

**POWER TO LOCAL PEOPLE WHITE PAPER**

**REPORT OF THE CHIEF EXECUTIVE**

**AGENDA ITEM: 4**

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**PORTFOLIO: LEADER (ECONOMIC DEVELOPMENT & PARTNERSHIP)**

**Reason for this Report**

1. To consider the City of Cardiff Council's response to the 'Power to Local People' White Paper issued by the Welsh Government.

**Background**

2. In April 2013, the Welsh Government announced the establishment of the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams (also known as the 'Williams Commission'), to examine all aspects of governance and delivery in the devolved public sector in Wales. The Williams Commission published its report on 20 January 2014, which made 62 recommendations, including proposals for local government reorganisation in Wales through the merger of local authorities.
3. The Welsh Government published its response to the Williams Commission's recommendations, entitled 'Devolution, Democracy and Delivery – Improving Public Services for People in Wales', on 8 July 2014. This report included a summary of actions to be taken forward by the Welsh Government.
4. On the same date, the Welsh Government also published a White Paper, entitled 'Devolution, Democracy and Delivery – Reforming Local Government'. The White Paper set out proposals for local government in Wales in the 21<sup>st</sup> Century and focused mainly on future legislation to support the proposed merger of local authorities in Wales. The Council's response to this White Paper was approved by Cabinet on 9 October 2014.
5. The Welsh Government published a second White Paper, entitled 'Devolution, Democracy and Delivery – Reforming Local Government: Power to Local People', on 3 February 2015. The deadline for the submission of responses to the Welsh Government consultation on the White Paper is 28 April 2015.

## Issues

6. The 'Power to Local People' White Paper addresses many of the previous recommendations of the Williams Commission and sets out proposals to improve the democratic leadership, diversity and governance of local authorities and to improve the performance of councils. It is supported by a detailed consultation survey, which is the Welsh Government's preferred method of response and includes specific questions on the following issues:

### **Chapter 2: Balancing the Responsibilities of National and Local Government**

- Status of reformed Authorities (page 20)
- General power of competence (page 21)
- Deregulation and Contracting Out Act 1994 (page 22)
- Local Authority constitutions (pages 22-23)
- Legislative burdens and review of the body of Local Government legislation (page 23)

### **Chapter 3: Renewing Democracy**

- Local Government elections (pages 25-26)
- The roles & responsibilities of Leaders, Cabinet Members and Elected Members (pages 26-30)
- Standards Committees (page 31)
- Diversity of Elected Members (pages 31-33)
- Remuneration of Elected Members (pages 33-34)
- Number of Elected Members (page 34)
- Restrictions on Elected Members and Electoral qualification (pages 34-36)
- Recall of Elected Members (page 35)
- The role and responsibilities of Chief Executives (pages 37-38)
- Term limits for Chief Executives (pages 38-39)
- Remuneration and appointment of senior officers (pages 39-42)

### **Chapter 4: Connecting with Communities**

- Member-led Area Boards (pages 49-50)
- The reform of Community Councils (pages 50-54)

### **Chapter 5: Power to Local Communities**

- Community participation (page 57)
- Property transfer and community ownership (pages 57-60)

### **Chapter 6: Corporate Governance and Improvement**

- The Local Government (Wales) Measure 2009 (pages 63-64)
- Strengthening the role of Corporate Governance and Audit Committees (pages 64-65)
- Self-assessment and peer review (pages 65-66)
- Ministerial intervention (pages 66-67)

### **Chapter 7: Performance in Local Government**

- Corporate planning (pages 69-71)
- Single information portal (pages 71-72)
- Minimum performance outcomes and financial penalties (page 72)
- Complaints (pages 73-74)

### **Chapter 8: Strengthening the Role of Review**

- Strengthening internal scrutiny (pages 76-81)
- Democratic services (page 79)
- Encouraging public voice (pages 81-82)
- Regional scrutiny arrangements (page 82)
- Strengthening links between external scrutiny (pages 83-84)
- The external review framework (pages 84-85)

### **Chapter 9: Reforming Local Government Finance**

- The Welsh Government's vision and the proposed phased approach (pages 88-90)
  - Balance of funding and flexibility (page 90)
  - General revenue funding – local taxation (pages 90-91)
  - General revenue funding – distribution (pages 91-92)
  - Financial governance and accounting arrangements (pages 94-95)
7. The White Paper was considered by the Council's Democratic Services Committee on 25 March 2015 and will be considered by the Policy Review and Performance Scrutiny Committee on 31 March 2015.

