

Leighton Andrews AC / AM
Y Gweinidog Gwasanaethau Cyhoeddus
Minister for Public Services



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
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6 November 2014

Dear *Darren*,

You wrote to me at the end of September regarding the future of Local Government in Wales and the financial challenges facing Local Authorities. You particularly asked for my views and priorities for action as Minister for Public Services.

The Reforming Local Government White Paper which we published in July set out our overall approach to taking forward the recommendations of the Commission on Public Service Governance and Delivery in respect of the merger of local authorities. The White Paper explained how we planned to implement the Commission's proposals in respect of voluntary mergers, with a Bill to be introduced into the Assembly in January 2015, giving Ministers the powers to merge Authorities who wished to join together voluntarily. The consultation on the White Paper closed on 1 October and we are currently considering the responses. I intend to make a written statement later this month.

In the White Paper we said that Local Authorities wishing to merge voluntarily should submit expressions of interest by November 2014. In September I wrote to Local Authority Leaders with our invitation to principal Local Authorities in Wales to submit proposals for voluntary merger, otherwise known as the prospectus. In doing so we are offering a unique opportunity to the willing and the chance for Local Authorities to determine their own future. I hope that those Local Authorities who wish to end uncertainty for their staff and the wider public are urgently considering how best they can come together with neighbouring authorities to deliver services on a more strategic and sustainable basis. I have made it clear that the status quo is not an option and look forward to receiving expressions of interest by 28 November. Fully developed cases for merger would then be submitted by June 2015.

In terms of financial challenges, we know that existing problems facing Local Government in Wales are likely to be compounded by the worsening financial situation and increased demand for certain services. As a consequence of UK Government decisions, by 2015-16,

the Welsh Government budget will be around 10% lower in real terms than it was in 2010-11. However, we have protected Local Government from the bulk of these cuts. Over the past five years, spending per head on local services in England has decreased by around 7% in cash terms, whilst in Wales it has increased by 3%. Our analysis indicates that spending by local government in Wales per head of population is approximately £327 higher in 2014-15 than in England. The Institute for Fiscal Studies estimated that the local government settlement in England, after adjusting for rates retention, reduced by 9.5% in real terms over the period of 2010-11 to 2013-14. This was around twice the reduction in Wales. Yet the average band D council tax bill for Wales in 2014-15 is £193 lower than in England.

On 8 October I published my proposals for Local Government funding in 2015-16, including allocations of core funding for individual Local Authorities. There is currently a six-week consultation period which ends on 19 November. After this, I will consider whether further amendments are to be made before making my final determination in early December

I do not underestimate the scale of the challenge. These are not easy times for Local Government. Continuing to provide services in the current configuration, salami-slicing more efficiencies and cutting services in isolation is not sustainable. Local Government cannot continue to operate as it has done. Neither is the current configuration of 22 Local Authorities sustainable. However, this is also a time of great opportunity to make fundamental and lasting change that will create modern and effective local government, and we will seize that. I have been clear about the need for reform and we are putting in place the measures to support that.

The onus is now on Local Authorities to indicate by 28 November whether they are going to come forward with voluntary merger proposals. In the meantime, I have launched a detailed consultation on proposals for a Public Services Staff Commission as part of our public service reform, and I will publish our first Local Government Bill in January 2015. The main Local Government White Paper will also be published early in 2015 and we will publish a draft Local Government Reform Bill in the Autumn of 2015, for implementation after 2016.

I hope that this is helpful in setting out my priorities for action.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Leighton Andrews', written in a cursive style.

Leighton Andrews AC / AM
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Minister for Public Services