

Pwyllgor Cymunedau, Cydraddoldeb a
Llywodraeth Leol

Communities, Equality and Local Government
Committee

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



Lesley Griffiths AM
Minister for Local Government and
Government Business

Bae Caerdydd / Cardiff Bay
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29 October 2013

Dear Minister

Welsh Government draft budget proposals, 2014-15

Thank you for attending the Committee on 16 October 2013 to answer questions on the Welsh Government's draft budget proposals for 2014-15. While the focus of our questioning was funding for local government, we also covered other areas within your portfolio including domestic abuse, youth justice and community safety, which fall within our remit.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations and have identified the relevant objective against each of the matters set out below. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

1. Priorities for local government

(Scrutiny objectives: Prioritisation, affordability)

We note that the combined revenue and capital allocation for the 'local government funding' spending programme area will decrease from £4.648 billion in 2013-14 to £4.466 billion in 2014-15. This is a decrease of 3.9%, or 5.7% in real terms.

In your evidence, you told us "the unprecedented nature of the current financial challenge means it is inevitable Local Authorities will have to work within reduced budgets", and you acknowledged that this budget "will inevitably impact on Local Authorities and the way they deliver services in future".

During our recent inquiry into collaboration in local government, the WLGA's Chief Executive told us that he believed most local authorities in Wales would be able to manage the next two years with the reduced levels of funding proposed. However, he went on to raise concerns that "if austerity continues in a deep form over a longer period of time, the sustainability of certain authorities will be in doubt."

We asked you about the likely impact of the reductions in funding on both statutory and non-statutory services, noting that your paper warned against local authorities making "short term decisions" such as closing leisure centres and libraries. You told us that you had been working with local authorities for some time on "the transformational change needed to manage the combination of financial constraints, rising demand and demographic pressures".

Further to this, you told us that whilst local authorities were under an obligation to fulfil their statutory duties, you did not wish to see any "salami-slicing" of non-statutory services in particular. You said that local authorities needed to look for examples of best practice and be "imaginative" in the ways they deliver services.

Given your acknowledgement of the "unprecedented" reductions as part of this budget allocation for local government, we believe it is important that you continue to support local authorities in identifying and implementing any changes or improvements to the way in which they deliver important public services, in order to mitigate the impacts of the budget reductions on the delivery of these services. We expect you to monitor closely the way in which local authorities deal with the reductions and any subsequent impact on service delivery. We intend to return to this issue over the coming year as part of our wider scrutiny work.

Further to this, we have some specific concerns about the impact of the budget cuts on important services that are not necessarily protected, such as libraries and leisure services. We agree with you that short term decisions to close such facilities do not represent a sustainable approach to budget reductions. Notwithstanding this, while you were confident that local authorities could avoid short term decisions, it was less clear from your evidence how you expect local authorities to do this. **We would welcome some further information from you on this point.**

2. Preparedness for proposed reductions

(Scrutiny objectives: budget process, value for money, prioritisation)

As referred to earlier, we note that the allocation for the 'local government funding' spending programme area will decrease by £182 million (5.7% in real terms) in 2014-15. This is significantly greater than the figures in the 2014-15 indicative plans restated Final Budget for 2013-14, which only indicated a reduction of around £54 million in this respect.

Against this background, we asked for your views on the evidence from the WLGA to the Finance Committee, in anticipation of cuts in the local government budget, that local government in Wales is "probably unprepared for the scale of reductions that is likely to be visited on local finances for 2014-15". You told us that you "absolutely do not agree with it" and that the Welsh Government had been having conversations with local government since the Simpson report in 2011 about the increasingly challenging financial conditions they would have to face. You said that local authorities had told you they had been well shielded for three years but that, in conversations with them about next year's budget, "their most optimistic option was probably my most pessimistic option".

We note the apparent difference of opinion between you and the WLGA in terms of the extent to which local authorities are prepared for the reduced budget allocation, and this is a matter that we will want to re-visit with you in due course, as part of our follow-up work on the impact of the budget reductions on service delivery by local authorities.

3. Specific Grants

(Scrutiny objectives: budget process, value for money)

In relation to specific grants, we asked for your views on comments from the Leader of Denbighshire County Council that local authorities feel "as if their hands are tied behind their backs" because of Welsh Government ring-fencing decisions. You said you "disagree strongly" with that view because only 24% of funding within the revenue support grant (RSG) is in specific grants. However, we note your view that, with some of the smaller specific grants, a considerable amount of the funding can be used in their administration. We welcome your statement that you have asked Ministerial colleagues to look at this matter. We also note your statement that "we do not have the 1% social services protection for next year". We intend to monitor the impact of this on local government services.

