

Leighton Andrews AM
Minister for Public Services

22 January 2016

Dear Minister

Thank you for attending the Committee on 13 January 2016 to answer questions on the Welsh Government's draft budget proposals for 2016–17 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.

Welsh Government's priorities

We note the total allocation for the local government portfolio for 2016–17 is £3.34 billion, which is a reduction of £87.8 million in cash terms compared to the 2015–16 baseline figures. While any reduction in the allocation is undesirable, we acknowledge that, within the context of continuing financial constraints, and in view of the Welsh Government's decision to increase spending in other key areas, such as health, it is only to be expected. Further, we recognise that the reduction is less than originally anticipated, which is, of course, to be welcomed. Overall, we believe that the allocation is reasonable and provides a fair settlement for local government in Wales.

We note that, within the reduced allocation for local government, an additional £21 million and £34.8 million is provided for social services and funding for schools respectively. When questioned on the outcomes you expect this additional



funding to achieve, you told us that it would be a matter for the Minister for Education and Skills and the Minister for Health and Social Services “to ensure that their priorities are being delivered by local government”. While we accept that the respective Ministers are accountable for the delivery of policies within their portfolios, we expect you, as the Minister with responsibility for these allocations , to account for the decisions you have taken.

Reserves held by local authorities

While we acknowledge that decisions in respect of reserves are a matter for individual authorities, we believe there is a role for the Welsh Government in ensuring that authorities across Wales have sufficiently robust arrangements in place for the establishment, review and discharge of reserves. To this end, we welcome the positive steps you have taken to improve transparency and accountability in respect of reserves held by local authorities, in particular the publication of annual data on useable reserves on the Welsh Government’s website.

Notwithstanding the above, in discussing the use of reserves by authorities, you told us that “some authorities are more efficient in their use of reserves than others”. This suggests that there is room for improvement and that additional steps may be required in this regard. Given the continuing financial pressures facing authorities, it seems reasonable to expect them to critically review the level and nature of their reserves albeit to satisfy themselves and the electorate that they are using them wisely. **We seek clarification on whether you intend to further pursue this issue with authorities.**

Impact of the funding reductions

Notwithstanding our previous comments on the fair settlement for local government, we remain concerned about the potential impact of the funding reductions on unprotected or discretionary services, such as leisure services. These services are not only important to local communities but have a preventative effect and contribute to the wellbeing agenda. Like you, we believe that short-term decisions to close these services will lead to problems in the future.



We expect you to continue to work alongside relevant Cabinet colleagues to provide support to authorities in identifying alternative models for the delivery of services, which we hope will help safeguard against the loss of discretionary services across Wales. To this end, we welcome the publication of the report on co-operative and mutual models in public service delivery and the recent consultation on the Action Plan for alternative models. **We would like you to report back to the Committee on the outcome of the consultation at the first available opportunity.**

Local government reform

We welcome the publication of the draft Local Government (Wales) Bill, which we will be considering in the coming weeks. While progress has been made in taking forward the reform agenda, we understand that the proposed mergers are not due to take place until 2019 with any potential financial benefits realised in the following years. As raised with you previously, we are concerned that the reform process and proposed mergers may disincentivise authorities in seeking ways to improve service delivery, including entering into collaborative arrangements, in the immediate future. We believe there should be a clear expectation on authorities to continue to seek opportunities to improve and collaborate despite the reforms. **We would like further assurances from you that this is the case.**

Youth Justice

We have some reservations about the reduction in revenue funding for youth justice from £5.2 million in 2015–16 to £4.4 million in 2016–2017. While we recognise that some progress has been made in recent years in tackling youth offending, we are concerned about the implications of the reduction in this important area of preventative spend on youth crime rates.

Given your assertion that it is “critical” that those at risk of reoffending receive the necessary support and have access to appropriate services, and that the Welsh Government has recently reported that reoffending rates remain of concern, we were surprised by your decision. While we acknowledge that the overall reduction in local government allocation must be accommodated, we question whether the case for the reduction in funding for youth justice has been made. As such, **we would like further detail about the basis on which you have made this decision and on the outcomes that you expect to be achieved as a result of this funding allocation.**



Further to the above, you told us that you believe the reduction in funding in this area “can be accommodated by there being greater collaboration across local authority areas”. We question whether this, in itself, will be sufficient to mitigate the impact of the reduction and we refer you to our earlier comments on collaboration. **We would welcome further details from you on what this “greater collaboration” will mean in practice. We would also welcome details of how you intend to monitor the effect of the funding reduction.**

On a wider point, we note your view about the need to consider the future funding of the youth justice system in Wales, given that the UK Government has made clear its intention not to devolve youth justice. The future funding arrangements for non-devolved areas will inevitably be a matter that the next Welsh Government will want to consider. If that Government decides to continue to spend in non-devolved areas, it will be crucial to establish a clear policy framework and agreed outcomes for that expenditure.

Equality impact assessments

We note the steps you have taken to remind local authorities of their equality duties in respect of the budget setting process, and to ensure that they are aware of best practice in relation to this. We accept that it is neither reasonable nor practicable for you to consider every assessment undertaken by authorities. However, we believe that there is an overview role for the Welsh Government in monitoring the robustness of these assessments as well as their cumulative impact. **We would welcome your views on this.** We have written in similar terms to the Minister for Finance and Government Business.

Welsh language

We wish to make the same points as outlined above in respect of impact assessments by local authorities of spending decisions on the Welsh language. Furthermore, we have some concerns about the variation across authorities in their approach to these assessments. It is clear from your evidence that you have some doubts as to whether the imminent introduction of Welsh language standards for authorities will improve this position. **We would like you to provide further details about how you believe this variation can be addressed and what your intentions are in this regard.**



On a wider point, we would like to reiterate the need to continue to promote positive attitudes towards the Welsh language across all authorities. We welcome the establishment of the Working Group on Welsh Language and Local Government Administration and Economic Development and look forward to seeing the outcome of its work.

I am copying this letter to Jocelyn Davies AM, Chair of Finance Committee.

Yours sincerely,



Christine Chapman AM

Chair

