



Ein Cyf / Our Ref: MB/LG/2745/14

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Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff  
CF99 1NA

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Dear Chair

Thank you for your letter of 9 July requesting further information following the attendance of the Welsh Local Government Association and the Society of Welsh Treasurers at the Committee on 1 July. I will respond to each of your points in turn.

### **Budget information**

As I set out when I appeared before the Committee, the Welsh Government provides Local Authorities in Wales with as much information as possible as early as is possible in accordance with the relevant protocols and Standing Orders. In understanding the approach, it may help to distinguish between the formal annual budget-setting process and medium-term financial planning which Authorities undertake.

The annual budget-setting process is governed by statute. Each Authority must set and formally agree its budget, and council tax, for the next financial year by no later than 11 March in the preceding financial year. This process is informed by the provisional and final Local Government Settlements which provide Authorities with the details of the general revenue and capital funding they will receive from the Welsh Government for the coming year. The settlements are announced very shortly after the publication of the Draft and Final Budgets to the Assembly. As I outlined to the Committee, this process is completed substantially earlier in Wales than in England, with our final settlement being announced in December, at around the same time the UK Government announces its provisional settlement for English Authorities. The early publication of the settlements in Wales allows Authorities here to complete the formal process of setting their budgets in good time each year.



The formal budget processes of the Welsh Government and Local Government are governed by distinct statutory frameworks. These include very clear lines of accountability and it would be inappropriate for the Welsh Government to act in ways which might obscure the line of responsibility for Local Government, or vice versa.

Authorities' medium-term financial plans are concerned with preparing and planning for the future – taking account of the uncertainties and of changing information, of local circumstances and priorities, opportunities, challenges and other factors as they emerge. This work involves planning for different scenarios and is supported by statutory officers with professional financial capability. For medium term-financial plans, therefore, it cannot be said that Authorities receive information 'after they have planned their budgets'. Medium-term budget plans by their very nature need to be adjusted and updated to reflect changing circumstances.

Since 2008-09, the Welsh Government has provided indications for future years alongside the annual settlements, to assist with this planning process. It has always been made clear that these are indications and are, as such, subject to change. The Welsh Government can only provide any indications within the boundaries of the spending plans published by the UK Government and in accordance with the procedures governing the publication and approval of the Welsh Budget.

### **Public engagement**

The Minister for Local Government and Government Business has recently obtained information from each Authority on its approach to public consultation and engagement in setting budgets for 2014-15. This has identified some excellent examples of good practice which are being brought together. These will be shared with all Local Authorities to inform their approaches to budget-setting for 2015-16. One of the features of the good practice examples is that effective engagement is conducted in such a way that public expectations are managed rather than raised.

### **Collaboration**

Throughout our work to encourage and support collaborative partnerships, the Welsh Government has been clear that the key tests for bodies considering collaborative projects have been whether those projects have the potential to deliver service improvements and/or save public money.

Collaborative partnerships exist, and are encouraged, across organisational, sectoral and geographic boundaries. Indeed, some of the best examples of collaboration driving innovation and service improvement have cross-public sector commitment at a regional level. We would not, therefore, expect the prospect of mergers to prevent or inhibit collaborative projects from being taken forward. Indeed, we would expect continuing and merged Authorities to engage in collaborative work with each other, with other public services, with the third sector and with the private sector, where it is productive to do so.

## **Communication and engagement with Welsh Government officials**

The timeline attached to my letter of 1 July describes the extensive engagement with Local Government regarding funding matters throughout the past year. Within the framework of the political engagement provided through the statutory Partnership Council, and its Finance Sub Group, there are a number of formal settings in which Welsh Government and Local Government officials engage in discussions about general financial matters. These formal settings are complemented by a great many more less formal meetings, discussions and communications.

The Partnership Council for Wales and its sub groups were reviewed, in consultation with Local Government, in 2011-12. The review included a reshaping and streamlining of the sub groups of the Partnership Council to ensure they reflected the changing agenda for public services in Wales. The review led to the expansion of the Partnership Council membership, to include other public service partners, and to the establishment of the new Reform Delivery Group. The revised remit reflected the need to focus on rethinking and reforming services, and designing more sustainable models of service delivery, rather than setting out the existing pressures and their projected growth. Such pressures are widely understood and are the reason a different approach is needed. Nevertheless, the Minister has also made it clear Local Government is welcome to bring forward any evidence or analysis to inform discussions at any time.

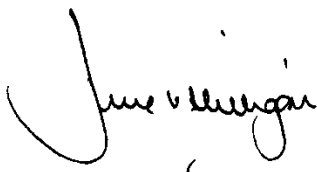
The revised terms of reference for the Partnership Council were agreed at its meeting on 24 October 2012:

<http://wales.gov.uk/topics/localgovernment/partnership/pcf/agendas/121024mtg/?lang=en>

An Order to amend the constitution of the Partnership Council was also passed by the Assembly.

Throughout this, officials have continued to meet in working groups to consider finance matters to inform the Partnership Council's work. In addition to the standing groups, in support of the 2013 Spending Round (the UK Government conducted a small-scale spending review exercise that year), Welsh Government officials convened a task and finish group to work with Local Government officials to identify and analyse the potential impact of the Spending Round decisions. As I indicated previously, the consultative process around the Local Government Settlement in Wales has long been one of the most extensive in government.

I hope this additional information is helpful to the Committee.



**June E Milligan**

Cyfarwyddwr Cyffredinol / Director General