

## **Local Government Public Service Committee**

### **LGPS(2)-15-06(p.3)**

**Meeting Date: Wednesday, 8 November 2006**

**Venue: Committee Room 2, Senedd, National Assembly for Wales**

**Title: Assembly Draft Budget for 2007 – 08**

#### **Purpose**

1. To present the details of the draft budget for 2007-2008 published on 17 October 2006 and to respond to the Committee's priorities for the Local Government Main Expenditure Group (MEG).

#### **Recommendation**

2. That the Committee comments on the draft budget for the Local Government Main Expenditure Group (MEG) for 2007-08 to 2009-10 as shown at Annex 1.

#### **Timing**

3. For discussion on 8 November 2006.

#### **Background**

4. At its meeting on 21 June 2006, the Committee considered a paper on my preliminary assessment of budget priorities for the local government MEG. The Committee's views are set out in the Chair's letter of 28 June 2006 at Annex 2.

5. The Draft Assembly Budget was published on 17 October 2006.

#### **Local Government Main Expenditure Group (LGMEG): draft budget proposals**

6. The Local Government MEG shows an increase of 4% in 2007-08 compared with 2006-07.
7. The two major changes to the MEG compared with the previous published budget are:
8. There is a net transfer of £16.5 million of resources from the Revenue Support Grant (RSG) to the Home Office associated with the financing arrangements for police forces in Wales. This is used to fund services managed centrally by the Home Office, for example the Serious and Organised Crime Agency. A number of specific grants are also funded by the top-slice. Police forces in Wales will receive their share of specific grants which this money is used to fund.

9. An additional £3 million in the revenue support grant for unitary authorities in response to pressures identified through the Expenditure Sub Group process.
10. Compared with 2006-07, the revenue support grant line shows an increase of 4.2% (£149.6 million).
11. The increase of 4.2% on the RSG line reflects the increase in pay and prices pressures determined through the Expenditure Sub Group process including the final phase of additional funding for local government pensions and equal pay implementation. Overall the settlement has provided an additional £54 million built up over three years for pensions and a similar amount for equal pay. It also reflects the transfer into the settlement of the final instalment of the Childrens' First Grant (£16 million) and an increase in the funding for land fill tax (£3 million).
12. This is not the final amount that will be issued through the revenue support grant as there are some specific amounts identified in other policy group budgets which will be transferred into the revenue support grant by the time of the final budget. The final increase in the RSG line will be 4.3% as announced at the time of the publication of the provisional revenue settlement.
13. The Committee will receive a specific paper on the local government settlement at its meeting on 23 November.
14. The Performance Incentive Grant and Deprivation Grants are uplifted in line with inflation by £0.75 million and £0.5 million respectively in 2007-08. This recognises their importance in providing additional non-hypothecated support to local government for authorities to spend in accordance with their own priorities.

### **Previous priorities**

15. In its letter (attached as Annex 2) the Committee re-affirmed the priorities it identified last year. These were "to ensure that pay and pension costs and the implementation of the teachers' workload agreement are fully funded as part of the Revenue Support Grant, and that Civil Contingencies funding for local authorities and the Wales Spatial Plan are regarded as priority areas."
16. The funding within the Revenue Support Grant line includes 3.5% based on the agreed assumptions on pay and prices pressures for teaching and non-teaching staff within local government for next year and after adjusting for 1% efficiency saving. In particular it provides an additional £22 million fulfilling our commitment to providing an additional 4.5% over three years on the non teaching pay bill to respond to the shortfall in local government pension funds and a similar amount to support the introduction of equal

pay arrangements in local authorities.

17. Over the period 2004-05 to 2006-07, £70 million has been built into the RSG line in recognition of the additional pressures arising from the Teachers Workload Agreement. This level of funding is now built into the RSG baseline and is considered as appropriate to support the ongoing delivery of the agreement.
18. The published draft budget shows that £2.3 million has been allocated on a recurrent basis over the period of the budget for funding local authorities' plans for civil contingencies.
19. Although not within the Local Government MEG, the draft Budget contains £0.65 million for taking forward the Wales Spatial Plan and is profiled in over the period of the budget.

