

National Assembly for Wales
Finance Committee

Report on the financial implications
of the Proposed Local Government
(Wales) Measure

December 2010



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

Copies of this report can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8026
Fax: 029 2089 8021
email: Finance.Comm@wales.gov.uk

© National Assembly for Wales Commission Copyright 2010
The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Finance Committee

Report on the financial implications
of the Proposed Local Government
(Wales) Measure

December 2010



Finance Committee

The Finance Committee's remit is to ensure that proper scrutiny is given to the budget and expenditure of the Welsh Government, the Assembly Commission, the Ombudsman, the Children's Commissioner, the Older People's Commissioner and various Welsh Government Sponsored Bodies and NHS Bodies.

The Committee has, in broad terms, three main functions:

- to consider and report on Assembly budget proposals;
- to consider and, where it sees fit, report on the financial information presented in support of Assembly Measures;
- to consider any other matter relating to, or affecting, expenditure by the Government or out of the Welsh Consolidated Fund.

Powers

The Committee was established on 26 June 2007. Its powers are set out in the National Assembly for Wales's Standing Order 14. These are available at www.assemblywales.org

Committee Membership



Angela Burns (Chair)
Carmarthen West and South
Pembrokeshire
Welsh Conservative Party



Lorraine Barrett
Cardiff and South Penarth
Labour



Peter Black
South Wales West
Welsh Liberal Democrats



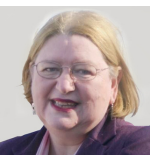
Andrew Davies
Swansea West
Labour



Chris Franks
South Wales Central
Plaid Cymru



Brian Gibbons
Aberavon
Labour



Ann Jones
Vale of Clwyd
Labour



Nick Ramsay
Monmouth
Welsh Conservative
Party



Janet Ryder
North Wales
Plaid Cymru

Report on Proposed Local Government (Wales) Measure

Extracts from Standing Orders:

14.2 The [Finance] Committee may also consider and, where it sees fit, report on:

- i. financial information in explanatory memoranda accompanying proposed Assembly Measures;*

.....

23.18 At the same time as [the Member in charge] introduces a proposed Measure, he or she must also lay an Explanatory Memorandum which must:

(vi) set out the best estimates of:

- (a) any administrative, compliance and other costs to which the provisions of the proposed Measure would give rise;*
- (b) the timescales over which such costs would be expected to arise; and*
- (c) where the costs would fall;*

Introduction

1. The Finance Committee considered the Proposed Local Government Measure and the accompanying Explanatory Memorandum at its meeting on 4 November 2010 and took evidence from

- Carl Sargeant AM, Minister for Social Justice and Local Government
- Frank Cuthbert, Welsh Assembly Government
- Emma Locke, Welsh Assembly Government
- Stephen Phipps, Welsh Assembly Government

2. The Finance Committee also had regard to the written evidence submitted to Legislation Committee 3 in response to their consultation exercise which had included a specific question relating to the financial

considerations of the proposed Measure: *What are the financial implications of the proposed Measure for organisations, if any? In answering this question you may wish to consider Section 2 of the Explanatory Memorandum (the Regulatory Impact Assessment), which estimates the costs and benefits of implementation of the proposed Measure.*

3. Alongside this, the Finance Committee considered subsequent letters dated 11 November from the Chair of the Local Government Commission for Wales and dated 18 November from the Minister for Social Justice and Local Government. The Finance Committee also received an e-mail from the Association of Council Secretaries and Solicitors (Wales Branch) commenting specifically on the question of remote access to meetings.

Background

4. The Explanatory Memorandum says that the proposed Measure will make changes intended to strengthen the structures and working of local government in Wales at all levels and to ensure that local councils reach out to and engage with all sectors of the communities they serve.

5. The proposed Measure makes provision to:

(i) broaden and increase participation in local government by permitting steps which will help remove barriers and disincentives to standing for election to local councils (*Parts 1 -2 of the proposed Measure*);

(ii) enable the review and improvement of the governance structures introduced through the Local Government Act 2000 so that they better suit the circumstances of local government in Wales (*Parts 3 -4*);

(iii) enhance the role of non-executive (“backbench”) local authority councillors in the scrutiny of local services (*Parts 5 - 6*);

(iv) develop and strengthen the role of community councils in Wales, including enabling them to deliver a wider range of services and actions locally as well as to increase the effectiveness of their representational role and their ability to work in partnership with other bodies (*Part 7*);

- (v) reform the system for setting allowances for councillors (*Part 8*);
- (vi) allow the Welsh Ministers to issue statutory guidance on collaboration between local authorities, and between them and other bodies (*Part 9*).