Further to this, we have some general concerns as to whether the funding formula used to distribute the RSG adequately addresses inequalities, particularly within deprived communities. **We believe you should give further thought to this matter.**

4. Performance and Outcome Agreements

(Scrutiny objective: Value for money)

Within the 'Programme for Government', we note that there is a clear commitment to improve "understanding of the links between local government performance

and the provision of funding and use this to allocate money more effectively to drive service delivery”.

In this context, as part of our consideration of the draft budget last year, we recommended that your predecessor should ensure the effectiveness and impact of the Outcome Agreements scheme is kept under review in order to ensure that it is driving targeted improvements in local government and is successful in reducing the administrative burden on local authorities.

We are pleased to hear that you are taking this forward and have reviewed the indicators. We were also pleased to hear about the improvement and support conference, attended by officials and regulators as well as the Auditor General for Wales. You told us the conference meets regularly to discuss individual local authorities, with a view to identifying “areas where there are issues with capacity and capability so that we (...) can begin to work with those authorities to address problems before they become failures.”

You provided us with a number of examples of what the current outcome agreements had delivered, which we welcome. **We believe you should continue to monitor the effectiveness of the scheme and we would be interested to receive a progress report from you in due course about any developments resulting from the improvements and support conference.**

Further to this, you agreed to provide examples from previous years of outcome agreement funding being withheld from local authorities.

More generally in relation to funding for local authorities, whilst appreciating that local authorities are autonomous bodies responsible for spending decisions for statutory and non-statutory services, we believe there is a further role for the Welsh Government in monitoring the outcomes of the spending of this money in order to ensure that value for money is being achieved, and in order to evaluate how those outcomes are contributing towards the Welsh Government’s wider strategic goals. **We would like to hear more from you on this point, and particularly the way in which the ‘Programme for Government’ commitment to improve “understanding of the links between local government performance and the provision of funding” is being used to “allocate more money effectively to drive service delivery”.**

5. Collaboration

(Scrutiny objectives: value for money and prioritisation)

We were pleased to receive confirmation from you that money from the Regional Collaboration Fund (RCF) would continue to be available for the next two years and that you were looking at whether to continue it after that period. However, **we seek clarification from you on how much of the RCF remains available for projects in 2014-15 and 2015-16. We believe you should keep under review the impact and effectiveness of this fund.**

More generally in relation to the collaboration agenda, as part of our inquiry into local government collaboration, we received evidence from Cardiff Business School that collaborative projects were not being assessed in terms of their

performance. Responding to this, you told us that, whilst you monitor Welsh Government funded projects such as those funded through the RCF, “the collaborative projects that local authorities have brought forward themselves are their projects to monitor”. Whilst we acknowledge that local authorities are autonomous organisations, nevertheless, we believe there is merit in evaluating the impact of these projects in terms of delivery of efficiency savings, service improvement and value for money, and we ask you to give further consideration to this.

6. Council Tax Reduction Scheme

(Scrutiny objectives: affordability and prioritisation)

We asked you about the arrangements for the Council Tax Reduction Schemes (CTRS) and were pleased to hear your statement that you “have committed to putting the £222 million that we get from the UK Government into the RSG”.

We welcome your commitment to ensuring that the Schemes provide assistance to vulnerable households, and the maintenance of entitlement for eligible claimants at their current levels, for a further year. However, we note that you will not be covering the full funding shortfall in council tax support for 2014-15 and that you have made clear to local government that it will have to share the cost of meeting the shortfall.

We would like to hear more detail from you about how you envisage local authorities “sharing” the shortfall, as we are unclear about the additional financial burdens this will place on them.

We understand that the draft Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013, which will introduce Schemes from 1 April 2014, will be debated by the Assembly later this term. We look forward to the debate and trust that you will continue to work closely with authorities to ensure that the Schemes make provision for those most in need.

We understand that you are currently undertaking a review to examine options for the longer term future of Council Tax support in Wales and **we ask that you report back to us on the outcome of that review at the appropriate time.**

Further to this, **you agreed to provide us with more information about the basis on which the CTRS element of the RSG has been distributed to each local authority this year and how, potentially, it will be done next year.**

7. Legislation

(Scrutiny objective: affordability)

We asked you about the provision you have made in the RSG for local authorities to meet the cost of legislation made by the Assembly and, in particular, how you ensure that adequate provision is made for local government to meet the costs of secondary legislation. You told us that “in practice, much of the secondary legislation that is passed by the Welsh Government forms part of the implementation of primary legislation, which has been costed through the RIA process.”

We will be giving careful consideration to the financial information provided as part of the documentation to accompany each Bill that comes before us, and will write to you separately if we feel we need any further information.