### **Additional priorities**

20. In addition to the reaffirming previous priorities the Committee also identified some additional priorities. These are set out below along with my response.
21. "Additional amelioration of Council Tax charges for pensioners and others on fixed incomes."

Assistance was provided through last year's budget in respect of additional support for pensioners. Funding was also provided to support the take up of council tax benefits.

22. "Prioritise a boost to the funding for police authorities."

The revenue support for police authorities will increase by 3.5%. This is in line with the funding provided for pay and price pressures for unitary authorities and is comparable with the level of settlement increase provided for police authorities in England. All police authorities were given an indicative allocation of funding through the two year settlement arrangements that operate for all police authorities in England and Wales for 2006-07 and 2007-08.

23. Consideration of how "the Local Government and Public Services Committee can better monitor spend in funding allocation in areas for which other Assembly Committees have responsibility, in particular in relation to the recommendations of the Committee on School Funding."

This is an issue for the Committee itself to consider but I would suggest it will be taken forward as part of the discussion about the new committee structure that will be implemented under the Government of Wales Act 2006.

24. The Committee requested that if citizenship education for young people became a new responsibility that it would need to be appropriately funded.

No specific new responsibility in the area of citizenship education will be introduced in 2007-08 that requires additional funding in line with the agreement with local government that new responsibilities are appropriately funded.

25. The Committee would like the Minister to consider a pump-priming exercise to encourage collaboration in waste management to improve performance against recycling and waste management targets.

Responsibility for waste management policy rests with the Environment, Planning and Countryside Group. The draft Budget includes an increase from £46 million in 2006-07 to £59 million in 2008-9. Progress depends crucially on local authorities collaborating in the procurement of waste facilities and we are establishing a £17m Budget to support collaborative procurement.

26. The Committee requested that the Minister consider restoring the funding for the Music Development Fund.

The £1.14 million provided in 2004-05 for the Music Development Fund as part of the Better Schools Fund was transferred into the Revenue Support Grant in 2005-06. Therefore there was no cut in the funding compared with the previous year. The funding is built into the baseline of the Revenue Support Grant in line with the policy of reducing specific grants.

27. The Committee requested an assessment on the costs of Equal pay and how they can be met.

The local government finance settlement for 2007-08 includes a provision of £22 million for the costs of completing job evaluation exercises to ensure that all jobs are treated equally and to introduce single status arrangements. This along with the increases in funding in this year and last year's settlement equates to a total of £54 million over three years and fully meets the costs estimated through the ESG process.

