

## **LOCAL GOVERNMENT AND PUBLIC SERVICES COMMITTEE**

### **Report by the Minister for Finance, Local Government and Public Services**

#### **Purpose**

1. The purpose of this paper is to provide the Committee with an overview of the key issues and priorities within the Local Government portfolio.

#### **Background**

2. In preparing this report I have attempted to identify the most important issues that are currently being taken forward within the local government arena. They are grouped by broad subject area and I have concentrated in particular on those that will require both policy development and legislation.

#### **Recommendation**

3. The Committee is invited to note the content of the report and to comment as appropriate.

#### **Issues**

#### **4. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2004**

The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 were approved by the Assembly in Plenary on 9 December 2003. Some of these regulations have already come into force, in particular the regulation which requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's 'Prudential Code for Capital Finance'. It was important to have this regulation in place in the run up to the 2004-05 financial year as it is this Code which determines how authorities will calculate their affordable borrowing limits. In addition, these regulations contain the majority of the secondary legislative framework for the prudential system and therefore it was also important to make sure that the balance of the regulations were in place before Christmas to provide authorities with the certainty they required for their budgetary processes.

However, in meeting this legislative timetable it was not possible to incorporate all of the issues that arose in response to the consultation on the draft regulations nor address the issue of local authority investments in the prudential system. I am therefore now proposing to make a

small set of further regulations to address these matters. In order that these regulations can be in place for the start of the financial year I am currently consulting on policy only and a copy of the consultation paper is attached to this report (Annex 1). I am proposing that these regulations be made on accelerated procedure as they are 'tidying up' measures which, judging from initial feedback we have had from authorities, are likely to be welcomed by local government.

Unfortunately the legislative timescale is such that it will not be possible for Committee to see the draft regulations before they enter into the legislative process. This is regrettable and is why I have included this item in my report at this time so that Members can input into the consultation process.

## **5. Consultation on Statutory Guidance on Local Authority Investments in the Prudential Borrowing System**

When the Committee debated the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 I indicated that I would be bringing forward further measures to address the issue of local authority investments in the prudential borrowing system. I propose to issue statutory guidance using a power in the Local Government Act 2003 to complement professional codes of practice in this area. A copy of the consultation paper and draft guidance are attached to this report (Annex 2).

The draft guidance has been developed in conjunction with local government through our joint working group. Initial indications are that authorities are pleased with the reduction in the bureaucratic burden that this guidance presents as opposed to the current 'approved investments' regime. The main issue is that the guidance makes a clear distinction between investments which are made for 'service' purposes such as economic development, and those which are made as part of the cash management process. It is suggested that the former be treated as capital expenditure in the new system.

I propose to make this guidance by using Standing Order 27.2(iv), giving the Assembly 10 working days notice of the guidance being made. This is because the guidance is non-controversial as authorities have welcomed it, technical in nature and complements existing codes of professional practice in this area which form the greater part of the local authority investment framework. However, I have included this item in my report at this time to ensure that Committee have an opportunity to input into the consultation process.

## **6. In-year Budget Changes 2003-04**

Under Standing Order 19 I am required to inform Local Government and Public Services Committee members of changes to the Local Government Main Expenditure Group budgets during the financial year.

I have approved, and as Finance Minister agreed, the following changes to Budget Expenditure Lines:

### **SEG Transfers from/to Amount**

Valuation Office & Local Gov. Miscellaneous Local Gov. -£25,000

Other Services Expenditure

Valuation Office & Local Gov. Severe Weather Capital +£25,000

Other Services Grant/Environmental Hazards

There are no financial implications for the Assembly

### **7. Standing Order 27**

Committee considered the draft "Local Government Act: General Disposal Consent (Wales) 2003" on 22 October 2003. The General Consent was made on 9 December 2003 and came into force on 31 December 2003.

