

Brian Gibbons AC/AM

Y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth

Leol

Minister for Social Justice and Local Government



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref BG/05746/09

Angela Burns AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

6 November 2009

Dear Angela,

2009 Budget Round

Thank you for your letter of 3 November requesting more details on the proposals to introduce additional funding flexibilities in the local government settlement.

Your letter poses a number of specific questions which I have responded to below. However please bear in mind that the detailed arrangements to support outcome agreements are still being developed.

In that context, I will be bringing a discussion paper proposing a model for outcome agreements, and a timeframe in which to develop and implement them, to the Partnership Council on the 12th November.

Informed by discussions from the Partnership Council, work will continue with colleagues within the Assembly Government, alongside partners from local government and others, to further develop the outcome agreement framework and the evaluation model. I hope to have a basis for detailed discussions for each authority by the start of 2010-11. Outcome Agreements will replace the current Improvement Agreement regime, which will end in March 2010.

A key element of the outcome agreement will be the development of new flexibilities in respect of the provision of funding. The written statement of 13 October announcing the provisional local government settlement indicated that for an individual local authority, the "new funding flexibilities" might be through aggregating existing grants or by removing grant conditions allowing greater flexibility in how the resources could be used.

These proposals are intended to apply at individual authority level. Ultimately where all authorities demonstrate that they are delivering the desired outcomes within a particular service area then there would be scope to consider the transfer of the grant into the unhypothecated Revenue Support Grant.

An evaluation framework is being developed to support the development and monitoring of Outcome Agreements. This will draw together a range of evidence to inform discussions between the Assembly Government and individual local authorities, regarding the content and quality of outcome agreements, as well as authorities' achievements against their stated outcomes.

Finally, the Committee expressed concern that the process of subsuming specific grants into revenue support grant had begun before the processes for assessing outcomes has been finalised. The process of considering the appropriateness for subsuming specific grants into the Revenue Support Grant (RSG) is an ongoing annual feature of the preparation of local government settlement. This process is reflected in the current Grants Protocol agreed with local government and reflects the fact that there is a wide range of factors to be considered in subsuming a specific grant into the settlement. The establishment of outcome agreements will introduce an additional stage into the process to ensure that in providing greater freedom and flexibility around the use of funding there are robust mechanisms to ensure that the agreed outcomes continue to be delivered once the specific controls associated with the funding are lifted.

External and internal audit controls combined with the democratic accountability requirements within local government provide existing mechanisms to ensure that local government accounts for expenditure funded from Revenue Support Grant as well as other unhypothecated sources of funding such as council tax and redistributed non-domestic rate income. It has always been made clear that the Deprivation Grant is an additional unhypothecated grant provided to support the delivery of public services in the most deprived areas of Wales. Local authorities are able to spend this additional resource according to their own particular needs. The inclusion of this funding within the Revenue Support Grant does not change that position, rather it reaffirms this Government's commitment to supporting the delivery of public services in the most deprived communities in Wales.

Yours sincerely

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

Brian Gibbons AM