Further to this, you agreed to arrange for note to be provided clarifying which Ministerial budget the money for implementing the Active Travel (Wales) Bill will come from.

- ***Violence against women and domestic abuse***
(Scrutiny objectives: prioritisation, value for money, affordability)

We welcome the increase in the Domestic Abuse Services Grant by £0.3 million to £4 million. We also welcome the establishment of the Independent Review of all Violence against Women, Domestic Abuse and Sexual Violence Services. We note that it is due to report to you by the end of this month and that its findings will contribute towards future funding decisions in this area as well as the content of the forthcoming Violence Against Women and Domestic Abuse Bill. We look forward to seeing the report in due course.

In relation to the forthcoming Bill, you said you anticipate the resource implementation costs of the proposals being met from within the Domestic Abuse Services Grant. You went on to say that any legislation has cost implications and that “I hope that I have put enough extra in”.

We acknowledge that the cost implications of the Bill will not impact on the budget until 2015-16, nevertheless we believe it is very important all legislative proposals are fully costed and that this information is clearly presented as part of the regulatory impact assessment. Further to this, we believe you should review this area of the budget following the completion of the Bill’s passage through the Assembly.

- ***Youth Justice***
(Scrutiny objectives: prioritisation and affordability)

We note that funding in this area will be maintained in 2014-15 at £5.2 million.

We welcome your announcement about the introduction of a stand-alone youth justice Bill. We asked you whether you would be able to afford the impact of the Bill, as there is no increase in the budget. We are concerned by your answer, that “at the moment, I think that I can, but this Bill will not be introduced until 2015 (...) so it is something that we will have to look at ...”

As we have stated above, we believe it is important for all legislation to be fully costed and for this information to be clearly presented as part of the RIA. We will examine the financial information carefully once the Bill is introduced and write to separately if we feel we need more information.

On a related point, given that there has not been a decrease in re-offending rates among young offenders, **we would like you to provide further information about your plans to reduce reoffending rates with no additional funding for youth justice.**

8. Preventative Spend

(Scrutiny objectives: prioritisation and value for money)

We asked you to provide us with a picture of preventative spending within your portfolio and the way in which you plan for this. You told us “it is very difficult to identify the proportion that goes on preventative measures because they can vary locally from local authority to local authority. It depends on what decisions they take as they take their budgets through”. You confirmed that decisions regarding preventative spending are made at a local level by local authorities, although you said “there is a strong preventative focus to the effective services for vulnerable groups programmes, which can identify savings.”

We asked how you evaluated the cost-effectiveness of preventative spending, given your comments about the difficulties in identifying this. Responding to this, you told us that a number of programmes within your main expenditure group “have a focus on encouraging and supporting a shift in spending to preventative models of service delivery.”

We also asked for your views as to whether there should be more central direction in this area, and whether local authorities need to be clear about your intentions regarding preventative spend. You told us that you believed local authorities are “very clear” in this regard. You referred to a forthcoming Welsh Government seminar to be hosted jointly with the Wales Audit Office and suggested that, as part of that seminar, you could consider the matter of preventative spending “to see where we can help local authorities be able to demonstrate [this] much more clearly.”

Based on your evidence, we have not been able to get a clear picture of the preventative spend commitments specifically within your portfolio. However, we acknowledge that prevention runs through many elements of local government spend, as well as through the other ministerial portfolios in the Welsh Government. We agree with your suggestion that preventative spending in local government is something that could be considered as part of the joint Welsh Government-Wales Audit Office seminar, and **we would be interested to hear your evaluation of the seminar in due course, including any outcomes or actions agreed specifically in relation to preventative spending measures.**

9. Equality Impact Assessments (EIA)

As part of our discussions with you about EIAs, you confirmed that you expected “every local authority to undertake its own equality impact assessment as they progress through their budget process”. You said you would not necessarily monitor that process but you do expect the EIAs to be published and consulted on alongside each local authority’s budget proposals. We believe it would be useful for all EIAs, once published by the relevant local authority, to be brought together into one place in order for them to be considered. We note you have agreed to make arrangements for this, if the Minister with responsibility for equality matters has not already done so.

10. Other matters

In addition to the above matters, **you agreed to provide a note on whether there are any restrictions on local authorities in terms of commercial sales they are able to make and, if so, whether there are any plans to review this in order to enable local authorities to generate more income.**

Yours sincerely

A handwritten signature in black ink that reads "Christine Chapman". The signature is written in a cursive style with a period at the end.

Christine Chapman AC / AM
Cadeirydd / Chair

Cc. Jocelyn Davies AM, Chair, Finance Committee