### **Reason for Recommendations**

8. To approve the City of Cardiff Council's submission in response to the Welsh Government consultation on the 'Power to Local People' White Paper.

### **Financial Implications**

9. The financial elements of this consultation are covered in the response set out in Appendix A. There are no direct financial implications arising from this report.

### **Legal Implications**

10. The response which has been developed in respect of the proposals contained in the consultation and which is recommended for approval for submission reflects the legal implications of those proposals.

## **RECOMMENDATIONS**

Cabinet is recommended to:

1. approve the submission (Appendix A) to the Welsh Government in response to the 'Power to Local People' White Paper; and

2. delegate authority to the Leader of the Council and Chief Executive to make any further amendments to the Council's response to the Welsh Government prior to submission by 28 April 2015.

**PAUL ORDERS**

**Chief Executive**

27 March 2015

*The following appendix is attached:*

Appendix A: Power to Local People White Paper – Consultation Response by the City of Cardiff Council (*to follow*)

*The following background papers have been taken into account:*

Report of the Commission on Public Service Governance and Delivery ('Williams Commission')

<http://wales.gov.uk/topics/improvingservices/public-service-governance-and-delivery/report/?lang=en>

Devolution, Democracy and Delivery – Improving Public Services for People in Wales

<http://wales.gov.uk/docs/dpsp/publications/140708-response-to-commission-en.pdf>

Devolution, Democracy and Delivery White Paper – Reforming Local Government: Power to Local People

<http://wales.gov.uk/docs/dsjlg/consultation/150203-power-to-local-people-full-en.pdf>

# **POWER TO LOCAL PEOPLE WHITE PAPER CITY OF CARDIFF COUNCIL DRAFT RESPONSE**

## **Introduction**

1. The City of Cardiff Council welcomes the ambition of the White Paper, and is supportive of a number of the principles put forward in the paper for renewing local democracy and reforming local public services.
2. The financial landscape for public service delivery has changed dramatically. The Council alone has had to make over £85m savings during the last three years. Over the next 3 years the figure will be around £120m, including around £41.1m in the next financial year.
3. This financial challenge is set to continue with the Council facing a long period of severe budget constraint at a time when the demand for many services will be outstripping the resources available to deliver them. This is particularly true in Cardiff, with the capital city of Wales projected to be the fastest growing major UK city<sup>1</sup> over the next 15 years. In this context it is becoming increasingly clear that conventional, top-down and silo-based service delivery models are struggling to deal with complex, cross-public sector issues.
4. The Council therefore agrees with the thrust of the White Paper that the way in which public services are delivered in Wales needs to change, with a greater emphasis on partnership working, engaging with citizens to design services and introduce new models of service delivery. The Council has put in place an Organisational Development Programme to manage this transition over the next 3 years. It is vital that any process of local government re-organisation does not distract or hinder this programme.
5. Similarly, the Council agrees with the focus in the White Paper on the need to improve the standard of services. The City of Cardiff Council has recognised that performance in key services has, for a number of years, been far from satisfactory and has put in place robust performance and improvement measures to tackle this underperformance. Whilst we are now turning services around, it is imperative that any improvement is not jeopardised by a focus on structural reform.

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<sup>1</sup> Cardiff predicted to be the fastest growing major UK city in percentage terms.

