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



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref: P-05-730  
Ein cyf/Our ref: MD/05482/16

Mike Hedges AM  
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National Assembly for Wales  
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22 November 2016

Dear Mike,

Thank you for your letter of 9 November regarding petition P-05-730 on local government finance and funding.

I announced the Provisional Local Government Settlement for 2017-18 on 19 October. It will provide over £4.1 billion of revenue funding for local government in Wales for 2017-18. This includes top-up funding which ensures that no authority will see a reduction of greater than 0.5% in its core funding compared to 2016-17.

This is a good settlement for local government, particularly given the many competing pressures on the Welsh Budget. It constitutes the first increase in the core funding for local government since 2013-14.

The Welsh Local Government Association recognised the settlement is considerably better than most in local government had been expecting, describing it as “challenging but fair”.

The reductions to our Budget as a result of the Spending Review 2015 continued the UK Government’s squeeze on public spending and commitment to austerity. Our Budget will be 9% lower in real terms by the end of the decade – equivalent to almost £1.5bn less in real terms for public services in Wales in 2019-20 than in 2010-11.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Despite this, the Welsh Government has afforded relative protection to its funding for local government. This is evidenced by the fact that authorities budgeted to increase their spending in 2016-17 by 0.4% and have continued to add to their reserves.

Authorities currently have considerable scope under existing legislation to introduce new ways of working and alternative delivery models. This should help authorities to manage the financial challenges they face. Alongside this, the Welsh Government has provided a range of practical and financial support to local government to explore alternative approaches. To provide further support, we are considering the scope to introduce a general power of competence at the earliest legislative opportunity.

It is important for authorities to consider the range of financial tools at their disposal in managing the pressures they face. Whilst the annual settlement provides the largest single component of funding for local government in Wales, it is not the only one. A range of innovative activities are being undertaken by authorities and it is important for all authorities to learn from these experiences and to adopt good practice. It is particularly important for authorities to continue to look for savings in administrative functions so that the available resources can be channelled towards frontline services. Authorities need to balance the opportunities for generating income with providing for the needs of their communities.

The Welsh Government continues to provide financial support for the capital element of previously approved PFI schemes and it is for each authority to secure best value for money through these schemes. Authorities are able to explore opportunities to review and refinance existing PFI schemes and many are doing so. We have been encouraging authorities in pursuing this and will continue to do so.

In *Taking Wales Forward*, the Welsh Government has set out its intention to reform local government funding to make councils more sustainable and self-sufficient. The report of the Independent Commission on Local Government Finance Wales is a helpful contribution to the thinking on the development of a local government finance system which is more resilient.

Over the summer, I met local authority leaders and other stakeholders to discuss how we can develop an approach to reforming local government that is deliverable and sustainable. It is in everyone's interests that we get this right and I welcome constructive dialogue with all those with a contribution to make.

Best wishes,

Mark

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