

Communities, Equalities and Local Government Committee

Evidence Paper – 25 June 2014

Introduction

1. My portfolio covers a broad range of policy responsibilities and is responsible for a range of delivery programmes. Working with key stakeholders, across the public, private and Third Sectors, the portfolio funds and oversees a range of services targeted at individuals and communities across Wales.
2. My focus, as set out in the Programme for Government, is to support the delivery of effective and efficient public services which meet the needs of people in Wales. My policies and programmes underpin both this aim and the underlying commitments set out within the Programme for Government. Good progress is being made, with 19 of the 46 commitments falling to the portfolio already met, including our 'Five for a Fairer Future' pledge to fund 500 Community Support Officers.
3. Within my portfolio, the majority of funding is directed towards public services through Local Authorities. This portfolio provides the majority of Welsh Government funding to Local Authorities through the Local Government Settlement. This is unhypothecated funding which reflects the position of Local Authorities as an independent, democratically elected tier of Government. However, I am working in partnership with Local Authorities across Wales, to ensure they have the corporate capacity and capability needed to manage the delivery of effective public services which provide value for money.
4. In a similar way, each of my Ministerial colleagues works directly with Local Authorities to develop their own policy agendas and implement programmes.

Funding

	2013-14 (Supplementary Budget) £000	2014-15 (Final Budget) £000
Revenue	4,705,164	4,568,893
Capital	22,920	22,920
TOTAL DEL	4,728,084	4,591,813

5. The budget for the Local Government portfolio in 2014-15 includes:

- £ 4,271m unhypothecated funding through the Revenue Support Grant;

- £ 140m for Police General Revenue Funding
- £ 35m for the Intermediate Care Fund;
- £ 3.4m to support Transformation and Reform;
- £ £36m for Local Government Improvement and Building Local Democracy;
- £ 16.8m for Community Support Officers;
- £ 4m revenue and £0.3m capital for violence against women and domestic abuse and for policies on anti-slavery and human trafficking;
- £ 7.2m revenue and £2.3m capital for Fire and Rescue Services and Community Fire Safety in Wales; and
- £ 5.2m towards our policies on preventing youth offending.

Priorities for Wales

6. All of the programmes and policies being taken forward through this portfolio support the Welsh Government priorities set out in the Programme for Government:

Local Authority Funding

7. The direct Local Authority workforce is approximately 160,000 people. Around three-quarters of Local Government expenditure goes on salaries and employment costs. Much of this is reinvested in local communities and businesses. I am working with Local Authorities to promote the adoption of the Living Wage and to reduce the use of zero-hour contracts. This work is being taken forward through the Workforce Partnership Council, bringing together public sector employers and recognised Trades Unions. I have also recently issued a revised Code of Practice on Workforce Matters, also known as the two-tier code.
8. Employees of Local Authorities undertake a wide range of responsibilities, funded through a mix of unhypothecated funding, specific grants, local taxation and other income. For 2014-15, the Welsh Government has allocated £4.4 billion through the Local Government Settlement. This funding comprises £4.264 billion in unhypothecated revenue funding and £143 million in General Capital Funding. In addition to this, Local Authorities receive over £700 million in Welsh Government specific grants from individual Ministerial portfolios.
9. Once supplied through the Local Government Settlement, the allocation of funding is a matter for individual Local Authorities. Deciding on the use of the total funding available to an Authority is, rightly, one of the key roles and responsibilities of local Councillors. They must ensure the views of their electorates are properly reflected and balanced with local service needs and pressures. The freedom for Authorities to set their own budgets is an important part of the Settlement process, providing them with flexibility to meet local pressures and requirements.
10. I want to increase this flexibility where possible, by moving funding from specific grants, which bring with them specific administrative burdens, into the Local Government Settlement and encouraging the amalgamation of grants.

Dehypothecation of grant funding can provide a positive impact on the provision of services, as it releases funding previously spent on administering the grant.