6. The Council agrees with the need for greater diversity in local government, so that the Council chamber is reflective of the communities it serves. However, the Council believes that some of the proposals for reform in this area (set out in Chapter 3 of the White Paper) are overly prescriptive, and run counter to the principle of making decisions as closely as possible to local residents, which the White Paper explicitly supports. Indeed, the Council has concerns that some of the proposed changes will not lead to increased diversity or local democratic engagement, and would encourage the Welsh Government to look again at this issue. The Council would therefore welcome the opportunity to work with Welsh Government to identify appropriate community based activity to encourage and promote democratic engagement.
7. The Council believes that greater local power and responsibility is the best way to strengthen local democracy, giving people a stake in their own future, trusting them to make the right choices for where they live. The White Paper proposal to explicitly rule out further devolution of powers to local authorities until any structural reforms have been undertaken therefore runs contrary to the desire to renew and reinvigorate local democracy.
8. Furthermore, this has the potential to place Cardiff and the Cardiff Capital Region at a competitive disadvantage against other UK Core Cities that are being given greater freedom and flexibilities - in areas such as local business rate retention - to drive their city-regional economies.
9. The Council welcomes many of the principles and recommendations contained in the White Paper in relation to Corporate Planning, improvement and review, but would argue strongly that the proposals should be proportionate to risk.
10. Medium and long term planning can only be done effectively if it is aligned with financial planning. The Council therefore calls for multi-year budget settlements for Welsh local authorities to be introduced. To enable greater flexibility in responding to the unprecedented budgetary pressures local authorities face, the Council would also call for Welsh Government to follow the precedent set in England and Scotland and move rapidly to de-hypothecate all specific grants.
11. The Cabinet has made clear its commitment to Cardiff becoming a 'Co-operative Council,' including a commitment to openness and a greater involvement of citizens, communities and staff in decision making, service design and delivery.
12. The White Paper recognises that the Co-operative Council approach rests on a clear definition and articulation of authorities' public service values. The City of Cardiff Council has recently established a new set of organisational values which were developed through Employee Engagement Road Shows and a series of workshops with employee ambassadors, senior management team and the Council's Cabinet. These values have been communicated widely within the organisation and placed at the heart of the new Corporate Plan and Organisational Development Programme.

13. The repositioning of Cardiff as a Cooperative Council is also being guided and supported by a step change in engagement with local communities, most notably through the 'Cardiff Debate' and through the 'Stepping Up' approach to community delivery (Chapter 4 & 5). Much of this has been necessitated by the scale and pace of funding reductions experienced by local government.
14. Whilst being committed to the spirit and values of being a Co-operative Council, the Council recognises that new models of service delivery cannot always be built around enabling community bodies to manage services, or by creating co-operatives or mutuals. Local discretion and flexibility in designing, delivering and commissioning services in accordance with local need will be key in ensuring sustainable, high quality public services. Public Sector Partnerships must also play a key role in securing high quality public services.
15. Finally, and perhaps most importantly, the Council agrees with the view set out in the White Paper that the role of the Welsh Government is to set national strategic direction and it is for Local Government to set its local objectives, responsive to local need and subject to local accountability. While supportive of the principles outlined in the White Paper the Council is concerned that some of the proposals are overly prescriptive and run counter to the principle of local discretion and the goal of renewing local democracy.

## **Chapter 2: Balancing the Responsibilities of National and Local Government**

### **The Roles of Central and Local Government**

16. The Council welcomes the recognition in the White Paper that the role of the Welsh Government is to set strategic direction, define a limited number of national expectations and to put in place the policy and regulatory framework within which local government will set its local objectives and deliver local services that are responsive to local need and subject to local accountability.
17. The Council therefore welcomes the support for the principle of local action ('subsidiarity') that is emphasised in the White Paper. The Council agrees that local people want choice over local priorities, and so the national framework must be flexible enough to allow this to happen, and to recognise that in many cases what is right for Cardigan and Caernarfon will not be right for the capital city.
18. The Council similarly recognises that this principle of local action places the responsibility for service delivery firmly on the shoulders of local delivery organisations, and these organisations must be accountable if local services are found to be failing local people.
19. While supporting the principles the Council has concerns that some of the proposals (in particular relating to 'Chapter 3: Renewing Democracy' and Chapter 6, 7 and 8 on Performance and Improvement) in the White Paper run contrary to the principle of local discretion and local action ("subsidiarity"), and to the framework for Central and Local Government relations outlined in Chapter 2. Furthermore, the Council believes that the Welsh Government should go further in giving local authorities greater responsibilities and financial flexibilities. In particular, multi-year budget settlements must be brought in to allow for effective medium to long term planning.