### **Financial Implications**

28. None arising directly from this paper.

### **Compliance**

29. This paper has been prepared in compliance with Assembly Standing Order 21.

**Sue Essex, Minister for Finance, Local Government and Public Services**

**Policy contact**

Mike Chown – Head of Local Government Finance Division

Rob Hay – Local Government Finance Division



**LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG)**

**REVENUE BUDGET - Departmental Expenditure Limit**

£'000

Budget Expenditure Line	2006-07 Plans	2007-08 Plans	2007-08 Changes	2007-08 New Plans	2008-09 Plans	2008-09 Changes	2008-09 Indicative Plans	2009-10 Plans	2009-10 Changes	2009-10 Indicative Plans
Revenue Support Grant (1)	3,534,890	3,681,489	3,000	3,684,489	3,681,489	3,000	3,684,489	3,681,489	3,000	3,684,489
Police Funding (Revenue Support Grant and Non Domestic Rates)	148,790	170,469	-16,456	154,013	170,469	-16,456	154,013	170,469	-16,456	154,013
Performance Incentive Grant	30,750	31,400		31,400	31,400		31,400	31,400		31,400
PFI - Revenue Consequences	38,068	39,568		39,568	39,568		39,568	39,568		39,568
Deprivation Fund	21,544	22,000		22,000	22,000		22,000	22,000		22,000
<b>Local Authority Revenue</b>	<b>3,774,042</b>	<b>3,944,926</b>	<b>-13,456</b>	<b>3,931,470</b>	<b>3,944,926</b>	<b>-13,456</b>	<b>3,931,470</b>	<b>3,944,926</b>	<b>-13,456</b>	<b>3,931,470</b>
Non Domestic Rates Collection Costs	5,172	5,172		5,172	5,172		5,172	5,172		5,172
<b>Non Domestic Rates Collection Costs</b>	<b>5,172</b>	<b>5,172</b>	<b>0</b>	<b>5,172</b>	<b>5,172</b>	<b>0</b>	<b>5,172</b>	<b>5,172</b>	<b>0</b>	<b>5,172</b>
Local Government Boundary Commission	356	356	50	406	356	50	406	356	50	406
Adjudication Panel for Wales	200	200		200	200		200	200		200
Wales Programme for Improvement: Grant to Wales Audit Office	1,500	1,500		1,500	1,500		1,500	1,500		1,500
Valuation Office Agency - Rating and Valuation Service - Revenue	10,514	10,764		10,764	10,764		10,764	10,764		10,764
Valuation Tribunals - Revenue	897	1,174		1,174	1,174		1,174	1,174		1,174
Capital Charges on the Civil Estate	7	7		7	7		7	7		7
Miscellaneous Local Government Expenditure	583	583	-50	533	583	-50	533	583	-50	533
Bellwin Scheme	1	1		1	1		1	1		1
Support to Local Authorities: Core Grants	1,394	1,439		1,439	1,439		1,439	1,439		1,439
Local Government Research and Evaluation	168	400		400	400		400	400		400
Support to Local Authorities: Public Service Improvement	1,750	1,200		1,200	1,200		1,200	1,200		1,200
Civil Contingencies: Funding for Local Authorities	2,263	2,263		2,263	2,263		2,263	2,263		2,263
Council Tax Reduction Scheme for Pensioners	2,300	0		0	0		0	0		0
Council Tax Benefit Take Up Scheme	1,500	0		0	0		0	0		0
<b>Valuation Office and Other Local Government Services</b>	<b>23,433</b>	<b>19,887</b>	<b>0</b>	<b>19,887</b>	<b>19,887</b>	<b>0</b>	<b>19,887</b>	<b>19,887</b>	<b>0</b>	<b>19,887</b>
<b>Total Revenue - Local Government</b>	<b>3,802,647</b>	<b>3,969,985</b>	<b>-13,456</b>	<b>3,956,529</b>	<b>3,969,985</b>	<b>-13,456</b>	<b>3,956,529</b>	<b>3,969,985</b>	<b>-13,456</b>	<b>3,956,529</b>

(1) The Revenue Support grant BEL is the sum of revenue support grant and redistributed non-domestic rates. This figure is net of specific grants, Police grant and transfers from other programmes.





£'000

Budget Expenditure Line	2006-07 Plans	2007-08 Plans	2007-08 Changes	2007-08 New Plans	2008-09 Plans	2008-09 Changes	2008-09 Indicative Plans	2009-10 Plans	2009-10 Changes	2009-10 Indicative Plans
<b>CAPITAL BUDGET - Departmental Expenditure Limit</b>										
Valuation Office Agency - Rating and Valuation Service - Capital	250	0		0	0		0	0		0
Valuation Tribunals - Capital	250	0		0	0		0	0		0
Severe Weather Capital Grant/Environmental Hazards	5,000	1,500		1,500	1,500		1,500	1,500		1,500
General Capital Funding	15,500	20,000		20,000	20,000		20,000	20,000		20,000
<b>Valuation Office and Other Local Government Services</b>	<b>21,000</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>
<b>Total Capital - Local Government</b>	<b>21,000</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>	<b>21,500</b>	<b>0</b>	<b>21,500</b>
<b>Resource Budget - Annually Managed Expenditure</b>										
Local Authority Growth Incentive Scheme	18,300	28,650		28,650	28,650		28,650	28,650		28,650
<b>Local Authority Revenue</b>	<b>18,300</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>
<b>Total Revenue - Annually Managed Expenditure</b>	<b>18,300</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>

