Office funding that is available to Welsh Crime and Disorder Reduction Partnerships.

### **Substance Misuse**

34. Substance misuse is closely linked to deprivation and levels of crime. There are serious concerns that need to be tackled, in particular the availability of adequate treatment and rehabilitation services for substance misusers. There is also significant work to be done with local government; the criminal justice agencies; the voluntary sector; and the health service on implementing the four strands of our strategy *Tackling Substance Misuse in Wales: A Partnership Approach*. I intend bidding for an increase in resources for this area in the light of the outcome of the review of treatment and rehabilitation services, which is currently underway.

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### **New Burdens on Local Authorities**

#### *Supporting People*

35. There will be continued additional local work for local authorities for the first two years of the implementation, which would justify New Burdens funding. Currently provision has been made of £1.2m.

#### *Introduction of Mandatory and Selective Licensing and New Fitness Rating.*

36. Best estimate for the primary legislation suggests that in year 2 of the budget these new proposals will have to be implemented by local authorities. This will be an additional burden for which I will be making a bid.

# Minister for Local Government and Communities

## Annex 1

### Total revenue expenditure, Wales (a)

£ million

	Gross revenue expenditure	Year on year	Revenue expenditure	Year on year	Net revenue expenditure	Year on year	Budget requirement	Year on year
	(b)	% change	(c)	% change	(d)	% change	(e)	% change
1990-91	2,519.6		2,216.9		2,157.5		2,169.5	
1991-92	2,861.0	13.6%	2,473.3	11.6%	2,409.8	11.7%	2,416.0	11.4%
1992-93 (f)	3,048.4	6.5%	2,644.5	6.9%	2,575.5	6.9%	2,587.0	7.1%
1993-94 (f)	3,015.5	-1.1%	2,623.8	-0.8%	2,553.6	-0.9%	2,599.3	0.5%
1994-95	3,147.2	4.4%	2,755.4	5.0%	2,682.4	5.0%	2,698.9	3.8%
1995-96	3,340.2	6.1%	2,932.0	6.4%	2,862.1	6.7%	2,786.4	3.2%
1996-97	3,409.0	2.1%	2,990.2	2.0%	2,917.6	1.9%	2,907.7	4.4%
1997-98	3,509.8	3.0%	3,120.6	4.4%	3,046.0	4.4%	3,021.9	3.9%
1998-99	3,638.6	3.7%	3,246.4	4.0%	3,162.6	3.8%	3,161.7	4.6%
1999-2000	3,770.3	3.6%	3,424.1	5.5%	3,343.9	5.7%	3,343.2	5.7%
2000-01 (g)	3,962.7	5.1%	3,632.6	6.1%	3,551.4	6.2%	3,540.2	5.9%
2001-02 (g)	4,223.6	6.6%	3,858.0	6.2%	3,763.7	6.0%	3,757.0	6.1%

Sources: revenue outturn forms and revenue budget forms

(a) This table covers local authority expenditure, including police and fire services, together with levies paid by county and county borough councils to national park authorities covering about 25% of national parks' expenditure.

(b) Gross revenue expenditure is total local authority expenditure on services, plus debt financing, but net of any income from sales, fees, and charges and other non-grant sources. It includes expenditure funded by specific grants within and outside aggregate external finance (AEF).

(c) Revenue expenditure is gross revenue expenditure excluding that funded by specific grants outside AEF. This excludes expenditure on services which are mainly administered by the local authorities on behalf of central government, for example mandatory student awards, so that the measure is a better reflection of total local authority expenditure. Revenue expenditure is often referred to as expenditure on a total standard spending basis.

(d) Net revenue expenditure is gross revenue expenditure excluding that funded by all non-police specific grants. Figures for earlier years have been reworked to be consistent with this present definition of net revenue expenditure.

(e) Budget requirement is gross revenue expenditure excluding that funded by all non-police specific grants and that expenditure funded from local authority reserves. It is the amount of expenditure, which is funded by council tax and general support from central government, that is revenue support grant, police grant, redistributed non-domestic rates, and any grant relief for community charge or council tax. Figures for earlier years have been reworked to be consistent with this present definition of budget requirement.