### **Central / Local Relations**

20. The City of Cardiff Council believes that the reform of local government and the improvement of public services at a time of radical public sector austerity will require a strong partnership between the Welsh Government and local government.
21. The WLGA should continue to act as a representative body to lead engagement and liaison between the Welsh Government and local government. Whilst, the WLGA is well placed to represent all Welsh Local Authorities on certain issues, the Council would note that is not necessarily best placed to represent a large urban authority and the capital city of Wales on other matters, not least relating to urban policy and city management. The Council also supports the reform of existing Partnership Council membership or the establishment of a specific new local government forum to debate matters relating to the proposed mergers, which would involve the Leaders of all councils which are subject to merger.



## **Working Together to Reform Public Services**

22. The City of Cardiff Council agrees that public service providers need to work together and with providers from other services and the third sector, breaking down unnecessary barriers and breaking out of silos. In short, partnership working, with other public service and third sector organisations, and with citizens and communities must be central to how public services are reformed to meet the challenges they face.
23. The City of Cardiff Council has been at the forefront of regional working in South East Wales in areas such as regulatory services and regional waste, and so recognises the benefits of working together with neighbouring authorities. The Council recognises the value in the White Paper's proposals of moving towards regionalising back-office functions; however, given the focus over recent budget cycles on radically reducing in-house administrative costs, the Council would suggest that the potential level of further savings available in this area would need to be tested.

## **Powering the Welsh Economy**

24. The Council agrees that the role of Local Government is of particular importance in the context of the Welsh Government's city regions approach, and welcomed the recognition in the White Paper that the 'core cities' – including Cardiff – are expected to be the main source of new jobs and growth in the UK over the coming decades. This is consistent with the policy position at UK and European level, which is equally clear that the 'city-region' or 'metropolitan' level is the most appropriate spatial level for approaching economic and spatial development issues (economic development, transport, housing, planning).
25. The Council therefore supports the shift from 'regional' policy to one which recognises and seeks to exploit the strength of the city as the driver of growth, whilst ensuring that the benefits of growth are felt across the city-region.
26. One of the major challenges in the implementation of this shift is that the administrative boundaries of cities and metropolitan areas no longer reflect the physical, social, economic, cultural or environmental reality.
27. It can be anticipated that this will still be the case following any mergers of councils in South East Wales. The Council therefore believes that there is a need for governance arrangements to reflect the city-region, and that these should be established in advance of and run in parallel to, any programme of local government re-organisation.
28. Evidence from international city-regions suggests that those city-regions with a greater level of discretion and freedom from central control - within a framework of strong, accountable governance - are those that are doing better. The evidence also suggests that contractual arrangements where responsibilities for results, sanctions and incentives are clear and agreed – but where local partners have freedom to determine the best way of delivering them – are better than national governments attempting to micro-

control local partners.<sup>2</sup> The UK is one of, if not the most, centralised developed states in the OECD according to recent reports. It is essential we learn from international evidence and allow greater local discretion.

29. The Council is therefore clear that the evidence and experience from UK and international city-regions points towards the need for city-regional governance in the Cardiff Capital Region that is Local Government-led, with the private sector and the Welsh Government playing important partnership roles.
30. On the nature of the governance arrangements lessons can be learnt from Cardiff's natural comparators, the UK Core Cities, where Combined Authorities have emerged as a proven model for city-regional delivery. The recent announcements of devolution of further powers and responsibilities to these Combined Authorities is a testament to their track record and to the robustness of this approach in the eyes of the UK Government.
31. The Council believes that the option of pursuing a Combined Authority approach should be available to Welsh local authorities, as it is in other Core Cities across the UK. The Council would therefore ask the Welsh Government to reconsider its decision to not enable the creation of Combined Authorities in Wales as stated in the White Paper. This is a rapidly evolving area, and needs to be underpinned by an evidence base.