11. The Welsh Government's record on dehypothecation is a good one. Only around 15% of revenue funding provided to Local Government by the Welsh Government is earmarked for specific purposes. During this Assembly term, £180m of funding previously provided as specific grants has been released into the Revenue Support Grant. On the basis of Wales Audit Office estimates for the cost of administering grants, this suggests between £9m and £18m previously absorbed in management overheads is now available for spend on public services each year. In addition, we have provided over £230m a year to meet new responsibilities as unhypothecated funding rather than by creating new specific grants. Again, this has avoided as much as £20 million of unnecessary administrative costs each year.
12. This is a continuing process. It is important we look at all avenues to provide increased flexibilities to Local Government. I have impressed upon Local Government it must be able to provide Welsh Ministers with assurances as to the delivery of our priorities and the improvement of services, if increased flexibility is to be achieved.
13. The current funding challenges are likely to last well into the future. In recent years, we have taken steps to protect Local Government from the worst of the cuts and to help them prepare for more challenging times. However, given the continued pressures on services and budgets, we must continue to look for more transformational approaches to service delivery.

Budget-setting and public engagement

14. I recently conducted an exercise to gather information from Authorities about their approach to public engagement, consultation and local scrutiny during the budget-setting process for 2014-15. I have considered this information carefully, with a view to highlighting good practice with Local Government through the Partnership Council for Wales and its sub groups. I also plan to write to Ministerial colleagues with a summary of my findings.
15. I have been clear with Council Leaders, the pressures on budgets mean it is more important than ever to engage residents in decisions about how local resources are prioritised and spent and, in particular, in difficult decisions about where any cuts are made. More importantly, effective engagement can yield innovative solutions for dealing with budget reductions and improve local democracy.
16. The emerging information from my exercise is a mixed picture across Wales, with some very good examples coming forward of effective engagement with residents, employees, delivery partners and the Third Sector. However, I am clear public engagement should not just be a 'tick-box' exercise. There is some evidence of consultation outcomes being properly assessed and used to inform internal decision making through Cabinet meetings, workshops and Scrutiny

Committees. Some Authorities published extensive analysis of the consultation outcomes for respondents to see.

17. Whilst I do not underestimate the task undertaken by Authorities in setting a budget, there are many approaches to engaging communities in budget considerations. It is clear some Authorities could do more to engage with their communities. I recognise the role of local democracy in carrying out key duties such as budget-setting, however, it is important for communities to be and feel included in the process and for a two-way dialogue to become second nature.

18. Given the financial constraints will not improve in the near future, Authorities need to start thinking now about how, when and who they will consult to ensure final decisions are robust and fully informed.

Regional Collaboration Fund

19. I am taking forward plans to assess improvements and outcomes from the Regional Collaboration Fund on a similar model to the one adopted for the ESF Local Service Board (ESF-LSB) project.

20. There will also be an overarching independent evaluation of the Regional Collaboration Fund, which will examine its outcomes and identify lessons and considerations for future policy and practice around collaboration. This evaluation is currently being commissioned and a contract should be awarded within the next two months.

Local Taxation – Non Domestic Rates

21. Non Domestic Rates (NDR) are the mechanism for raising revenue for Local Government services from non-domestic property owners and occupiers. Although often known as business rates, they apply to all forms of non-domestic property not just businesses. This includes charities, non-profit making organisations and public sector property. There are selected exempt categories and a number of relief schemes.

22. NDR bills are calculated using two variables:

- the Rateable Value of a property, set by the Valuation Office Agency; and
- the NDR Multiplier which is set on an annual basis by the Welsh Government and is the same for all premises.

23. For 2014-15, the Welsh Government has capped the increase in the Multiplier at 2%.

24. Following the recommendation in the first report of the Commission on Devolution in Wales, work is in hand to deliver full devolution of NDR to Wales as part of the Financial Reform Programme. The NDR Pool generates around £1 billion to fund Local Government services in Wales. This is a major step forward in providing Wales with the tools to take devolution further.

25. The Small Business Rate Relief Scheme has been operating for a number of years and has been extended to continue throughout 2014-15. We also operate a number of other relief schemes designed to help businesses across Wales such as the Retail Relief Scheme.

