



Local Government Commission on Finance for Wales

Making a Council Response





Context

- » Financial challenges exposing the unsustainability of the local government financing system
- » National UK fiscal and economic reform creating opportunities for change
- » Recent Independent Commission on Local Government Finance in England as a basis for an unprecedented pace of reform in England
- » A parallel Welsh Commission formed by the Welsh Local Government Association (WLGA)
- » Party political positions expected in manifestos for the National Assembly for Wales Elections (May 2016)



Welsh Commission on Finance

- » Independent of the WLGA
- » Membership a combination of academics, national experts and practitioners
- » An overlap of membership and purpose with the English Commission to provide some continuity
- » Terms of reference geared towards reform
- » Commission has issued a 'call for evidence'
- » Commission to report in time to influence the thinking and manifesto commitments of the political parties in Wales for the 2016 elections



Principles to underpin a response

- » Localism and a reinforcement of the role of local governance and accountability
- » The subsidiarity principle – government at the lowest possible level and closest to the people
- » A longer-term and sustainable funding settlement
- » Fully funded Government policy and legislation
- » Freedoms and flexibilities in use of core funds, taxation and charging
- » The case Flintshire is making in its Medium Term Financial Strategy (MTFS)



Contrasts: England and Wales

- » Devolution agreements (E): centralised model (W)
- » NNDR growth retention (E): no imminent change (W)
- » Greater financial independence and risk (E): high dependence on Revenue Support Grant (W)
- » Dismantling of specific grant regimes (E): limited progress in specific grant dissolution (W)
- » Some relaxations in charging controls (E): centralist controls over charges (W)
- » Range of entrepreneurial models for public services (E): more direct provision and ownership (W)



Consultation questions and answers

- » Local government finance system: certainty of formula planning and predictability a strength; annualised settlements and datedness as per MTFs a weakness
- » Central funding: purpose should be resilient base funding for councils to fulfil their duties and to meet costed Government policy and legislation
- » Grant mechanisms: unfit, centralist, complex, large in number, costly and bureaucratic. Move to an un-hypothecated model with local freedom to allocate
- » Impact of a re-organisation: major implications and an opportunity for reform of finance system



Consultation questions and answers

- » Council Tax: solutions could include periodic revaluations, a larger number of higher-end bands, more local flexibility for tax variations, a fully funded national benefits scheme
- » Additional taxes: retention of NNDR growth as a minimum as in England; a direct share of VAT; option of local taxes such as tourism taxes
- » Growth incentives: supported for NNDR and possibly housebuilding
- » Fees and charges: local discretion should be granted within reasonable limits (as per MTFS)



Consultation questions and answers

- » Sustainability of services: solutions could include local economic assessments of service costs and needs in place of the static formula, variations in taxes and charging as above, national responsibilities for funding policy and legislation as above, and other arguments as per the MTFS
- » Housing: a consistent and sustainable policy for social housing rents, freedom to set charges locally for social housing tenants (subject to local consultation and agreement), a sustainable system of Major Repairs Allowance to support WHQS business plan achievement