Local Government - Summary	2006-07 Plans	2007-08 Plans	2007-08 Changes	2007-08 New Plans	2008-09 Plans	2008-09 Changes	2008-09 Indicative Plans	2009-10 Plans	2009-10 Changes	2009-10 Indicative Plans
Revenue DEL	3,802,647	3,969,985	-13,456	3,956,529	3,969,985	-13,456	3,956,529	3,969,985	-13,456	3,956,529
Capital DEL	21,000	21,500	0	21,500	21,500	0	21,500	21,500	0	21,500
<b>Total DEL</b>	<b>3,823,647</b>	<b>3,991,485</b>	<b>-13,456</b>	<b>3,978,029</b>	<b>3,991,485</b>	<b>-13,456</b>	<b>3,978,029</b>	<b>3,991,485</b>	<b>-13,456</b>	<b>3,978,029</b>
<b>Annually Managed Expenditure</b>	<b>18,300</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>	<b>28,650</b>	<b>0</b>	<b>28,650</b>
<b>Total Local Government</b>	<b>3,841,947</b>	<b>4,020,135</b>	<b>-13,456</b>	<b>4,006,679</b>	<b>4,020,135</b>	<b>-13,456</b>	<b>4,006,679</b>	<b>4,020,135</b>	<b>-13,456</b>	<b>4,006,679</b>

**Annex 2**  
**Y Pwyllgor Llywodraeth Leol a**  
**Gwasanaethau Cyhoeddus**  
**Local Government and Public**  
**Services Committee**

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff CF99 1NA

Sue Essex AM  
Minister for Finance, Local  
Government & Public Services  
National Assembly for Wales  
Cardiff Bay  
Cardiff CF99 1NA

28 June 2006

Following consideration of your preliminary assessment of the budget priorities for 2007-08 on 21 June, I am writing to formally convey the Committee's priorities for the Local Government Main Expenditure Group (MEG).

The Committee wishes to reaffirm the priorities identified last year – to ensure that pay and pension costs and the implementation of the teachers' workload agreement are fully funded as part of the Revenue Support Grant, and that Civil Contingencies funding for local authorities and the Wales Spatial Plan are regarded as priority areas.

The Committee would like to see some additional amelioration of Council Tax charges for pensioners and others on fixed incomes. It also noted the pressure on police authority funding and wished to prioritise a boost to that budget expenditure line and avoid any additional pressure on the Council Tax settlement.

With regard to considering the priorities and pressures for local government across the whole range of services, the Committee discussed the scrutiny of performance and funding allocation in areas for which other Assembly Committees have responsibility, such as education and social services. Members would be grateful for more detail from the Minister on how the Local Government and Public Services Committee can better monitor spend in these areas, in particular in relation to the recommendations of the Committee on School Funding.

You are aware that the Committee is looking at electoral arrangements in Wales, and from evidence taken to date it is of the view that citizenship education for young people is important. The Committee recognises that should this become a new responsibility then it would need to be appropriately funded, and this will need to be taken into account in the budget planning round.

Regional collaboration on commissioning can help to address pressures in specialist service areas, such as providing care for children with complex special needs and secure places, and in waste management. The Committee would like the Minister to consider a pump-priming exercise to encourage collaboration in waste management to improve performance against recycling and waste management targets.

The cut in funding to the Music Development Fund was also noted and the Minister is asked to consider whether this funding could be restored, whether hypothecated or as part of the Revenue Support Grant.

The Committee would also like assurances that local authorities are able to meet their obligations on pay and conditions of workers. In particular it would like to know if some assessment can be made of the obligations on equal pay and how they can be met without exaggerated costs, given that some employees are bringing forward legal claims.

Last year the Committee also emphasised the importance of adequately funding cross-cutting issues, and the Committee notes the consideration given to sustainable development and equality of opportunity within funding the local government improvement agenda, and welcomes investment in research into service outcomes, including children's services.

Copies of this letter will go to Chairs of other Subject Committees, in view of their subject interests in the services delivered by local government.

**Ann Jones**

Chair, Local Government and Public Services Committee

CC: Subject Committee Chairs