

## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Tuesday 20 <sup>th</sup> October 2015
<b>Report Subject</b>	Independent Commission on Local Government Finance in Wales
<b>Report Author</b>	Chief Executive

### **EXECUTIVE SUMMARY**

The Welsh Local Government Association (WLGA) has formed an independent commission to examine the sustainability of the local government finance system in Wales and to recommend improvements for the future. The Commission aims to conclude its work and make recommendations in early 2016. The work of the Commission is timed to influence the thinking of the incoming Welsh Government in May 2016.

The Commission has now called for evidence to be submitted to assist its work, following preliminary meetings which it held over the summer to both explore the challenges facing local government and help shape the terms of reference the Commissioners would follow.

The Commission follows a similar Independent Commission on Local Government Finance for England which published its findings and recommendations early in 2015.

The Council in adopting its Medium Term Financial Strategy has set out a number of proposals where national reform and relief is needed to assist this and other councils in the shorter-term. These proposals, coupled with additional proposals for longer-term reform, can be the basis for a formal Council submission.

The WLGA is about to publish its 'Manifesto' for the future of local government to influence the manifestos on which political parties will campaign for the 2016 National Assembly for Wales elections. Drawing on the relevant contents of the WLGA Manifesto to add weight to our proposals and arguments will make for a fuller response.

A presentation will be made at the Council meeting to inform the debate.

## RECOMMENDATIONS

1	To contribute to a Council submission to the Independent Commission through debate.
2	To authorise the Leader and the Chief Executive to submit a written response on behalf of the Council.

## REPORT DETAILS

<b>1.00</b>	<b>SUPPORTING THE COMMISSION</b>
1.01	<p>The Welsh Local Government Association (WLGA) has formed an Independent Commission on Local Government Finance in Wales. The terms of reference of the Commission are to explore:-</p> <ul style="list-style-type: none"><li>• The strengths and weaknesses of the current local government finance system in Wales;</li><li>• Options for changing the system of financing local government in Wales, including both revenue and capital expenditure, with a view to increased self-sufficiency;</li><li>• Reforms to encourage greater economic growth in Wales; and</li><li>• Reforms which secure the delivery of better public services and outcomes envisaged in the Welsh Government's White Paper</li></ul> <p>The membership of the Commission is:-</p> <p>Professor Tony Travers (Chair) - Director of the London School of Economics Chris Hurst - Qualified Accountant Professor George Boyne – Pro Vice-Chancellor, College of Arts, Humanities and Social Sciences and Professor of Public Sector Management, Cardiff University Gill Lewis – Qualified chartered accountant (CIPFA) Harry Thomas – former Chief Executive of Gwynedd County Council Lynn Pamment – PWC partner for Public Sector clients in the West and Wales Simon Parker – Director of New Local Government Network</p> <p>The Commission has now called for evidence to inform its recommendations for financial reform. The consultation questions posed by the Commission are as follows:-</p> <p><b>Financial Overview questions</b></p> <ul style="list-style-type: none"><li>- What do you consider to be the strengths and weaknesses of the existing system of local government finance in Wales?</li></ul>

- What should the objectives of central funding be? What kind of grant system should support those objectives?
- Are grant distribution mechanisms fit for purpose and what changes would be desirable?
- Will the potential structural reorganisation affect the operation of the system? Would it provide an opportunity for a parallel financial reform?
- What additional pressures do rurality and deprivation introduce?
- Are any reforms required to the system of capital expenditure determination and funding?

### **Council Tax, Business Rates and other forms of income**

- Is council tax fit for purpose? What reforms might be made, if any?
- Is the non-domestic rate working well? What reforms might be made, if any?
- Would you favour local government in Wales taking control of additional taxes? If so, which ones?
- Should incentives for growth play a greater role in the funding system?
- Could fees and charges be used to a greater extent than at present?

### **Services**

- How do reductions in council expenditure affect the sustainability and quality of services? Might different financing arrangements (not additional resources) improve the outlook?
- Are there issues relating to the finance of housing which adversely affect local government? If so, do you have suggestions for change?

The Council only last month debated and adopted, by majority vote, a Medium Term Financial Strategy (MTFS). The Strategy includes ample evidence on which to base a Council response to the Commission, particularly for shorter-term financial reform and relief. The very act of the formation of the Commission adds weight to the Council's premise that the local government finance system in Wales is no longer fit for purpose and is unsustainable. The Commission is seen as a catalyst for change and reform.