Costs associated with the proposed Measure

6. The Explanatory Memorandum¹ provides a table of the potential costs which may arise as a result of the proposed Measure. These are summarised below. The Explanatory Memorandum says that many of the provisions in the proposed Measure are cost neutral. Where costs have been identified, they are mainly compliance and administrative costs for local authorities. For principle councils the potential compliance costs are judged to be marginal. The Measure established duties which are already established good practice amongst authorities. Where new costs arise they will be a mixture of one-off costs and ongoing administrative costs. It is anticipated that these additional demands will be proportionate to the size of the organisation and can be accommodated through more efficient ways of workings and should deliver efficiencies in the longer term through better governance and more effective scrutiny.

7. The information shown in table 1 suggests that the potential costs of the proposed Measure lie between £240,500 and £577,500. However, they involve a mix of set up costs, some recurring annual costs, and some which are less regular and dependent on current circumstances.

8. The figures also suggest that the costs to be absorbed by authorities are in the region of £123,000 to £460,000; that those to be absorbed by the Social Justice and Local Government (SJLG) department are in the region of £87,500, and that those to be absorbed by the wider public sector are in the region of £30,000.

¹ Proposed Local Government (Wales) Measure, Explanatory Memorandum, para 8.8

Table 1: Potential costs arising as a result of the proposed Measure

Purpose	Potential cost (£)	Notes	Costs to be met by
Part 1: Strengthening local democracy (sections 1-22)			
Survey of candidates and councillors	35,000	All Wales (£1,750 per auth) to be held every 4 years	SJLG department
Assessment of survey	2,500		SJLG department
Training & development	5,000	Per authority, pump-priming where required	Authority
Annual performance appraisals	2,500	Set up costs per authority where not already undertaken	Authority
Remote attendance	2,000	Set up costs per authority where not already in place	Authority
Democratic services	12,500	Annual cost per authority	Authority
Part 2: Family absence for members of local authorities (sections 23-32)			
No costs detailed.			
Part 3: Available governance arrangements (sections 33-35)			
Abolition of alternative arrangements	80,000 - 400,000	Per authority depending on size.	Authority
Part 4: Changes to executive arrangements (sections 36-53)			
No costs detailed.			
Part 5: Local authority functions: discharge by committees and councillors (sections 54-56)			
No costs detailed.			
Part 6: Overview and scrutiny (sections 57-90)			
Establish joint overview/scrutiny committee	5,000	Set up and first year running costs per joint committee	Shared between authorities
Scrutiny of wider public sector	30,000	Annual cost across wider public sector	Public sector organisations
Take account of public views	3,000	Set up costs per authority	Authority
Establish audit committee	5,000	Set up costs per authority where not already in place	Authority
Part 7: Communities and community councils (sections 91-143)			
Advertising co-option vacancies	5	Per notice	Community Council
Cost of community review	8,000 - 25,000	Per authority depending on size	Authority. This is a current responsibility but some pass cost to LGBCW.
Part 8: Members: Payment and pensions (sections 144-163)			
Running costs of IRP	50,000	Annual cost	SJLG department
Part 9: General (sections 164-172)			
No costs detailed.			

Discussion

9. The Finance Committee discussed the financial implications of the proposed Measure with the Minister for Social Justice and Local Government full details of which are recorded in the record of Proceedings.

Overall costs

10. The Finance Committee noted that some of the contributors to the Legislation Committee's consultation expressed the view that the costs would be higher than stated – and questioned the appropriateness of imposing such costs on public bodies in the current financial climate and at a time of severe financial pressure.

11. The Minister for Social Justice and Local Government said² he did not accept that the costs were underestimated and said that many of the reforms he proposed involved no cost at all or only marginal costs. He said that the 22 authorities in Wales were at very different stages of development and that many would not be starting from scratch. Indeed, many of them were already delivering very good services along these lines. The aim of the proposed Measure was to enable services to be brought to a level that is sustainable and consistent across Wales.

12. He said³ that while he recognised the current financial circumstances he did not feel they should, as a result, shy away from driving improvement forward. Financial circumstances should not be an excuse for not changing the democratic process of developing better services for the people of Wales.

Surveys at principal and community council elections

13. The Finance Committee noted that in relation to surveys at principal and community council elections, the needs of authorities were different. If the funding were to be delivered using Revenue Support Grant mechanism it might not deliver support where it would be most effective. However, the Minister for Social Justice and Local Government had previously made a commitment to moving away from hypothecation and specific grants.