### **Status of Reformed Authorities**

32. The City of Cardiff Council supports the move towards consistency of titles for comparable local authorities across Wales. However, given the recognised importance of cities in driving economic growth, and the role that Cardiff as the capital city should play as a leading economic and cultural brand for Wales, the flexibility should exist for the 'City of Cardiff Council' name to be retained.
33. The City of Cardiff Council supports the approach of removing unnecessary constraints on the ability of local authorities to take appropriate actions to fulfil their role and/or to pursue improvements (whether they directly or indirectly benefit the public) including changes to services and/or reductions to the public cost of services.
34. The current framework within which authorities are expected to operate does not promote a balanced approach to risk. Uncertainty in the interpretation of legislative drafting, adverse judicial interpretation and often conflicting or equivocal guidance, means that risk levels hinder and prevent local government delivering innovative solutions to local problems. The lack of multi-year budgets is just one example of how the current framework hinders local authorities.
35. If a general power of competence is introduced then when considering whether to follow the example of the one introduced in England through the Localism Act the following points should be considered:

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<sup>2</sup> State of the English Cities, Parkinson (ODPM, 2006)

- Until the Brent case the well-being powers were considered by government and local government as being wide powers. The Brent case emphasises the risk that the judiciary will always seek to interpret narrowly any legislation which imbues on local government a general power. Local authorities will therefore need to carefully consider plans when exploring new and innovative ways to deliver services, particularly those involving alternative service delivery models.
- It is arguable that it is unnecessary to impose any express restrictions on any such power. The usual public law principles, such as proportionality and rationality, will still apply to the use of the power in any event (see opinion of Tim Kerr QC on the general power of competence).
- If limitations or restrictions are nevertheless considered necessary then it should be recognised that they may create doubt and potential for conflicting interpretations. Therefore any such limitations need to be set out very precisely rather than generically.
- The suggestion above reflects the implied acknowledgement in the consultation that the body of local government law contains a vast expanse of statutes, statutory instruments and statutory guidance with layers of amendments, part revocations and additions often confounding intelligible meaning. That is the reason for suggesting codification. Failure to identify precisely the limitation contained in any earlier statute which is intended to limit the power of general competence has the potential to critically undermine the power.
- Is it necessary that powers to trade should be limited to being undertaken via another corporate vehicle? Some existing express powers do not have such a limitation – e.g. power to trade through the Local Authorities (Goods and Services) Act, surplus capacity for IT, theatres and leisure. Setting up companies can create additional complications such as the conflict with aims of efficiency when intending to use surplus capacity. In any event why limit it to such specific corporate vehicles when LLPs and other formats may be more appropriate?
- Any new power needs to be developed so it is consistent with and part of a coherent legislative framework. Consideration needs to be given therefore to the relationship with other legislation such as the Social Services and Well-being (Wales) Act 2014, the Well-being of Future Generations (Wales) Bill and other powers referring to well-being of the area (eg General Disposal Consent and powers to acquire land..
- It is important not to lose the additional power under section 9 of the Local Government Wales Measure 2009 which offered potential capability to do certain things in pursuit of continuous improvement. Had such power been available to Brent it would have permitted the Council to have relied on the aim of generating “savings” to set up the proposed joint insurance company.

## **Deregulation and Contracting Out Act**

36. The Act provides a useful mechanism to supplement the mechanisms under the 1972 and 2000 Acts relating to delegation and contracting out of powers
37. The Council supports a review being undertaken of the current provisions to identify whether more generic delegations could be applied to avoid the need to seek or rely upon Welsh Government to introduce additional specific orders.
38. A variety of models for delivering public services are being considered and developed across local government. It is inevitable that in the context of establishing arrangements for the delivery of services by such models, there will be an increasing need to consider whether the arrangements should include delegation of decision making and/or other functions. This is particularly the case with so called “Teckal” vehicles where the company will in any event be acting like a department of the public body.
39. Whilst currently a local authority can seek an order to be made by Welsh Government, the additional work and time involved in obtaining such an order obstructs more effective use of such arrangements
40. Any review should however ensure that the availability of such general powers do not undermine the principle of local democracy and accountability or the electorate’s trust in such matters. The fundamental principle which must be protected is that in the main, decisions affecting public services should not be made by third party organisations which are not directly accountable to the electorate. Consequently any changes must provide satisfactory assurance to the general public as to the sufficiency of the governance arrangements.

