

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

Cynulliad  
Cenedlaethol  
Cymru  
National  
Assembly for  
Wales



**Leighton Andrews AM**  
Minister for Public Services

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff  
CF99 1NA

24 October 2014

Dear Minister

### **Welsh Government draft budget proposals 2015-16**

Thank you for attending the Committee on 9 October 2014 to answer questions on the Welsh Government's draft budget proposals 2015-16 relating to local government.

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, where appropriate. 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.

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

We note the reduction in total funding for the Local Government Main Expenditure Group (MEG) between 2014-15 and 2015-16 of £192.6 million, which equates to 4.2 per cent in cash terms and 5.7 per cent in real terms. While we acknowledge that a certain level of reduction in funding is inevitable within the context of existing financial constraints, we are concerned about the scale of the proposed reduction.

Croesewir gohebiaeth yn y Gymraeg a'r Saesneg / We welcome correspondence in both English and Welsh  
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We note your view that “a substantial reduction to [the local government budget] is unavoidable” and that reductions across Ministerial portfolios are “unavoidable overall”. Despite your assertion, we are aware that the Health and Social Service MEG has not been subject to any reduction but has instead been allocated an additional £225.7 million in 2015-16 (3.5 per cent).

You will be aware that the Welsh Government cited the need to address pressures in the health service as a reason for the level of cuts to the local government budget. While that may be the case, the Welsh Local Government Association and others have asserted that local government services, in particular social services, are under similar pressures. We do not dispute the benefits of spending on health, however, we are concerned that the Welsh Government has not demonstrated sufficiently how it is taking a strategic approach to budgeting, particularly in respect of preventative spend.

We share your view that funding for local government to support communities and local services “plays a key role in terms of preventative spend”. As such, we are concerned that, given the scale of the reduction in local government funding, many of these services, including those that are preventative in nature, will suffer inexorably.

### **Forward planning**

You told us in your evidence that, during the first three years after the 2010 Spending Review, local government in Wales has been “protected from the worst of the cuts to public funding”. You also told us that it had been made clear to local government that this protection “was to enable local government to rethink and reform services in order to prepare for the challenges ahead”.

While we acknowledge the above, we are aware that the reduction to the local government budget is significantly greater than was set out in the indicative 2015-16 figures. This has been the case for two consecutive years. You told us that your predecessor had warned local government in June “that it could expect a very difficult settlement”. Nonetheless, the Welsh Local Government Association has raised concern that “the inability to rely on indicative figures [...] makes sound financial planning untenable” and that this is further exacerbated by the scale of reductions. As such, we are concerned about the level of variation between indicative and actual allocations for local government, and the basis on which this enables authorities to plan effectively in the medium term.

### **Reforming local government**

Given the significance of the proposed reform of local government and the potential implications of this for the future delivery of local government services, it is unsurprising that the reform and proposed mergers formed part of our considerations.

We note the differences in the cost estimates provided by the Williams Commission and the Welsh Local Government Association of the proposed local authority mergers. We are aware that the Welsh Government has not yet provided

its own estimate. We believe that the decision to proceed with the programme of mergers would have been better informed by a comprehensive and robust cost-benefit analysis with a view to demonstrating how the programme will provide value for money for Welsh citizens. However, we recognise that there will be opportunities to consider these issues as part of the wider scrutiny of the forthcoming Bill that will give effect to the programme of mergers. We await with interest the publication of the draft Regulatory Impact Assessment (RIA) to accompany the Bill. Looking ahead, we would expect the Assembly committee responsible for Stage 1 consideration of the Bill, once introduced, to give full consideration to the RIA as part of the scrutiny process.

We acknowledge the work already underway to pave the way for reform and that local authorities are currently considering whether to take advantage of voluntary merger before the introduction of the main merger programme. We were pleased to hear that “resource is there to support voluntary mergers”, although we were disappointed that you were not prepared to provide us with specific figures. You told us that, once proposals for voluntary mergers have been received, it was your intention to undertake “a case-by-case assessment of what might be needed and what might be feasible for us to support” and that you would expect to discuss this “at a future date with the Minister for finance”. **We would like you to provide further details, at the first available opportunity, of the financial arrangements that you intend to put in place in order to incentivise authorities to merge voluntarily. We would also like details of any other incentives you are prepared to offer local authorities as part of the voluntary merger process.**

On a more general point, we sought clarification from you on the implications of the merger programme on established partnerships and collaborative activity that exists outside of the proposed map of merged authorities recommended by the Williams Commission (“the Williams map”). You told us that “it is not necessarily the case that [...] collaboration would need to stop in the context of a set of mergers on the Williams footprint”. We welcome this assurance and believe that, where successful partnerships and collaborative activities do exist, it is important to ensure that authorities are able to preserve them. As such, **we would welcome further detail from you about how you envisage this working in practice.**

## **Council tax**

We are aware that, in the current financial year, councils in Wales set an average rise of 4.2 per cent in their local council tax rate. Given the substantial reduction in local government funding and the ongoing pressures facing the sector, further increases in council tax in most authorities for 2015-16 are inevitable. You have previously reported that funding to support council tax reduction schemes for 2015-16 will remain unchanged at a level of £22 million. We understand that, in line with existing arrangements, authorities will be expected to meet the ever increasing shortfall, which serves to further increase financial pressures on local government.

Yours sincerely

*Chris Chapman.*

**Christine Chapman AC / AM**

Cadeirydd / Chair

cc Jocelyn Davies AM, Chair, Finance Committee