The earlier Independent Commission on Local Government Finance in England published its findings and recommendations earlier in 2015. The Commission recommended:-

“that an independent review of the functions and sustainability of local government be undertaken in advance of the next government’s first spending review, to assess whether local authorities are appropriately funded to meet their statutory duties and to certify that all places are sufficiently funded

the establishment of an independent body to advise government on the funding needs of local government and on the allocation of funding to local authorities and sub-national areas

that the incoming government ends the policy of setting referendum limits on council tax and leaves the decision to local politicians

that the incoming government should devolve council tax discount setting and the power to determine who receives council tax support to local authorities

that 100 per cent of business rates and business rate growth should be retained by local government

that the incoming government consults on the detail of the business rates retention reset as a matter of urgency, exploring options for a partial reset

that the independent funding body should advise government on the reset and report on the reasonableness of the government's decisions

that the review of business rate administration that has been announced by this government must look at the appeals process and propose ways to reduce the time it takes to resolve an appeal, as well as proposing options for reducing the time from valuation in which an appeal can be launched. This needs to be done in advance of the 2017 valuations

that as part of the review of business rates, the government should consult on options for the localisation of business rate relief

that the incoming government commits to full and clear multi-year settlements to enable effective long-term planning for local authorities and other public sector services

one of the key roles for the proposed independent review of the sustainability of local government will be to assess the required level of social care funding and to advise government on the amount of money that will be required to fund social care appropriately in the next spending round

the Commission supports councils having the freedom to determine fees and charges locally

that the incoming government commits to the introduction of place-based budgets for sub-national areas that are willing and able to take on this reform

that sub-national Pioneer areas should be given the power to determine the number and value of council tax bands and when properties are revalued

that the incoming government should work with local government to agree a timetable for fiscal devolution, adopting the Smith Commission's principles as a basis for reform

Local Public Accounts Committees should be established in Pioneer sub-national areas to scrutinise value for money for all public services.

the government should develop additional freedoms for Pioneer areas in support of national policy objectives such as economic growth and increasing the housing supply. These could include enabling Pioneers:

- To develop new approaches to health and social care integration
- To collaborate with Local Enterprise Partnership in being entirely responsible for further and adult education, skills and apprenticeships, regeneration and employment support
- Ultimately to take on responsibility for some welfare to working age adults and some fiscal devolution”

The full Commission report can be accessed at

<http://www.localfinancecommission.org/documents/iclcf-final-report>

English local government, led by the Local Government Association (LGA) has forced the pace of reform with early successes being a greater share of retained National Non Domestic or 'business rates', devolved local funding agreements, and financial freedoms and flexibilities. The LGA capitalised on the work of the Commission with its follow-up lobbying document *A Shared Commitment: Local Government and the Spending Review* under the campaign banner of Future Funding for Your Area. This document can be accessed at

[http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review\\_WEB\\_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5](http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5)

In England there is evidence of reform for Wales to draw upon to frame its own proposals for reform in the longer-term for the next Welsh Government to adopt.

The WLGA is about to publish a 'Manifesto' for the future of local government. The purpose of the WLGA Manifesto is to influence the thinking of the political parties as they prepare their campaigning manifestos for the 2016 National Assembly for Wales elections. The publication of the WLGA Manifesto will suggest principles which should underpin council responses to the Commission's more detailed questions including the principle of subsidiarity, greater local fiscal freedom, multi-year financial settlements to support forward planning, and properly funded national policy priorities.

A presentation will be made at the meeting to inform and guide debate.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The Medium Term Financial Strategy (MTFS) `involved planning the use of the financial resources of the Council for a three year period. The implications and

	risks are therefore significant. The report and the appendices are self-explanatory in presenting the risks to the Council of the major annual reductions in Government funding it is facing. The three part Funding Strategy is in itself a set of proposed solutions. The Council position on the MTFS is relevant to the terms of reference of the Commission.
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The national reductions in funding for local government poses the greatest risk to the governance, performance and sustainability of the Council since the previous reorganisation in the mid-1990s. This risk can be mitigated through a twofold approach. Firstly, the Council continuing to streamline and innovate. Secondly, by working with Welsh Government to seek some support and relief from budget reductions based on a reasoned case. This twofold approach is set out in Part II of the Strategy <i>Meeting the Financial Challenge</i>.</p> <p>The Council position on the MTFS is relevant to the terms of reference of the Commission.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>MTFS Parts 1 and 2 and hyperlinks as listed in the report.</p> <p><b>Contact Officer:</b> Colin Everett  <b>Telephone:</b> 01352 702101  <b>Email:</b> <a href="mailto:chief.executive@flintshire.gov.uk">chief.executive@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.
7.02	<b>WLGA Manifesto:</b> a public declaration of policy and aims; especially one issued before an election by a political party or candidate. The purpose of the WLGA Manifesto is to influence the thinking of the political parties as

7.03	<p>they prepare their campaigning manifestos for the 2016 National Assembly for Wales elections.</p> <p><b>Smith Commission:</b> constitutional reform in Scotland; “Report of the Smith Commission for further devolution of powers to the Scottish Parliament” 27 November 2014</p>
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