Local Taxation – Council Tax

26. Council Tax is the mechanism for raising revenue for Local Government services from domestic properties.

27. Council Tax in Wales increased by **4.1%** in 2014-15, compared with a 3.2% increase in 2013-14. This includes Police and Community Council precepts. Despite the increases, the average Band D bill in Wales remains around **£190** lower than in England.

28. Very early on in the budget-setting process, I engaged with Council Leaders and Police and Crime Commissioners (PCCs) to make clear my expectations on Council Tax. I worked closely with my officials to assess the increases as they emerged across Wales. Setting Council Tax is a key duty of Local Authorities and PCCs. They need to act responsibly in maintaining vital services whilst limiting the financial burden on residents. They are directly accountable to their local electorates and I have allowed them the freedom to make good decisions.

29. All Local Authorities have faced funding reductions in 2014-15 and have had to make difficult decisions throughout the budget-setting process. Increasing Council Tax is just one of a range of tools available to Authorities in setting a balanced budget. The Welsh Government channels as much of the available funding as possible into the core funding settlement. We do not impose one-size-fits-all limits or require costly local referenda to justify local Councils' tax increases. The evidence shows each year more Authorities in England are rejecting the UK Government's offer of a council tax freeze grant, in favour of being able to set their own Council Tax. Council Tax levels in England continue to rise year on year.

30. The Housing Bill contains provisions in relation to Council Tax which will give Local Authorities discretionary powers to charge up to, but no more than, an additional 100% of the standard Council Tax charge (ie. a 100% premium) on:

- Properties which are empty (unoccupied and substantially unfurnished) for at least one year; and
- Second homes (those which are not a person's sole or main residence and which are substantially furnished).

31. These provisions are intended to provide Local Authorities with additional tools to address local housing pressures and to counter the effects of factors which affect local housing supply. Local Authorities applying the additional Council Tax charge on empty properties and/or second homes will be encouraged to use any additional revenue raised to improve and increase local housing supply and service provision.

32. If the Bill gains Royal Assent, I will consult on possible exemptions to these additional Council Tax charges. This will inform Regulations which I will subsequently bring forward prescribing categories of dwelling in relation to which additional Council Tax cannot be charged. These categories may be related to characteristics of the building or the circumstances of the person liable to the charge. I will also issue guidance to which Local Authorities must have regard when levying an additional Council Tax charge. This is likely to include requirements for the reporting of information.

Council Tax Reduction Schemes

33. Following the UK Government's decision to abolish Council Tax Benefit, the Welsh Government introduced Council Tax Reduction Schemes (CTRS) for 2013-14 which maintained entitlements for eligible households. This was supported by an additional £22 million to supplement the £222 million transferred from the UK Government, making a total of £244 million. This approach has been maintained in 2014-15, with Local Government needing to take account of the funding implications of any additional shortfall which arises from local decisions on Council Tax levels. As a result, support has been provided to almost 320,000 households in meeting their Council Tax liability and 70% of these will continue to pay no Council Tax at all.

34. However, given the estimated increases in the cost of maintaining this protection, Ministers agreed in June 2013 to a review to develop options and make recommendations for an equitable and sustainable scheme, which provides the maximum possible protection for low income households. A detailed overview of this Review is provided as an Annexe to this paper.

35. I recently made a Written Statement confirming following the conclusion of the Review Welsh Ministers had decided to continue to maintain entitlements to CTRS for a further two years.

Local Authority Performance and Scrutiny

36. In setting budgets, Local Authorities in Wales have previously delivered against Outcome Agreements. Over the lifetime of Outcome Agreements, all Local Authorities improved their approach to delivering identified outcomes. A new approach has been developed for the next cycle which links the outcomes to Programme for Government commitments. All Local Authorities in Wales submitted their Successor Outcome Agreements by 31 May 2014 and assessments of performance against outcomes will be undertaken.

37. In addition to driving Local Authority performance, I am also working to improve scrutiny of Local Authorities at both a local and national level. Effective scrutiny is linked to good quality budget decisions. Enhanced support has been provided to Local Authority Councillors to help them undertake their roles as part of the work in implementing the Local Government Measure 2011.

