

Sue Essex AM

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

Q5 OAG 39421 (SUPPLEMENTARY)

17 NOVEMBER 2004

Our ref: MB/SE/0524/04

Your ref:

Michael German OBE AM
National Assembly for Wales
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23rd November 2004

Dear Michael

In Plenary on 17 November, I promised to write to you with details of the funding we provide to local authorities as an incentive to improve performance. Overall, the package funding for local authority improvement authorities will be worth £33.77 million per annum from the next financial year.

The principal means of support is via the policy agreements which we are in the process of concluding with each local authority. They set out agreed milestones and targets for performance in key service areas for the three years to 2007, plus other targets for services or developments of particular local importance. The agreements we have concluded thus far are available on the Internet at <http://www.wales.gov.uk/subilocalgov/content/policy/2004-07/agreement-index-e.htm>.

In return for concluding an agreement, and subsequently for meeting the milestones and targets in it, each local authority receives an annual performance incentive grant. The total value of such grants is £30 million per annum until 2007, and the share each authority receives is calculated using the same formula as applies to the main revenue support grant. The grant is wholly unhypothecated and local authorities are free to apply it as they wish. However, we will withhold payment of the grant if an authority falls short of its milestones or targets without good cause.

Outside the local government revenue settlement, we also provide financial support to the WLGA for it to carry out improvement support work. In the next financial year, this will include core grants to its improvement, equalities and data units totalling £1.27 million, with a further £1 million for direct support to local authorities to improve their services. In addition, we provide a grant of £1.5 million to the Audit Commission in Wales (soon to become the Wales Audit Office) for it to support the improvement process by means of independent audit and inspection of local authorities.



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INVESTOR IN PEOPLE

There are, of course, many other non-financial ways of incentivising performance – for instance, requiring consistent reports of performance data, improving scrutiny and public accountability, and spreading best practice. These and others are also central to our local government improvement framework.

Best wishes,

Sue Essex