² RoP p11, 4 November 2010, Finance Committee

³ RoP p12, 4 November 2010, Finance Committee

14. The Minister for Social Justice and Local Government confirmed⁴ that support would depend on the number of candidates for county and community council councillors and would be proportionate to each authority. He reiterated⁵ his commitment to the reduction of specific grants but said that in this case, with elections only every four years, the circumstances were slightly different and, practically it was the right thing to do in this case.

Training and Development

15. The Finance Committee asked whether, given the minister's intention to increase the level of training and development, and to get a level of good practice across all authorities, it would be appropriate to increase the funding stream proportionately, rather than expecting authorities to absorb these costs.

16. The Minister for Social Justice and Local Government said⁶ that he did not believe that they were asking authorities to do anything they should not be doing already. He said that authorities already sign up to the members' development charter and that is what they should aspire to. All that he was doing was placing a duty upon them in that regard.

Remote access to meetings

17. The Finance Committee asked about the provisions in the proposed Measure which would facilitate remote attendance for council meetings and, particularly⁷, about the work that had been done to determine the level of variability between authorities in terms of current provision. The Minister for Social Justice and Local Government expressed some surprise⁸ at the amount of concern there had been about the costs of providing remote attendance. He said that he was not being prescriptive and saying that all council meetings should be Web-based. The legislation would allow authorities legally to hold meetings using remote attendance. Asked about the costs he said⁹ that it had been indicated in evidence that it cost £21,000 to webcast meetings in Cardiff but he did not think that

⁴ RoP p18, 4 November 2010, Finance Committee

⁵ RoP p20, 4 November 2010, Finance Committee

⁶ RoP p51, 4 November 2010, Finance Committee

⁷ RoP p52, 4 November 2010, Finance Committee

⁸ RoP p53, 4 November 2010, Finance Committee

⁹ RoP p53, 4 November 2010, Finance Committee

all authorities would need to incur costs of this order. The method of providing remote access was for individual authorities to decide and would build on what was there already. The Minister indicated¹⁰ that in his view this could be done very simply such as via a system such as a camera on a home PC providing a feed through a council network.

18. In their e-mail to the Finance Committee¹¹ the Association of Council Secretaries and Solicitors (Wales Branch) questioned whether, in fact, the requirements of the proposed Measure would be met by such a simple system. They pointed to section 4 of the Measure which required that remote members must see, hear, and be seen, and be heard by, both the councillors and the members of the public who are in the meeting room – and be able to hear each other. Responding to these concerns, the Minister for Social Justice and Local Government reiterated¹² that the section was not prescriptive about which meetings should allow remote attendance. He said they would consult on the guidance on this matter to ensure that it is practical and will not impose unreasonable financial burdens.

Conclusion

19. The Finance Committee welcomed the detailed analysis of the costs associated with this proposed measure. It notes that these are based on the fact that the 22 authorities in Wales were at very different stages of development and that many of them were already delivering very good services in line with what the proposed measure was seeking to achieve. The aim of the proposed Measure was to enable services to be brought to a level that is sustainable and consistent across Wales. The Finance Committee accepts that not all local authorities would be starting from scratch and that the circumstances and costs would vary.

20. The Finance Committee noted and accepted that in some circumstances, particularly in connection with elections, it might be appropriate to use a targeted funding mechanism outside of the Revenue Support Grant system.

¹⁰ RoP p58 & 59, 4 November 2010, Finance Committee

¹¹ Finance Committee FIN(3)-21-10(p6), *Financial Implications of the Proposed Local Government (Wales) Measure - Information from the Association of Council Secretaries and Solicitors, Wales Branch*, 2 December 2010

¹² Finance Committee FIN(3)-21-10(p4), *Financial Implications of the Proposed Local Government (Wales) Measure - Additional Information from the Minister for Social Justice and Local Government*, 2 December 2010

21. The Finance Committee noted the concerns about the costs of providing remote access to council meetings. While it accepts that this part of the proposed measure is an enabling power rather than a prescriptive one, it is inclined to think that the kind of technology necessary to deliver this might need to be rather more sophisticated than was implied by the Minister for Social Justice and Local Government – and the costs greater. The Committee therefore welcomes his commitment to consult before issuing guidance on this matter to ensure that it is practical and will not impose unreasonable financial burdens. Subject to these observations the Finance Committee sees no financial objections to the proposed Measure.

Angela Burns
Chair, Finance Committee