(f) Responsibility for the provision of higher and further education services was transferred from local authorities in 1992-93 and 1993-94 respectively.

(g) Budget figures

£'000

<u>Expenditure Groups</u>	<b>2001-02 Original Plans</b>	<b>2002- 2003 Budget Plans</b>	<b>% Increase</b>	<b>2003- 2004 Indicative Plans</b>	<b>% Increase</b>	<b>2004- 2005 Indicative Plans (1)</b>
<b>LOCAL GOVERNMENT</b>						
Revenue support grant (2)	2,077,034	2,838,386	36.7%	2,933,850	3.4%	2,933,850
Police Funding (Revenue Support Grant and Non Domestic Rates)	141,000	146,500	3.9%	152,500	4.1%	152,500
Performance Incentive Grant	10,000	0	-100.0%	30,000		30,000
Non Domestic Rates : Distributable Amount (2)	627,300	0	-100.0%	0		0
Transitional Grant	3,985	4,751	19.2%	2,194	-53.8%	2,194
Welfare to Work (RSG)	1,200	0	-100.0%	0		0
<b>Local Authority Revenue</b>	<b>2,860,519</b>	<b>2,989,637</b>	<b>4.5%</b>	<b>3,118,544</b>	<b>4.3%</b>	<b>3,118,544</b>
Non Domestic Rates Collection Costs	5,172	5,172	0.0%	5,172	0.0%	5,172
<b>Non Domestic Rates Collection Costs</b>	<b>5,172</b>	<b>5,172</b>	<b>0.0%</b>	<b>5,172</b>	<b>0.0%</b>	<b>5,172</b>
<b>LOCAL GOVERNMENT - TOTAL</b>	<b>2,865,691</b>	<b>2,994,809</b>	<b>4.5%</b>	<b>3,123,716</b>	<b>4.3%</b>	<b>3,123,716</b>
<b>HOUSING</b>						
Social Housing grants (SHG)	56,500	56,500	0.0%	56,500	0.0%	56,500
Receipts / repayment of SHG follow sale prop	-100	-100	0.0%	-100	0.0%	-100
<b>Social Housing Grant</b>	<b>56,400</b>	<b>56,400</b>	<b>0.0%</b>	<b>56,400</b>	<b>0.0%</b>	<b>56,400</b>
Supported Housing Revenue Grant	11,592	12,992	12.1%	13,592	4.6%	13,592
<b>Supported Housing Revenue Grant</b>	<b>11,592</b>	<b>12,992</b>	<b>12.1%</b>	<b>13,592</b>	<b>4.6%</b>	<b>13,592</b>
Local Authority Housing - General Capital Funding	149,402	156,902	5.0%	160,652	2.4%	160,652