### **Local Authority Constitutions**

41. The City of Cardiff Council believes that the purpose of the Council’s Constitution is first and foremost to set out the standing orders and rules relating to procedures, conduct, remuneration and role specifications relating to the governance, administration, finances, commercial and collaborative activities.
42. That said, the Council recognises that more could be done to explain clearly and simply to the public how the Council operates, so that citizens can more easily understand and engage with the decision making process. This would be in line with the Cabinet’s commitment to becoming a ‘co-operative council’ with an emphasis on becoming a more open, transparent and engaged organisation. There are a number of examples of co-operative council constitutions that have been reviewed in this manner, and it is felt these could be used as a starting point in providing an easier to understand public document.

### **Legislative burdens and review of Local Government Legislation**

43. The body of local government legislation is vast and complex involving as it does legislation covering the 19th century and onwards (even without

considering some local acts which continue to apply). The Council therefore supports the principle of codifying and updating the legislation to take into account case law.

44. However, it will be necessary to consider the potential disadvantages of developing the legislative framework in a way which will increase apparent divergence between local government law in England and Wales, particularly if it becomes more difficult to compare respective positions. It may be appropriate therefore to seek to collaborate with others in codifying local government law.

### **Chapter 3: Renewing Democracy**

45. The City of Cardiff Council agrees that healthy democracy depends on the public taking a vital interest in the work of their council and councillors. The Council therefore welcomes the aspiration to get more people involved in local politics, and particularly to ensure that the Council chamber reflects the views, and the make-up of local communities.
46. However, the Council would argue that some of the interventions put forward in the White Paper to increase engagement and diversity are potentially ineffective tools and may be overly prescriptive in nature. The Council would support any action to promote the work councillors undertake to support local democracy, helping bring greater visibility to the role and encouraging awareness amongst communities.
47. Furthermore, the Council believes that the overwhelming majority of councillors do a valuable job on behalf of their communities, and are trusted, hardworking and respected by their constituents. Whilst there is a recognised need to rapidly improve services in some areas, there are a number of examples of good performance. Evidence, particularly citizen satisfaction surveys with public services, supports this view and in Cardiff citizen satisfaction with Council services stood at 80.8% in 2014.

#### **Local Government Elections**

48. The Council is content with the current system of 4 years, but sees the merit of a 5 year cycle to align with UK and Welsh Government elections, providing a clearly defined polling day which would focus on local government. The Council believes that fixed term electoral cycles, of either 4 or 5 years, are needed to provide medium term stability and therefore sees little strength in the argument for phased elections as suggested in the White Paper.
49. Indeed, the Council would note that Birmingham City Council has been ordered to overhaul its election system in a bid to tackle "deep-rooted" issues. A report published last month by Sir Bob Kerslake on Birmingham Council, where a third of councillors are voted in each year, concluded the council's current election system had not helped "strategic decisions". Under the new approach, the entire council would be up for re-election every four years

#### **Defining the Roles and Responsibilities of the Leader, Cabinet Members, Elected Members and Senior Officers**

50. The Council is broadly supportive of the proposals put forward in the White Paper, with many of these already in place in Cardiff (objectives being set for Cabinet Members and Chief Executive; the appointment of Deputy Cabinet Members as a means for developing the next generation of Cabinet Members). However, the Council believes strongly that the level of detail and prescription put forward runs contrary to the principle of subsidiarity, and of the roles and responsibilities of each level of government, outlined earlier in the White Paper.