### **8. Local Government Settlement**

I announced the final local government settlement for Wales for 2004-05 on 3<sup>rd</sup> December. The key points from the settlement are:

- Local government will receive over £3.1 billion through the settlement to fund key services;
- This represents an increase of 5.2% or £155 million on what authorities received last year;
- In addition they will receive £50 million through additional non-hypothecated funding.
- The Settlement was debated and approved by the Assembly on 10 December. This was six weeks earlier than last year.

At the same time, authorities were provided with detailed information on the range of other non-hypothecated and hypothecated grants to be made available to authorities for next year.

Current estimates indicate authorities will receive approximately £560 million in hypothecated

funding an increase of over 6%.

This will allow authorities to better plan their budgets and council tax levels for next year.

## **9. Police funding**

The provisional settlement for police authorities in Wales was announced on 19 November 2003. Overall funding for police authorities will increase by 3.69%, with no authority receiving less than 3.25%.

The final settlement is due to be announced in early February. A separate report will be prepared for the Assembly to approve following the announcement.

## **10. Special Grant to increase Local Authorities' Capacity to Care for People in their Homes and Communities**

I announced on 6 January that the Assembly Government will provide to local authorities an extra £19.508 million as a special grant to increase capacity to care for people in their own homes and communities and that I will increase the deprivation grant by a further £0.5 million.

This is an extra £20 million that will assist local government to fund a key service area and will help reduce pressures on council tax increases.

## **11. The Consultative Forum on Finance**

A meeting of the Consultative Forum on Finance has been arranged for 9 February. The meeting will consider the 2004-05 remits for its Capital, Distribution and Expenditure Sub Groups.

## **12. Ministerial Engagements/meetings**

### **Spatial Plan**

The consultation process on People Places Futures has been ongoing during this period, with events taking place across Wales, talking with over 550 people from a wide variety of sectors. I have supported this with speeches to the Town Planning AGM on 5<sup>th</sup> November and the Royal Society of Architects on 21<sup>st</sup> November. The overall reception has been very positive. The formal consultation ends on 31<sup>st</sup> January.

### **Meeting with Voluntary Sector**

On 12<sup>th</sup> November I had my first six monthly meeting with representatives of the voluntary sector as Minister for Local Government Finance and Public Services. The meeting considered issues such as the rationalisation of local authorities' forward planning frameworks, community strategies, the applicability of participatory budgeting techniques to Wales and the funding of the voluntary sector. There will be a follow up officials' meeting to examine the potential of participatory budgeting techniques.

### **Local Government Boundary Commission for Wales**

I met with the members and secretary of the Local Government Boundary Commission for Wales on 27<sup>th</sup> November. The Chair of the Commission outlined their work during 2002/03. I agreed to bring to your attention their request to meet with the committee as they have done in previous years.

### **Town Clerks Conference**

On 27<sup>th</sup> November I also spoke to the Society of Local Council Clerks' Wales seminar in Cardiff about Aberystwyth University's review of the future role and functions of local councils. The delegates welcomed the report and its recommendations

### **Post-Election Seminar**

I addressed this event which had been organised by the Assembly Government and was held in Llandrindod Wells on 28<sup>th</sup> November. The purpose of the seminar was to reflect on the conduct of the Assembly elections. There was a very strong attendance by local authority returning and elections officers. The main discussions were on the Electoral Commission's official report, postal voting and access for the disabled.

### **Launch of Public Sector Management Initiative**

I addressed a major conference on the Public Sector Management Initiative on 5<sup>th</sup> December attended by Chief Executives and senior managers across the public sector in Wales. PSMI is about improving public services mainly through the provision of cross sector development opportunities. The event was very successful with over 90% of those present confirming that they would be prepared, in principle, to commit to PSMI

### **Local Government Data Unit (Wales) Open Day**

On 11<sup>th</sup> December I attended the Local Government Data Unit (Wales) open day. I gave my support to the important work of the Unit in improving the evidence base for Wales and also as part of the event I presided over the official naming of the Tom Jones room (in memory of Cllr

Tom Jones).

## **Action**

13. The Committee is invited to note the contents of this Report.

## **Sue Essex**

### **Minister for Finance, Local Government and Public Services**

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