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Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru
Welsh Government

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Mike Hedges AM
Chair - Petitions Committee
National Assembly for Wales
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Dear Mike,

Thank you for your letter of 2 November, regarding a petition from Mr Ryan Dansie proposing that the Welsh Government should give rates relief to local authorities for leisure and cultural facilities.

Local authorities may consider and explore alternative models for delivering certain local services, provided there is a robust assessment of the costs and benefits to the service. The authority also needs to demonstrate that it has actively engaged with and consulted its citizens to ensure that the alternative approach benefits the local community.

A number of local authorities have already implemented or are considering measures for charitable trusts or other delivery providers to facilitate the running of a range of local services. There can be benefits for citizens and local authorities in adopting such an approach. The availability of charitable relief is one of many considerations. Alternative forms of delivery can offer improved services, for example from specialist providers, and lower running costs. Importantly, they can ensure that a service continues to be delivered where it might otherwise be unsustainable. Such models do not necessarily remove the service from public control. Where a service continues to be funded from a local authority's budget, the authority remains responsible for the oversight of the service, for specifying the level of service required and for ensuring the authority secures the best value for money for its residents.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

By way of background, the non-domestic rates system is operated through a collective pooling process in which all the rates collected by billing authorities in Wales are pooled together with those collected centrally and redistributed to local authorities to fund local services. This means any fluctuations in the revenue generated through non-domestic rates are managed across Wales. In addition, the annual funding settlement for local authorities is allocated using a detailed formula which reflects the relative need for services in each area. This formula takes account of the non-domestic rates to be distributed to each area. The provisional local government settlement for 2017-18, which I announced on 19 October, provides the first cash increase in the core funding for local government since 2013-14.

Looking forward, I am keen to explore different options for how the non-domestic rates system could operate in the future. Introducing a new form of non-domestic rates relief could add to the complexity of the system and to the costs of administration for local authorities. Such factors would need to be taken into careful consideration in developing the system.

The current rates system applies to all forms of non-domestic property, with a few specific exemptions. This includes most forms of public property. Charitable organisations receive rates relief because of their designated status as charities. There would need to be a clear rationale for extending relief to public property or particular types of public property. One consideration which would need to be taken into account would be the potential effect on the economy and the risk of distorting market conditions, particularly in areas such as leisure where there is a considerable market for private sector provision. It would be inappropriate for local authorities to be able to grant rates relief to properties they own, particularly if this then increased the demand on other taxpayers in the area.

I will be considering improvements to the non-domestic rates system for 2018-19 onwards to ensure the system best meets the needs of the people of Wales, is fair to taxpayers and ensures the sustainable funding of local services. I will be engaging and consulting widely with stakeholders and welcome the views of all interested parties.

Best wishes,

Mark

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