Furthermore, the Council would make the following points:

- The Council sees no need to reduce the maximum number of Cabinet Members (currently 10), particularly given the proposed move to establish fewer, larger authorities. A reduction would also be to the disadvantage of those local authorities with more services maintained in-house.
- The number and nature of Cabinet posts within these reformed authorities should be left to the discretion of each local authority.
- That the appointment of Deputy Cabinet members should be encouraged as a professional development opportunity; Deputy Cabinet Members should not be seen as a replacement for full time Cabinet Members.
- The ability for a local authority to control the appointment of its Chief Executive or of senior managers should remain a fundamental principle of local democratic choice.
- The Council also disagrees with the need for term limits for Chief Executives. The Council would however support the introduction of fixed term contracts, and would welcome further the exploration of a system of review and reappointment after 5 years as outlined in the White Paper.

### **Term Limits**

51. The Council is opposed to the introduction of term limits of any kind: for Leader; Cabinet Members; Elected Members; or for Chief Executives. The Council believes that their introduction would be an anti-democratic step; and furthermore that their introduction in local government and not in other levels of Government would run counter to the principle of subsidiarity that the White Paper puts forward so powerfully.

### **Standards Committees and the Right of Recall**

52. The Council supports the principle of enhanced powers for Standards Committees. However, the Council would suggest that care be taken over any unintended consequences. In particular, the criteria by which a Councillor may be judged as 'failing' in their duties must be set so as not to be open to abuse. The risk and cost to the Council of having the right of recall abused or exploited inappropriately is a concern, and provisions should be in place to guard against this.
53. The Council believes that in Welsh local government that the Code of Conduct for Elected Members of local authorities is fit for purpose.

### **Equality and Diversity**

54. The Council supports the proposal for Leaders to have explicit duties in respect of diversity. Indeed such duties are already set out in the Code of Conduct for Members. It should be the discretion of each local authority whether the Leader should co-opt members to ensure a more diverse Cabinet.
55. The Council welcomes the Welsh Government's aspiration of increasing diversity so that councils more closely reflect the communities they serve. Much of this reflects the recent report of the Expert Group on Diversity in Local Government which made several recommendations for the Welsh

Government, Local Authorities, the Welsh Local Government Association, political parties and councillors themselves. The Council would however suggest that there are other, potentially more appropriate interventions to increase diversity, which are also included in report by the Expert Group on Local Government Diversity “On Balance.”

56. While recognising that there are undoubtedly additional barriers to overcome for women and people from ethnic minority groups to become councillors, Cardiff Council is only marginally under-represented in terms of ethnic minority representation. Similarly, 29 of 75 (39%) councillors in Cardiff are women, which - though the third highest proportion in Wales is lower than the Council would hope. In respect of age, 45% of Councillors in Cardiff are under the age of 54. Cardiff Council is therefore well positioned in terms of diversity, though it is recognised that much more must be done to ensure sustained progress and welcomes the White Paper’s focus on this area. It is further recognised that political parties should reflect on how they address this issue through candidate selection and support.
57. In terms of unintended consequences, it also possible that reduced remuneration for Councillors will negatively impact on the diversity of likely candidates, particularly those in careers which do not provide a level of flexibility to accommodate such a role.
58. The Council supports the requirement for each local authority to establish a Youth Council.

### **Remuneration and Number of Elected Members**

59. The Council believes that reducing the remuneration of Councillors may prove to be a disincentive to engagement with local politics and attracting talented professional people into local government leadership positions. Furthermore, with the stated goals of creating fewer, larger Councils, any reduction in remuneration can be anticipated to coincide with an increase in responsibility.
60. Members allowances are already subject to annual review in Wales by the Independent Remuneration Panel (IRP). The Council believes that there seems to be little value of another review as suggested by the White Paper until any authorities are established.
61. The Council would also note that in terms of comparability, a backbench AM in Welsh Government receives £54,000 and a MP gets £67,060. Assembly members who are not re-elected are also entitled to a Resettlement grant to the value of one calendar month’s salary for each completed year of service subject to a maximum payment equal to six months’ salary.
62. Unelected chairs of LHBs also get a range between £69,840 on the top end to £59,760 for smaller boards for 15 days a month. In terms of the scale and breadth of responsibility, it could be argued that a Council Leader or Cabinet Member on a straightforward “job evaluation” basis carries much more responsibility than either a back bench AM or MP.