38. The Scrutiny Development Programme, the first phase of which commenced in September 2012 and will conclude in March 2015, is the focus for strengthening

scrutiny arrangements in Local Government. Evidence from this work, the Wales Audit Office study on local scrutiny, the Report of the Commission on Public Service Governance and Delivery and evaluations of the cabinet system and the Local Government Measure 2011, will shape the next phase of this work.

39. The Centre for Public Scrutiny, supported by resources from the Welsh Government, is delivering a bespoke programme of work in support of scrutiny in Wales. In a short period of time, it has established itself as the first port of call for all scrutiny support and has been integral to the development of the Characteristics of Effective Scrutiny, and in support of the academically accredited training programme for scrutiny officers available throughout Wales.
40. On 26 June, I will speak at an event to launch a guide to effective budget scrutiny, developed by the Centre for Public Scrutiny and Grant Thornton. This guide will offer Local Authorities practical advice on how best to involve service users in difficult budget decisions.

Democracy

41. Implementation of the Local Government (Democracy) Wales Act 2013 is under way and scheduled for completion by the spring of 2015 when the final provisions relating to Town and Community Council Websites will be implemented. This provides adequate preparation time for these Councils. I am currently consulting on guidance on this matter:

<http://wales.gov.uk/consultations/localgovernment/access-to-information-town-councils/?lang=en>

42. I am also working towards implementation of the provisions in the Act relating to the electronic publication of registers of members' interests for all Local Authorities included in the Act.
43. In terms of the Local Government (Wales) Measure 2011, the first tranche of annual reports prepared by Councillors for their electorates were issued in September 2013, following the May 2012 Local Government Elections. I have announced the next set of Local Government elections will take place in May 2017 for both Principal Councils and Town and Community Councils.
44. Last Autumn, I established an Expert Group on Local Government Diversity. Chaired by Professor Laura McAllister, members were Joy Kent, Dr Declan Hall and Naomi Alleyne. The Group was established to review the Candidates' survey results from the 2012 Local Government Elections.
45. The key recommendations from the Expert Group's report "*On Balance: Diversifying Democracy in Local Government*" are:
 - To improve the future surveys by separating the data for County and Community Councils and making the survey available on line;
 - Political parties to make use of mentoring schemes for potential candidates;

- The Welsh Government and stakeholders should co-ordinate a campaign prior to the local elections to provide information about Local Government and becoming a Councillor; and
- In collaboration with the WLGA, the Welsh Government should establish a mentoring / shadowing scheme.

46. In addition, I am establishing a network of diversity champions. I wrote to all Local Authorities to encourage them to nominate a representative to be the diversity champion. To date **17** Local Authorities have nominated Councillors to act as diversity champions.

47. The role of the local champions will be:

- To be involved in media campaigns – interviews / news articles on what motivated them to be Councillors, difficulties they faced,; what improvements would make the role easier;
- Use their experience as Councillors to promote the role;
- social media – twitter feeds to promote interest in the report and the plenary debate and beyond;
- promote the Expert Group’s recommendations relating to Local Government - for Councillors to visit secondary schools, Local Authorities to have mentors and member champions, engagement with under represented groups, is taken forward by Local Authorities;
- be a driving force for a diverse democracy in Local Government at the next elections; and
- through the use of such things as social media, the group could also be involved in stimulating interest in the report in advance of its launch, ahead of the plenary debate on the 18 March and beyond.

48. A Steering Group, including representatives from political parties, is now taking forward the Action Plan I published in response to the Report.

Local Service Boards and Single Integrated Plans

49. All Local Service Boards now have single integrated plans in place and are working to streamline their local partnership structures. The Well-being of Future Generations (Wales) Bill, to be introduced into the National Assembly next month will put both LSBs and SIPs on a single statutory basis and better align local and national strategic planning through the National Goals set out in the Bill.