Local Authority Housing SCAs	49,801	52,301	5.0%	53,551	2.4%	53,551
<b>Housing - General Capital Funding / SCAs</b>	<b>199,203</b>	<b>209,203</b>	<b>5.0%</b>	<b>214,203</b>	<b>2.4%</b>	<b>214,203</b>
Community Purposes	20,054	25,854	28.9%	28,994	12.1%	28,994
<b>Community Purposes</b>	<b>20,054</b>	<b>25,854</b>	<b>28.9%</b>	<b>28,994</b>	<b>12.1%</b>	<b>28,994</b>
Home Improvement Agencies	1,330	1,360	2.3%	3,250	139.0%	3,250
Homelessness and Rough Sleeping	3,336	4,620	38.5%	3,417	-26.0%	3,417
Research/Surveys/Evaluations/ Publicity/Fees and Charges	1,134	1,134	0.0%	1,134	0.0%	1,134
Home Energy Efficiency Scheme	9,288	11,085	19.3%	13,121	18.4%	13,121
Housing Management Promotion	390	390	0.0%	390	0.0%	390
Expenses of rent officers	1,743	1,743	0.0%	1,743	0.0%	1,743
Housing Management Projects Education and Training	1,333	1,333	0.0%	1,333	0.0%	1,333
<b>Other Housing Revenue</b>	<b>18,554</b>	<b>21,665</b>	<b>16.8%</b>	<b>24,388</b>	<b>12.6%</b>	<b>24,388</b>
Housing Revenue Account Subsidy - Housing element	300	300	0.0%	300	0.0%	300
Housing Revenue Account - Rent Rebate subsidy	200,300	206,400	3.0%	214,500	3.9%	214,500
<b>Housing Revenue Account Subsidy (AME) (3)</b>	<b>200,600</b>	<b>206,700</b>	<b>3.0%</b>	<b>214,800</b>	<b>3.9%</b>	<b>214,800</b>
Local Authority Projects - Non Match Funding	9,650	8,397	-13.0%	8,397	0.0%	8,397
Voluntary Sector - Match Funding	3,275	4,665	42.4%	5,665	21.4%	5,665
<b>Local Regeneration Fund</b>	<b>12,925</b>	<b>13,062</b>	<b>1.1%</b>	<b>14,062</b>	<b>7.7%</b>	<b>14,062</b>
Regeneration and other Local Services	17,843	17,843	0.0%	17,843	0.0%	17,843
<b>Regeneration and other Local Services - General Capital Funding</b>	<b>17,843</b>	<b>17,843</b>	<b>0.0%</b>	<b>17,843</b>	<b>0.0%</b>	<b>17,843</b>
Groundwork Trusts	584	634	8.6%	684	7.9%	684
<b>Other Regeneration</b>	<b>584</b>	<b>634</b>	<b>8.6%</b>	<b>684</b>	<b>7.9%</b>	<b>684</b>
Local Government Boundary Commission	304	354	16.4%	354	0.0%	354
Standards Commission ; CLAW exceptional payments	400	400	0.0%	400	0.0%	400
Best Value Inspections : Grant to Audit Commission	1,650	1,700	3.0%	1,750	2.9%	1,750
Valuation Office Agency - Rating & Val Service	7,451	8,945	20.1%	9,318	4.2%	9,318
Treasury Solicitor Services	3	3	0.0%	3	0.0%	3
Valuation Tribunals	895	895	0.0%	895	0.0%	895

Capital Charges on the Civil Estate	9	9	0.0%	9	0.0%	9
Miscellaneous Local Government expenditure	712	892	25.3%	912	2.2%	912
LA IT Projects AME	0	4,375		5,325	21.7%	5,325
Support to Local Authorities: Grant to Syniad		1,042		1,042	0.0%	1,042
<b>Valuation Office and Local Government Other Services</b>	<b>11,424</b>	<b>18,615</b>	<b>62.9%</b>	<b>20,008</b>	<b>7.5%</b>	<b>20,008</b>
Crime Prevention	1,455	0	-100.0%	0		0
<b>Crime Prevention</b>	<b>1,455</b>	<b>0</b>	<b>-100.0%</b>	<b>0</b>		<b>0</b>
<b>DEL total</b>		<b>371,893</b>	<b>6.2%</b>	<b>384,849</b>	<b>3.5%</b>	<b>384,849</b>
	<b>350,034</b>					
<b>AME total</b>	<b>200,600</b>	<b>211,075</b>	<b>5.2%</b>	<b>220,125</b>	<b>4.3%</b>	<b>220,125</b>
<b>HOUSING - TOTAL</b>	<b>550,634</b>	<b>582,968</b>	<b>5.9%</b>	<b>604,974</b>	<b>3.8%</b>	<b>604,974</b>

(1) The plans for 2004-2005 are a roll forward of those agreed for 2003-2004 because the Assembly's total budget for 2004-2005 will not be known until the outcome of the 2002 Spending Review is announced next July.

(2) The Revenue Support Grant BEL is the sum of revenue support grant and redistributed non-domestic rates.

(3) These budgets are outside of the National Assembly for Wales' Departmental Expenditure Limit, fund demand-led items and are therefore not at the Assembly's discretion.