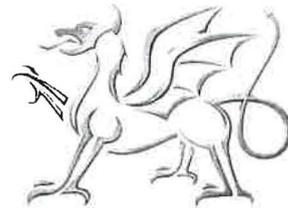


DP. 817/03-07

Sue Essex AM

Minister for Finance, Local Government and Public Services
Y Gweinidog dros Gyllid, Llywodraeth Leol a Gwasanaethau Cyhoeddus

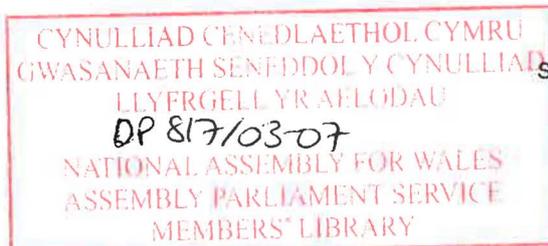


Our ref: SF/SE/0016/06
Your ref:

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2nd February 2006

Dear Ann,

189532-1001

Alteration of Requisite Calculations (Wales) Regulations 2006

I am writing to inform you of my intention to seek the Cabinet's agreement to the use of the Executive Procedure to make the above Regulations. These Regulations are required to ensure that unitary authorities take proper account, in calculating their budget requirement, of changes to funding through Amending Reports and to enable police authorities to take account of "floor funding" provided under section 31 of the Local Government Act 2003.

Unitary authorities as billing authorities must calculate their budget requirement in accordance with section 32 of the Local Government Finance Act 1992 ("the 1992 Act"). In making calculations in accordance with section 32 of the 1992 Act, unitary authorities must take into account amounts due to be paid by the authority to the Assembly or amounts due to be paid to the authority by the Assembly as a result of an Amending Report under section 84L of the Local Government Act 1988.

The Office of the Deputy Prime Minister, in early January, discovered an issue arising from the treatment of amounts due to be paid to local authorities (in this instance local authorities covers unitary and police authorities) or amounts due from local authorities as a result of an amending report. The policy has always been to treat such amounts as income to be netted off in calculating the budget requirement.

The effect of including such amounts along with the amounts of RSG and NDR to be paid through the local government finance report would be to increase the budget requirement, if amounts are due to be paid by the authority and reduce the budget requirement, if amounts are due to be paid to the local authority. The advice from ODPM was that a change to the Regulations would be required to make clear how the amounts due under the amending reports should be treated. As we have followed the same approach as England, it would be advisable to make the same changes to the Regulations as in England with the appropriate amendments to reflect the fact that in Wales, the Local Government Finance Reports can be issued separately for unitary authorities and police authorities.



Police Authorities, as precepting authorities, must calculate their budget requirement in accordance with section 43 of the Local Government Finance Act 1992. In making calculations in accordance with section 43 of the 1992 Act the police authorities should have regard to the amount of money they receive from the Home Office. For the financial year 2006-07, the main source of funding from the Home Office will come in two forms - the police grant and additional monies provided under section 31 of the Local Government Act 2003.

The Local Authorities (Alteration of Requisite Calculations) (Wales) Regulations 2000 (SI 2000/717) ensure that the police grant is taken into account in calculating the budget requirement, but not the additional "floor funding". The Alteration of Requisite Calculations (Wales) Regulations 2006 ensure that all the central funding provided by the Home Office in the police settlement is taken into account by police authorities in setting their budget requirement and council tax for 2006-07.

We became aware from the announcement of the provisional settlement in England on 5 December 2005 that there was the intention to provide funding for Welsh police authorities outside of the Police Grant Report. However, we could not be certain until the UK Parliament had formally approved the Police settlement, as part of the Local Government Settlement for England, that these Regulations would be required. This will occur on 7 February 2006 and the Report was laid on 31 January 2006.

It is a requirement that the Regulations come into force in February 2006 at the time the police settlement is finalised, in order that police authorities can set their budgets and precepts appropriately and can notify councils of their council tax precepts by 1 March 2006.

If these Regulations do not come into force by 1 March 2006 there will be a different situation, in terms of the calculation of the budget requirement for police authorities, applying in England to Wales. This would make comparison between police authorities difficult and would be contrary to the way in which police authorities expect to prepare their budgets for 2006-07.

It is, therefore, my intention to seek the Cabinet's agreement to partial disapplication of the procedures under Standing Order 24.27, but that the Regulations are taken to Plenary for approval under Standing Order 24.27(iv).

I would be grateful if you would notify the Local Government and Public Services Committee accordingly.

Best wishes,

Sue Essex