50. Until the Bill is implemented, single integrated planning is based on provisions in the Local Government (Wales) Measure 2009 relating to community planning. To ensure continuity of existing arrangements, I am, following consultation, making an Order to include Police and Crime Commissioners as community planning partners.

Community Safety

51. The Programme for Government sets out our commitment to ending violence against women, domestic abuse and sexual violence in Wales. This month I will

be bringing forward legislation to achieve this aim by improving the public sector response in Wales to such violence and abuse. The Bill will provide a strategic focus on these issues and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services.

52. Through our 10,000 Safer Lives initiative, over 7,000 victims consider themselves to be safer, or to feel safer, from 2011-2012 to 2013-14, a significant achievement in line with the direction of our policies and strategies. In addition to this all leading public service delivery organisations in Wales have now implemented or reviewed workplace policies on violence against women, domestic abuse and sexual violence.
53. I am also working to raise awareness of the issues around Female Genital Mutilation. We are leading the way in Wales in tackling the continuing problem of slavery in modern society. In this context, I continue to work with the UK Government on their Modern Slavery Bill.
54. Wales is the first country in the UK to appoint an Anti-Slavery Coordinator who works closely with a range of different organisations to raise awareness and coordinate joint activities to tackle slavery. No other UK Administration has taken this action until now with the proposed appointment of an Anti-Slavery Commissioner by the UK Government.
55. We have made significant strides here in Wales, providing a strategic lead to the devolved and non-devolved bodies operating here. Our Anti-Slavery Leadership Group provides oversight and direction to this work and our significant achievements to date include developing a Survivor Care Pathway to ensure consistency of support to survivors across Wales, rolling out approved awareness training programmes and achieving all Wales coverage of our Regional Anti-Slavery Fora.
56. In October 2013, I met the commitment to fund the recruitment of an additional 500 Community Support Officers (CSOs) across Wales. The CSOs are working with local primary schools, providing reassurance to over-60s groups, helping local businesses address shoplifting, seizing alcohol and tobacco and undertaking house-to-house inquiries for criminal investigations. A contract was awarded in March 2013 to evaluate the impact of our investment in the additional 500 CSOs. This work will conclude in September 2014.
57. I have made £69,000 available in 2013-14 to support additional No Cold Calling Zones across Wales. This should create new zones covering over 10,000 homes, in addition to the 38,500 already in place.
58. The Youth Crime Prevention Fund (formerly the Safer Communities Fund) continues to provide funding to support schemes aimed at diverting young people away from crime and anti-social behaviour. The fund moved to a regional footprint model from April 2013 and this approach has continued into 2014-2015.
59. I continue to consider the needs of the Armed Forces Community in Wales through a specific Wales Expert Group. In June 2013 the Welsh Government

published a revised Package of Support for this Group. This identified and signposts relevant and specific public service provision for members of the Armed Forces Community in Wales, including their families. As key partners in this, all 22 Local Authorities in Wales have signed Armed Forces Community Covenants. Two multi-sector Armed Forces Champions events have been held since November 2013 to encourage partnership working and a joined up approach to addressing the specific needs of this community.

