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Our ref:

Gwenda Thomas AM

Chair Local Government and Housing Committee

National Assembly for Wales

Cardiff Bay

Local Government Bill for England and Wales

I am writing to inform you that the Local Government Bill will be introduced into the House of Commons today, November 25th, 2002. This is the first stage of the parliamentary process for the Bill which will hopefully receive Royal Assent next year. I thought this would be an opportune moment to update you as to the outcomes of our negotiations with the UK Government.

I reported our requests for primary legislation made to the UK Government to Committee in July of this year. Over the summer negotiations have taken place in respect of these requests. Overall, I believe that we have achieved our aim of obtaining maximum flexibility for Wales both in terms of the drafting of the primary legislation and in terms of the order making powers

which have been given to the Assembly. As a result, we will be able to significantly drive forward our policy agenda as set out in 'Freedom and Responsibility in Local Government'. I detail below the outcome in respect of the requests made to the UK Government below.

Business Rates- The Bill contains a number of technical amendments to the business rates system such as the decriminalisation of the non return of forms. The UK Government has agreed to all of our requests in respect of these matters, most importantly that there will not be a statutory requirement to have a transitional relief scheme on business rate revaluation in Wales. We have also been successful in securing flexibility in the Bill to enable us to introduce a small business rate relief scheme which can be developed in Wales in consultation with Welsh local authorities and businesses. Likewise we have secured sufficient flexibility in order making powers to ensure that a 'Made in Wales' approach can be taken to the introduction of Business Improvement Districts in Wales. The UK Government has not agreed to our request for an enabling power to determine the long term future of business rates in Wales.

Local Government Revenue Settlement- We requested that primary legislation be amended to enable us to merge revenue support grant and national non-domestic rates into a single funding stream. However, over the summer representations were made to me by local government that this could prejudice the future return of business rates to local authority control and sever the funding link between local government and the business community. I was persuaded by these arguments and informed the UK Government of my decision. This proposal is therefore not included in the Bill. We have secured a number of clauses in the Bill in respect of making approval of the council tax base a function of the local authority's executive. Also, we have secured clauses which provide the Assembly with the option to consider separate finance reports for principal councils and for police authorities. Both of these will enable us to achieve our policy objective of continuously improving the timetable for the production of the local government finance report. These are technical matters but important in the sense that they will provide local authorities with crucial additional time to develop and improve their budgetary processes.

Financial Management in Local Authorities- The UK Government proposed in the draft Bill to impose a duty on the Chief Finance Officer to report on the robustness of the budget calculations, to impose a duty on the council as a whole to keep its finances under review and take a reserve power to specify the minimum level of reserves which authorities should maintain. Our request to the UK Government agreed with the later reserve power and this is reflected in the final Bill. However, our request suggested that in Wales the other duties proposed should be reserve powers. After discussion, I have accepted the argument that these clauses would not impose an additional burden on those authorities which already undertake proper financial management. The Bill therefore imposes these duties on local authorities in Wales.

The Bill contains a further clause in this area which will provide the Chief Finance Officer with the ability to approve expenditure in a situation where an authority is in financial difficulty which would prevent the situation from further deteriorating. It was requested that this clause should extend to Wales and this is reflected in the Bill.

The draft bill contained clauses to enable central government to make payments towards local authority indebtedness with the Public Works Loans Board; this is specifically related to address the question of overhanging debt. Our request was that these provisions should apply in Wales with the power to exercise them resting with the Assembly. This is reflected in the Bill.

Council Tax- We agreed with the UK Government's proposal that there should be a statutory revaluation cycle for council tax and we have been successful in ensuring that this clause applies to Wales and that the timing of council tax revaluations within the statutory framework is at the discretion of the Assembly. The Committee will recall that Wales is leading the way with a revaluation in 2005.

Over the summer the UK Government has introduced a provision in the Bill which gives billing authorities discretion over discounts to council taxpayers. This will enable authorities to consider those cases where difficulties are being encountered in making payment by taxpayers on a case by case basis. This discretion is extended to authorities in Wales.

