



Christine Chapman AM  
Chair, Communities, Equality and Local Government Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

6 November 2014

*Dear Christine,*

Following my attendance at the Communities, Equality and Local Government Committee on 9 October you wrote to me on 24 October requesting additional information. This is included below and is supplementary to the information I have already provided to you in my letter dated 23 October.

### **Overall priorities and preventative spend**

A full, integrated impact assessment of the draft budget is undertaken by the Welsh Government. This includes impacts on groups with protected characteristics, children and the Welsh Language. Each Department contributes to that assessment and this was published as part of the Draft Budget document and supports the Draft Budget decision making process.

Since 2010, we have seen successive reductions to the Welsh Budget as a result of the UK Government's austerity measures. Such reductions inevitably mean tough choices.

We protected Local Government from the worst of the cuts in the early years of this spending review period. From the outset, we made it clear this protection provided Authorities with the time and resources to prepare for the more substantial reductions that were unavoidable.

In providing this protection, we enabled Local Government to invest in the kind of transformational change which would put it in the best position to meet the financial challenges.

Local Government has considerable flexibility over how it plans and manages its resources. In particular it has the ability to raise funding through council tax. It has not been subject to council tax freezes or other restrictions that have been placed on authorities in England.

Despite a reduction in RSG of 3.4% this year (2014-15), overall Authorities have budgeted to increase their gross revenue expenditure by 0.2%.

Within this, our aim has been to minimise the impact on local authorities and protect front-line services to in turn limit equality impacts at the local level.

This has involved critically reviewing our other programmes, facilitating the rolling-in of specific grants into RSG to provide greater flexibility, reducing bureaucracy through single integrated planning, ensuring new responsibilities on local authorities are properly funded, including those arising from the legislative programme, and providing support for transforming and improving services.

As part of the process we looked at every budget line in the MEG. Some budgets have been protected because they have demonstrable preventative benefits, for example we are maintaining investment of £4.9m in a range of preventative programmes and legislation to reduce risky behaviours, such as smoking and alcohol misuse, whilst supporting people to make more positive lifestyle choices. The additional investment of £10m in social services is also vital in terms of preventative spend, particularly in reducing pressures on health services.

The Domestic Violence budget has been increased and the Youth Justice budget kept at the same level, indicating our strong commitment to the most vulnerable in our communities. We have maintained funding for 500 CSOs as it is a key PfG commitment.

The Inspectorates have been kept at cash-flat as they have crucial roles, especially in responding to the Francis Report and legislative requirements.

### **Forward planning**

Indications for 2015-16 were published alongside the 2014-15 settlement in October 2013. We are always clear that the indicative figures are just that, indicative. Local Government was advised from the outset that these figures were subject to change. My predecessor, Lesley Griffiths AM, Minister for Local Government and Government Business wrote to all authorities in June to provide more detailed information as soon as it was possible to do so.

I would add that, whilst the settlement provides the largest single component of the funding provision for Local Government, it is not the only part. For 2014-15 for example, the settlement has provided £4.3 billion of general revenue funding for Local Government. Authorities have budgeted to spend £7.3 billion in gross revenue. The difference is funded through grants from the Welsh Government and other bodies, from Council Tax, from reserves, and from other income. Authorities will also fund further spending, over and above the £7.3 billion, through fees, charges and other local income.

From the perspective of drawing up financial plans therefore, the settlement figure is just one of the factors Authorities need to take into account. As well as planning for variability in each of these income streams and the extent to which Authorities themselves can control them, each Authority needs to predict, plan and manage service demand, and consider the extent to which it might need to redesign services to fit the available funding. Their plans need to take account of the uncertainties and of changing information, of local priorities and circumstances, and of opportunities, challenges and other factors as they emerge. This involves planning for different scenarios. Whilst I appreciate this is complex and challenging, I cannot agree that changes to indicative settlement figures make "sound financial planning untenable".

