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Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
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John Griffiths AC/AM
Chair
Equality, Local Government and Communities Committee
National Assembly for Wales
Cardiff Bay
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Dear John

Following my attendance at the Equality, Local Government and Communities Committee on 3 November, you wrote to me on 10 November requesting additional information. The matters raised by the Committee are addressed in turn below.

Police General Revenue Funding

The general revenue funding for policing in Wales is provided as Aggregate External Finance (AEF) which comprises revenue support grant (RSG) and redistributed non-domestic rates (NDR). Following the financial devolution of NDR, these figures are now shown separately in the Welsh Budget where, previously, they were shown as a single figure. RSG is in Revenue DEL and NDR is in Revenue AME.

Although the Draft Budget shows a reduction in the Police General Revenue Funding (Revenue DEL) for 2017-18, the overall Welsh Government funding for police has increased. The Welsh Government contribution to general revenue funding for policing will rise by £1.9 million in 2017-18. The changes in the Draft Budget are presentational only. The 2016-17 budget showed the funding for policing as revenue support grant. In reality, part of the funding was provided from non-domestic rates, as has always been the case.

Table 1 provides a breakdown of NDR between the unitary authorities and the police and the differences between the presentation in the 2016-17 Budget and the actual distribution of resources. The final column confirms that the movements cancel each other out when looking at the overall settlements (AEF) for authorities and the police.

Table 1: Reconciliation of Actual Distribution of RSG and NDR for 2016-17 and that published in the 2016-17 Budget

		<i>£ million</i>		
		Published 2016-17	Actual 2016-17	Difference
Local Authority	Revenue Support Grant (DEL)	3,122	3,171	49
Local Authority	Redistributed Non-Domestic Rates (AME)	977	928	-49
Local Authority	Total Aggregate External Finance	4,099	4,099	0
Police	Revenue Support (DEL)	137	88	-49
Police	Redistributed Non-Domestic Rates (AME)	0	49	49
Police	Total Aggregate External Finance	137	137	0

Non-Domestic Rates (NDR) Annually Managed Expenditure

The figure in the Draft Budget for non-domestic rates of £1.059 million is our estimate of the amount which will be available to redistribute in 2017-18. This is not the same as the amount which will eventually be collected during, or in respect of, 2017-18. The figure takes account of our latest estimate of the outturn for 2015-16 and an updated assessment of the amount of revenue which will be generated in the current financial year (2016-17), as well as our initial estimate of receipts for 2017-18 following the 2017 revaluation.

All the revenue raised from NDR is pooled. The pool is managed to ensure that, over the long term, all the revenue is redistributed to fund local services. However, given the number of factors involved in managing such a large fund, there is inevitably a surplus or deficit on the balance at the beginning of each year. There are many changes which occur during each year which affect the income generated. These include, for example, changes in the number and nature of businesses and other non-domestic properties, changes of use, collection rates, revaluation, appeals, inflation, eligibility for reliefs etc. The audited NDR account for 2015-16 has been laid before the Assembly.

Floor arrangements within the provisional local government settlement

There are a number of factors to be taken into account in determining funding floor arrangements, including the overall value of the settlement, the range of individual authority settlements and the cost associated with putting a floor in place. Such factors change every year and, as a result, any decision as to whether floor funding is necessary or desirable must be taken each year taking account of the circumstances that year. This, combined with the fact that no budget or settlement figures have been published for years beyond 2017-18, means that we are not in a position at this stage to consider the need for the provision of floor funding beyond 2017-18.

Funding within the provisional local government settlement

Each local authority is an autonomous and democratically accountable body and is statutorily responsible for managing its own financial affairs.

The overall settlement of £4.1 billion is unhypothecated. It is for each authority to determine how it uses this funding in conjunction with the other resources available to it – for example from council tax, grants, and fees and charges – to meet local needs and priorities.

It is vital that every authority ensures it has robust arrangements for informed scrutiny of its spending plans by local elected members and for the ongoing monitoring of

performance against these plans. I remain committed to working with local government to design funding arrangements which best support the delivery of our shared outcomes.

Spending on different services is monitored through the information on the annual revenue account and revenue outturn returns collected by Welsh Government. The expenditure data is published on the Welsh Government's website.

The additional £25 million in the settlement for social care recognises the particular pressures faced by the sector. As you recognise in your letter, it will be for each individual authority to decide how best to spend its share of the additional £25 million taking account of its own particular circumstances. Consideration of social care outcomes is a matter for Minister for Social Services and Public Health.

Additional funding for town centre car parking

The development of the pilot scheme will be a matter for my Cabinet colleagues. We will wish to discuss our proposals for how this money is to be used with local authorities and we will make further announcements in due course.

Additional funding for school transport

The funding is being provided through the local government settlement to provide authorities with as much flexibility as possible to use the additional resources to support the delivery of school transport.

Local Government Reform

I am confident that the £5 million in the Transformation and Legislation BEL will be sufficient to support local authorities in taking forward any preparatory work associated with local government reform in 2017-18 as well as supporting any authorities which seek to merge voluntarily. It is important to recognise that, like all significant change, the process of reform will take place over a number of years. It is essential that the funding is used effectively to introduce the kind of transformative activities that need to happen to embed and deliver new ways of working which enable local government to become more resilient and sustainable. The funding for 2017-18 is sufficient to allow us to begin to make those changes.

Finally, I note your request for more detailed evidence in relation to the wellbeing of future generations to assist the scrutiny of future budgets. The approach set out in our Programme for Government paves the way for the Act to become an increasingly integral part of the Welsh Government's budget and business planning.

Yours sincerely



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