60. In April 2012, the Welsh Government published its Fire and Rescue National Framework for 2012 onwards. This sets out our expectations of the Fire and Rescue Authorities in Wales. A progress report on the implementation of the Framework was issued in July 2013. A review of the currency of the Framework will be undertaken during 2014-15.
61. The Welsh Government provides a grant to Fire and Rescue Authorities (FRAs) to support community safety activity, including arson reduction and the provision of Home Fire Safety Checks (HFSCs). The Welsh Government has made available a total of £3.447 million to the three FRAs in Wales for community fire safety initiatives in 2014-15. The FRAs have a target of 72,000 HFSCs in 2014-2015. Last year 70,832 targeted HFSCs were completed.
62. Resilience, in the face of emergencies and effective response to them, relies upon effective working between partners, including services which are non-devolved such as the police services. The First Minister continues to chair regular meetings of the Wales Resilience Forum bringing partners together.
63. The emergency planning structure in Wales delivered effective co-ordination of the response to the tidal surge and storm events which occurred last winter, as well as ensuring continuing public safety for the periods of industrial action taken by the Fire Brigades Union. Work is underway, with Local Authorities and other partners, to regionalise the delivery of emergency planning services in Wales to further embed and support effective joint working. Considerable work is also currently being undertaken to put in place security and resilience arrangements around the NATO Summit. The experience we gain from this will not only further enhance our ability to host such major events in the future, it will also strengthen our resilience capability in general.
64. The Minister for Finance announced on 15 April 2014, the offer of £3million “Invest to Save” funding to assist the development of a new Public Service Centre, which will merge and co-locate the Control rooms of South and Mid and West Wales Fire and Rescue Authorities, with South Wales Police, at their Headquarters in Bridgend. The new centre will achieve an effective collaboration between Police and Fire and Rescue Authorities and is intended to lead to safer communities and also to secure efficiencies through:
 - effective coordination of emergency assistance requests from the public
 - improved Fire and Rescue Service and Police Service capabilities and resilience
 - improved service delivery by focusing on continuous improvement activities
 - developing and delivering command and control protocols to manage risk to blue light responders

- provide a platform to develop future communications and mobile data solutions to enhance blue light interoperability.
65. The project will deliver effective co-ordination of emergency assistance and is forecasting £1million of net annual efficiency savings from 2016
66. Firefighter pensions are devolved to Welsh Ministers under the Fire and Rescue Services Act 2004. The Welsh Government is committed to collective pension arrangements which follow similar approaches to those being taken elsewhere in the UK. The Welsh Government has been mindful of the need to maintain a degree of parity across UK Schemes and the main membership benefits in the Firefighters' Pension Scheme 2015, based on the scheme design proposals in England are currently subject to consultation, which closes on 4 July. Any significant changes to pension policy could mean HM Treasury ending the Annually Managed Expenditure funding support of Welsh Fire-fighter Pensions. This would leave Welsh Government liable to find any additional costs in the future.
67. The Fire Brigades Union (FBU) have consistently outlined their opposition to several aspects of the proposed new pensions' scheme arrangements. On 16 May 2013, the FBU issued a Trade Dispute Letter to all UK Ministers, including Welsh Ministers, highlighting their concerns. This has unfortunately led to 14 separate periods of industrial action by FBU members over the past 13 months. I have met with the FBU on a number of occasions and all discussions have been positive and constructive. In addition, I have corresponded with and met Brandon Lewis MP, Parliamentary Under Secretary of State, Department of Communities and Local Government to urge him to continue dialogue with the FBU with the aim of reaching a negotiated settlement as soon as possible.

Devolved Services Reform

68. The Commission on Public Service Governance and Delivery was announced in April 2013 and reported to the First Minister in January 2014. The Report contained 62 recommendations covering a broad range of issues across the whole of the public service. To date, much of the focus has been on the recommendations relating to Local Authority structures. These are set out in just four of the recommendations, demonstrating the breadth and scope of issues to be considered.
69. A Ministerial Task and Finish Group, led by the First Minister, has been established to take forward our programme of devolved service reform, drawing on both the findings of the Commission on Public Service Governance and Delivery and the Commission on Devolution in Wales. Delivery of the commitments made under the Simpson Compact with Local Authorities will now be continued as part of the wider programme of devolved service reform.
70. The Welsh Government will be making a series of announcements before the Summer recess relating to the Commission's Report. To pave the way, at the recent WLGA Conference, I set out my vision for Local Government in Wales for the 21st century. There are four cornerstones to this vision:

- Authorities with strong and effective connections to their communities,
- Local democracy which reflects the diversity in our communities,
- Authorities which improve the well-being of people and places and,
- Good Governance.

71. I also announced the next Local Government elections will be held in May 2017 on the basis of our existing principal councils. Town and Community Council elections will also be held on this day.

72. This means our existing local political leadership have the certainty there will be no programme of mergers in this Assembly term and, as leaders, they must now plan for the financial scenario outlined in paragraph 13 as being the basis for next year and beyond.

Lesley Griffiths AM
Minister for Local Government and Government Business