

Our Ref/Ein Cyf: MT/EB2
Your Ref/Eich Cyf:
Date/Dyddiad: 20th October 2008
Please ask for/Gofynnwch am: Mari Thomas
Direct line/Llinell uniongyrchol: 029 2046 8632
Email/Ebost: mari.thomas@wlga.gov.uk



WLGA • CLILC

Angela Burns AM
Chair
NAFW Finance Committee
Cardiff Bay
Cardiff
CF99 1NA

Dear Angela,

Further information for Finance Committee

Thank you for the opportunity to give evidence to the Finance Committee last week. My responses to your request for further information are below or enclosed with this letter.

1. Annex 1 details which local authorities have investments with Icelandic banks or their subsidiaries, but in summary nine councils and 3 police authorities have investments totalling £70.4 million with these banks. I do not have the details of which banks the Police Authorities' investments were with, but just under half of the Councils' exposure is with Heritable bank (which is a British bank but a subsidiary of Landsbanki).
2. It is not possible to quantify the impact of the all the potential scenarios detailed in the table in our submission, but as an example, every additional child taken into care costs on average £31,000 each year. Our aim in including this table was to highlight the range of functions that may be affected by or called upon as a result of the economic slowdown – Councils need to be prepared, and properly equipped, to help our communities through these difficult times.
3. A copy of the report (the LGA's "Councils and the Housing Crisis") is enclosed.
4. Between 2005/06 and 2006/07, the non-hypothecated funding for councils increased by 9.21% including transfers from specific grants, while hypothecated grant funding fell by 16.67%. Since then the opposite has happened – the non-hypothecated funding has increased by 10.36% over the three years (from £3,580

Steve Thomas
Chief Executive
Prif Weithredwr

Welsh Local Government
Association
Local Government House
Drake Walk
CARDIFF CF10 4LG
Tel: 029 2046 8600
Fax: 029 2046 8601

Cymdeithas Llywodraeth
Leol Cymru
Tŷ Llywodraeth Leol
Rhodfa Drake
CAERDYDD CF10 4LG
Ffôn: 029 2046 8600
Ffacs: 029 2046 8601

www.wlga.gov.uk

million in 2006-07 to £3,950 million for 2009-10) whereas hypothecated funding has increased by 70%, from £400 million in 2006-07 to £680 million for 2009-10. This limits the freedom of Councils to manage their limited resources in times of tight settlements such as those that we are currently experiencing. It is often the case that the same policy objectives can be achieved through more flexible solutions that would allow councils to avoid some of the more detrimental spending reductions elsewhere.

5. At all times, Councils must examine all areas of expenditure to ensure that that spending is absolutely necessary. This involves weighing up the value of all service areas against various criteria. A necessary part of this is to assess whether a service is statutory or not. This is particularly pertinent at times when settlement increases are not keeping pace with inflation. The situation will become clearer as Councils' plans for managing their services within the budget provided are developed over the next few months.

I hope that this information is helpful to the Finance committee in considering the 2009-10 Welsh Assembly Government draft budget. If you have any further queries, please do not hesitate to get in touch.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Davies', written in a cursive style.

Councillor John Davies
Leader / Arweinydd

ICELANDIC BANKS

	Total Amount	Kaupthing Singer & Friedlander	Landsbanki	Heritable	Glitner
	£m	£m	£m	£m	£m
Anglesey					
Blaenau Gwent					
Bridgend					
Caerphilly	15.0		5.0	10.0	
Cardiff					
Carmarthenshire	4.0	4.0			
Ceredigion	5.5		2.5	1.0	2.0
Conwy					
Denbighshire					
Flintshire	3.7		3.7		
Gwynedd	4.0			4.0	
Merthyr Tydfil					
Monmouthshire	1.2			1.2	
Neath Port Talbot	20.0	3.0	6.0	9.0	2.0
Newport					
Pembrokeshire					
Powys	4.0		2.0		2.0
Rhondda Cynon Taff	3.0			3.0	
Swansea					
Torfaen					
Vale of Glamorgan (The)					
Wrexham					
Dyfed-Powys Police	2.0	}			
Gwent Police	1.0	} Not available			
South Wales Police	7.0	}			
North Wales Police					
TOTAL (All)	70.4	7.0	19.2	28.2	6.0
Total Councils	60.4	7.0	19.2	28.2	6.0
Total Police	10.0	0.0	0.0	0.0	0.0