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Y Gweinidog Llywodraeth Leol a Busnes y Llywodraeth
Minister for Local Government and Government Business



Llywodraeth Cymru
Welsh Government

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

20 November 2013

Dear Christine

Thank you for the opportunity to attend the Committee on 16 October. At the meeting, I agreed to provide some further information on a number of matters. Your letter of 29 October requests additional material which I have included below.

Local Authority Equality Impact Assessments

A key requirement of the Public Sector Duties is for Local Authorities to carry out Equality Impact Assessments (EIA) for all relevant policies and decisions. In making a decision regarding funding or service provision, Local Authorities must assess the potential impact of those decisions, both positive and negative, as regards race, disability and gender. Should a Local Authority be unable to avoid potential negative impact arising as a result of its decision, this must be a key consideration in future action, which may include looking at the impact of the decision when the financial situation has improved. The reality is, in times of financial constraint, all public authorities will have to make difficult and often unpopular decisions regarding funding and service provision.

I was asked whether we expect all EIAs to be published by Local Authorities and whether we could bring them together in one place. As well as the requirement to carry out EIAs, public authorities must also have arrangements in place for publishing reports regarding these assessments. I would, therefore, expect to see such reports published on Local Authority websites as the following Authorities have done. It is not for the Welsh Government to bring such reports together in one place. However, I would be happy to provide further updates to the Committee and when further reports become available.

<http://www.swansea.gov.uk/index.cfm?articleid=13264>

http://www.valeofglamorgan.gov.uk/en/our_council/equalities/equality_impact_assessments_archive.aspx

<http://www.torfaen.gov.uk/en/Business/TrainingandDevelopment/Equalities-assessmentandconsultation/Equality-Impact-Assessments.aspx>

Examples of Outcome Agreement funding withheld

I promised to provide examples from previous years where Outcome Agreement funding has been withheld from Local Authorities. The assessment process we use for all Outcome Agreements was set out in the original prospectus of March 2010. At the end of each reporting year, Local Authorities provide a full self-assessment of their performance plus supporting evidence. We then evaluate this using a standard methodology.

When assessing Blaenau Gwent County Borough Council's delivery of its 2011-12 Outcome Agreement, it became apparent their performance overall fell short of the standard required to qualify for the full grant. In particular, the Council's delivery of two of the ten outcomes was assessed as unsuccessful whilst three of the outcomes were assessed as being partially successful. This shortfall in delivery resulted in the Local Authority only being entitled to 75% of their grant.

Similarly, the assessment of the Isle of Anglesey County Council's delivery of its 2010-11 Outcome Agreement also revealed their overall performance fell short of the standard required to qualify for the full grant and the Local Authority received 75% of its grant.

Council Tax Reduction Schemes

In relation to Council Tax Reduction Schemes (CTRS), I agreed to provide more information regarding the basis on which the CTRS component of the Revenue Support Grant (RSG) has been distributed to each Local Authority this year and how, potentially, it will be done next year. The distribution for 2013-14 was agreed with Local Government via the Distribution Sub Group. The formula was based on a 50:50 split between individual Authorities' actual expenditure on Council Tax Benefit in 2011-12 (DWP subsidised element only); and their estimated expenditure for 2012-13. For 2014-15, the Distribution Sub Group has recommended the distribution is based wholly on Local Authorities' Council Tax Benefit actual expenditure in 2012-13 (DWP subsidised element only). This distribution is reflected in the Provisional Local Government Settlement which I announced on 16 October.

Your letter of 29 October asked for more detail regarding how I envisage Local Authorities "sharing" the shortfall. The Provisional Settlement included our plans for funding Council Tax Reduction Schemes for 2014-15, with £244m of funding provided for Council Tax Reduction Schemes. This matches the level of support provided for 2013-14. Local Government will be expected to meet any remaining shortfall, as increases in the cost of CTRS are linked to local decisions concerning Council Tax rises. Our monitoring shows any increase in the cost of CTRS since April 2013, and above the level of provision indicated above, is almost entirely down to local decisions regarding Council Tax, as caseloads have not risen.

This funding arrangement reflects the shared ownership of CTRS, which was developed in collaboration with Local Government and which provides support to claimants in meeting their locally determined Council Tax liability. It is only reasonable to expect Local Authorities to take account of the CTRS when making decisions regarding the level at which they set their council taxes.

As we do not yet know the levels at which Council Tax will be set for 2014-15, it is not possible to determine the shortfall Local Authorities may have to meet. Nevertheless, matching the level of funding provided last year, still means the Welsh Government will provide the vast majority of the funding required to operate CTRS.

You also asked I keep you updated as to the outcome of the review to examine options for the longer term future of Council Tax support in Wales. This review is ongoing but I will ensure Assembly Members are kept updated on its progress and outcomes.