The Prudential System- Our request that all of the order making powers in this system which will be given to the Secretary of State in England be given to the National Assembly in Wales has been successful. Local authorities in Wales will also be given a general power to invest for treasury management purposes as requested.

Community Councils- The UK Government has agreed all of our requests in respect of community councils including the index linking of the s137 expenditure to the RPI.

Emergency Financial Assistance to Fire Authorities- We requested the proposal that payments under the 'Bellwin' scheme could be made direct to fire authorities should be extended to Wales and this is reflected in the Bill.

Power to charge for discretionary services and trading- The UK Government has agreed to our request that these provisions should be extended to local authorities in Wales. These clauses contain a power for the Secretary of State to modify enactments in connection with charging and trading if they are found to be obstructing best value authorities. This "Henry VIII" power will rest with the Secretary of State but the National Assembly must be consulted in respect of Wales and will be entitled to formally request the Secretary of State to make provisions in respect of Wales.

Housing- The UK Government has agreed to all of our requests in respect of local authority

housing finance and the Bill enables the removal of rent rebates from the Housing Revenue Account so that it becomes a pure landlord account. It has long been a source of concern that inclusion of rent rebates in the HRA could mean in effect that council tenants not in receipt of rebates were paying in part for those who were. Responsibility for rent rebates will be taken over by the Department for Work and Pensions in both England and Wales.

Repatriation of the power to set performance indicators in the field of housing benefit and council tax benefit to the Department for Work and Pensions- On detailed legal investigation it was determined that this area was complicated by the link in the legislation between best value intervention powers and the power to set performance indicators. We therefore withdrew our request.

Provision in relation to staff transfer- These clauses were not included in the draft Bill published in June and have been developed over the summer. I am pleased to have ensured that provisions on TUPE and the transfer of employees pensions rights when contracts transfer should apply to Wales.

Power to make grants for service excellence- Our request that this be extended to Wales and be at the discretion of the National Assembly has been successful.

Power for local authorities to hold local polls- Our request that this be extended to Wales has likewise been successful.

Voting Rights for co-opted members of scrutiny committees- This measure is opposed by local government as a potential weakening of democratic processes. As a result of our representations, this provision will not extend to local government in Wales.

Audit Commission- The draft bill contained proposals to change to financial year of the Commission and provisions to enable it to delegate to officers. We agreed these provisions and they are contained in the Bill. The Bill also contains provisions amending the time allowed for authorities to consider any public interest reports published by their auditors. The time is reduced from four months to one month.

Categorisation of authorities by performance category- We requested that these provisions should not apply in Wales and this request has been successful.

Fire Authorities and Precepting- We have been successful in ensuring that the status of combined fire authorities in Wales will only be changed to that of precepting authorities if and when a consensus emerges that this is the most appropriate course of action for Wales. The Bill provides the Assembly with a power to give fire authorities precepting status.

Further provisions- The Bill includes a clause which enables the Secretary of State to

combine local elections in England with the European elections in 2004. We have successfully argued that the Assembly, not the Secretary of State, should have that power for Wales, although I must stress that I have no intention of using that power at the present time.

The Bill contains a provision which enables a Minister of the Crown, or the Assembly, to pay grant a local authority in respect of expenditure incurred or to be incurred by it. In England, the exercise of this power will require the consent of the Treasury. I have secured that this exercise of this power will be at the sole discretion of the Assembly in Wales.

The Bill also now contains a provision which clarifies that where employers give their employees paid time off in respect of their duties as elected members that this is not to be classed as a political donation. I supported this proposal when I was informed of it by the Secretary of State and it will therefore extend to Wales.

The Bill also contains new provisions which enable local authorities to retain any fixed penalty monies paid for litter and dog fouling offences to be used in specific ways and reinvested to reduce these offences in the future. These provisions will be at the discretion of the National Assembly in Wales.

I will, of course, keep Committee informed as to the progress of the Bill through the parliamentary process.