## **Financial arrangements to incentivise voluntary mergers of Local Authorities**

As I have made clear, Local Authorities have until 28 November to submit expressions of interest and I look forward to receiving their proposals. Until we receive those expressions of interest it would be unwise to come to a view on the support available to support the process before then. Any proposal must be based on a shared commitment to improve public services and provide better engagement with local citizens in developing those services. Each proposal will be assessed on its merits and we will provide a range of support as appropriate.

In terms of incentives available to support Local Authorities as part of the merger process, section 8 of the Voluntary Merger Prospectus sets out examples of the kinds of support that could be available, including:

- provision of expert advice on transforming services, implementing new models of delivery, and integrating services, with a focus on prevention both within the Authorities and with public service partners;
- provision of expert advice in respect of service issues such as differences in outsourced, in-house or otherwise transferred service delivery models;
- provision of expert advice and capacity on evaluating, planning and implementing organisational change through merger;
- provision of expert advice on Organisational Development;
- provision of expert advice and support on procurement and contractual matters;
- support for the development of constitutional and scrutiny arrangements;
- advice on design of outcome and performance frameworks, including establishing baselines for the most important service level improvements the merged Authority may wish to pursue;
- support for development of leadership and capability;
- advice on development of financial and asset management plans; and
- advice on integrated business planning.

The precise package of support will need to be agreed in each individual case and we have asked Authorities to indicate in their Expressions of Interest what, if any, support may be required and how it could best be deployed to deliver their vision and realise the benefits as quickly as possible for the newly merged Authority.

## **Preserving successful partnerships and collaborative activities**

You asked for further detail on how I would envisage in practice successful partnerships and collaborative activities that exist outside of the proposed map of merged authorities would be preserved.

Collaborative working has continued to develop in most areas during the past three years and involved cross public sector partnership working as well. Policy direction and funding has supported this approach. I would envisage new merged Authorities continuing to deliver collaborative working and further exploring opportunities for partnership, although taking account of our plans for Local Authority merger.

Authorities wishing to preserve successful partnership and collaborative activity outside of the proposed map would need to consider if they demonstrate:

- the arrangements are working successfully and delivering on outcomes;

- they do not over complicate and cause confusion on existing and future administrative and partnership arrangements;
- they provide better or on par benefits compared to those that can be delivered within the new merged Authority;
- there is an opportunity to extend the arrangements to other partners/ geographically.

### **Council Tax**

£244 million is included within the Local Government Settlement for 2015-16 for council tax reduction schemes (CTRS), rather than £22 million as suggested in your letter.

The funding arrangements remain as for 2014-15. Our regulations maintain entitlements for households to receive reductions to their council tax bills. The funding replaces the council tax income which authorities would otherwise collect from households who are eligible for a reduction.

The funding arrangements reflect the shared ownership. CTRS was developed in collaboration with Local Government. Any gap between the funding provided in the Settlement and the actual sum of reductions to council tax bills is almost entirely down to local decisions about council tax rises. The Welsh Government has made it clear that it cannot be expected to bear all the costs of such local decisions and authorities need to take account of this when setting their budgets and council tax levels. By matching the level of funding provided in previous years, the Welsh Government still provides the majority of the funding required to operate CTRS in 2015-16.

The Committee may also wish to note that, unlike under the previous council tax benefit system, funding for CTRS is provided to local authorities in advance, eliminating the requirement for a complicated and administratively burdensome claims process. Furthermore by maintaining full entitlements to support Local Authorities in Wales have been protected from the additional costs faced in England, such as increases in collection and enforcement costs, and growing council tax arrears, where Local Authorities have had to design their own schemes and 70% of working age families in England, who were previously eligible for a full reduction, are now required to pay some Council Tax.

Yours sincerely,



**Leighton Andrews AC / AM**  
Y Gweinidog Gwasanaethau Cyhoeddus  
Minister for Public Services