Active Travel (Wales) Bill

As I stated at the meeting, the Minister for Culture and Sport is responsible for taking forward the Active Travel (Wales) Bill. However, I understand the funding for implementing the legislation rests within the Economy, Science and Transport portfolio. You should, therefore, write to the Minister for Economy, Science and Transport for further details.

Commercial Sales

I said I would provide a note on whether there are any restrictions on Local Authorities in terms of commercial sales they are able to make and any plans to review this in order to enable Local Authorities to generate more income. There is a range of legislation which regulates the way Authorities may set charges to recoup the costs of providing particular services. The majority of these fall within the remits of other portfolio Ministers.

More generally, as public bodies which receive a large part of their funding from Central Government and taxpayers, Local Authorities are also subject to the widely applicable rules regarding competition and state aid which affect their engagement in commercial activities. The regulation of international trade and anti-competitive practices are not devolved matters.

Funding for Local Government

Your letter of 29 October raises a number of further queries regarding the funding approach, including whether the funding formula used to distribute the RSG adequately addresses inequalities, particularly within deprived communities.

Deprivation-based indicators account for the distribution of over a quarter of the Standard Spending Assessment which is the basis for allocating the RSG. Sparsity-based indicators account for 6% of the formula. The weightings of the different measures within the formula are kept under rolling review to ensure they continue to reflect the factors which drive Local Authority spending. This process is conducted through the Distribution Sub Group (DSG), a technical working group of the Partnership Council for Wales. Its membership comprises Welsh Government and Local Government officials, as well as independent observers, who ensure objectivity in the work programme. Each year, the work of DSG is summarised in a report which is presented to me and which informs the decisions around the Settlement. The work of the group and the background to the distribution formula is published on the Welsh Government's website.

You also asked how the Programme for Government commitment to improve "understanding of the links between Local Government performance and the provision of funding" was being used to allocate more money effectively to drive service delivery. The most recent edition of the Local Authority Services Performance publication includes

analyses of spending and performance. The analyses underline the challenge in making the links between the provision of funding and performance for the purpose of influencing future allocations.

The overall reductions to RSG for 2014-15 and 2015-16 mean it is even more important any proposals to reallocate funding between Authorities is based on sound evidence. Allocating money effectively to drive service delivery should also take account of the mechanisms for providing the funding, as well as the basis of allocation.

Alongside the details of the Provisional Settlement, I announced I am commissioning some work, in partnership with Local Government, to consider what further flexibilities may be made available to Local Authorities so funding is used for its intended purpose, whilst ensuring administration and overheads are minimised.

Finally, on the issue of Local Authorities avoiding taking short-term decisions in responding to the budget reductions, it is important to recognise each Local Authority is responsible to its local electorate for the decisions it takes. My summer visits to Local Authorities provided plentiful evidence and excellent examples of doing things differently which mean services can be sustained and improved despite funding reductions. Key to this is the sharing of best practice. At the Partnership Council on 5 November, I presented the case studies I visited over the summer and we discussed ways in which all public service providers could do more to disseminate and adopt best practice.

The Regional Collaboration Fund (RCF) can play an important role in this, through stimulating and supporting transformational change to help ensure public services are fit for the future. I have already announced funding for 30 projects, many of which have 2 or 3 year programmes of work. The cumulative cost of these projects, which will continue to be funded for the full period, broadly matches the overall funding available from the RCF. I am, therefore, not anticipating to reopen the RCF for a substantive new round of project applications. Evaluation of projects being funded from the RCF will be undertaken.

Youth Justice

As I made clear to the Committee, over recent years the Youth Justice budget has increased from £4.7million (2011-12) to £5.2million this financial year. This has been an important contribution towards a reduction in first time entrants into the youth justice system. Also, over the last five years, the number of young people receiving a custodial sentence has reduced considerably, with the latest snapshot data showing fewer than 50 Welsh young people in custody.

However, reoffending rates are now rising. This is due, in part, to fewer children in the Youth Justice System with more concentrated levels of complex needs and more persistent patterns of offending. We are working with the Youth Justice Board (YJB) to consider if a new approach is required to better support this group of young people to prevent them from reoffending. This is one of the key reasons why I have decided to progress a Youth Justice Bill.

This year, I have introduced regional allocations for the Youth Crime Prevention Fund (formerly the Safer Communities Fund). This has resulted in effective collaboration across Local Authority areas with opportunities to implement best practice to maximise impact. Some of the budget has been allocated to resettlement projects in Wales. These projects are aimed at reducing reoffending by improving the way in which Local Authorities (including YOTs), Probation and the secure estate in Wales work together to resettle young people placed in custody and those serving high tariff community sentences.

A Regulatory Impact Assessment will be prepared which will detail cost implications of the Bill and we will prioritise spending from existing funding streams to meet these costs.

Regards
Lesley

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