



Llywodraeth Leol a Chymunedau  
Local Government and Communities

Cyfarwyddwr Cyffredinol • Director General

Llywodraeth Cymru  
Welsh Government

Darren Millar AM  
Chair – Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

Our ref: MB/LA/1782/15

14 May 2015

Dear Chair

### **The Financial Resilience of Councils in Wales**

Thank you for your letter of 2 April regarding the Auditor General for Wales' report, *The Financial Resilience of Councils in Wales*.

You asked for information on how the Welsh Government intends to ensure Local Authorities take account of the recommendations for them in the report and what assistance the Welsh Government will look to provide.

The Welsh Government welcomes the Auditor General's assessment of the financial resilience of Local Authorities given their vital role in the social and economic well-being of Wales. The report provides a helpful analysis of the financial health of Local Authorities and a useful addition to the body of evidence corroborating the need for reform.

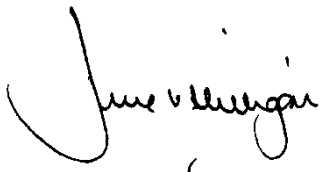
It is crucial to recognise that Local Authorities are autonomous and accountable bodies which are statutorily and individually responsible for managing their financial affairs. There are well-established frameworks, systems, procedures and tools in place to support them in doing this. In particular, there are express duties on each Authority's Section 151 Officer to ensure the Authority's financial plans are sustainable. However where the evidence has indicated a need for additional support, the Welsh Government has identified and provided additional capacity and expertise. In providing this support we have been clear that the responsibility for addressing any challenges continues to rest with the individual Authority.

The report reinforces some of the key messages set out in the White Paper *Reforming Local Government: Power to Local People*. In particular, it confirms that Authorities need to transform if Local Government is to successfully manage the continued funding pressures faced by public services across Wales. Whilst the Welsh Government does not recognise the figures cited in the opening paragraphs of the report, they present a compelling case for change. Such estimates offer an indication of the pressures which might arise if Authorities continued to provide the same services in the same way in the face of funding reductions. This is not a sustainable approach and underlines why reform is essential. I would draw out the following messages from the report as according particularly with those in the White Paper.

- The key role of strategic financial planning in driving forward the necessary transformation.
- The importance of having a robust medium-term financial plan and setting out a transparent and comprehensive strategy on reserves.
- The need to ensure locally elected Members have the appropriate knowledge and skills to challenge and scrutinise efficiency and savings plans.
- The role of the corporate plan as the core driver for setting out the strategic agenda and the medium-term financial plan and for supporting sustainable long-term service delivery.

I hope this information is of assistance to the Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'June Milligan', written in a cursive style.

**June Milligan**  
Cyfarwyddwr Cyffredinol / Director General