### **Number of Elected Members**

63. The Council requests that a definitive view on council structures be reached before the question of councillor numbers can be answered.

### **Electoral Qualifications**

64. The Council believes that serving members of Local Authorities should not be able to serve as Assembly Members and continue their position in the Local Authority. In relation to local government employees (other than those in restricted posts) being able to stand for election and only resign if elected, the Council is supportive.

## **Chapter 4: Connecting with Communities and Chapter 5: Power to Local Communities**

### **New Approaches to Service Delivery**

65. The City of Cardiff Council welcomes Welsh Government's understanding that *'rising pressures on public services and diminishing resources means in future Local Authorities may have to do less directly in some areas themselves'* and agrees that Councils should be *'agents of change in communities'*. The Council is therefore committed to being an activist Council that works with our communities to offer modern, accessible and high quality services in line with our values as a co-operative council.
66. The City of Cardiff Council recognises that it cannot simply do the things it has done in the past and has placed an enhanced focus on enabling and supporting communities to do more for themselves, and in some instances, to play an active role in service delivery. The Council recognises in doing so it will need to provide the leadership and expertise to empower and build resilience within communities and to promote co-operatives, mutual and social enterprises.
67. In Cardiff, the Council published a 'Stepping Up' Toolkit in October 2014 as a guide to help communities and groups who may be interested in delivering or managing services or assets. As part of the 'Stepping Up' work, a number of Introductory workshops have been held with the community to provide assistance and to also get a better understanding of the barriers which people face – a report of the workshops has been produced which highlights some of the key issues and can be found here. Further 1-2-1 support sessions are being held and details can be found here. It will be essential to support community groups with financial, legal and HR expertise and ensure effective transition arrangements for any transfer of services or assets are in place, as well as ensuring the rights of children and young people and Welsh language speakers, amongst others, are protected.
68. The resource implications of this will need to be factored in, and it is perhaps worth considering pan-Wales support, to ensure groups have effective financial management and governance in place.
69. That being said, innovative approaches to new models of service delivery will not always be built around enabling community bodies to manage services or by creating co-operatives or mutuals, and local discretion and flexibility will be key in ensuring sustainable, high quality public services.

### **Community Involvement**

70. The Council is committed to co-operative values of fairness, openness and working together with partners and communities, and agrees with the principle of putting people at the heart of public services. Residents and communities should be included in decisions affecting them and in the various stages of preparing, designing and delivering services where possible. The Cardiff Debate has been an ongoing conversation with residents on the future of services, visiting each area of the city over the last 9 months, and it will continue. It will be the local mechanism to involve service users in the

commissioning and design of services, but it must be noted this has been a resource intensive and challenging exercise.

71. Through the introduction of the Stepping Up Toolkit and associated support specified above, the Council has been able to help a number of residents and community groups in taking the first steps towards taking on greater responsibility for assets or services. There is, whilst recognising the role of the Council in providing advice and support, a need to ensure that groups are in a suitable position to take on this responsibility.
72. The Council agrees strongly that Community Bodies should demonstrate all four of the competencies identified in the White Paper before they can take a more active role in service delivery or take over an asset. However, the process of assessment must not become overly bureaucratic and burdensome or it will have the dual effect of placing additional strain on local authorities and risks community groups disengaging.
73. The Council also welcomes the proposals for eligible community bodies to start the process of asset transfer. There are already instances where this is occurring in Cardiff, and the Council has adopted a responsive approach, responding positively and being as supportive as reasonably possible when requests are made.
74. As regards the right of first refusal on assets which are on the private market, in the first instance there would need to be a mechanism to independently determine what constitutes a community asset if this is in private ownership, and that would not be a straightforward process. Second, the Council would feel uncomfortable with any concept of interference with the private open market; if community bodies wish to express an interest they should do so through the process prescribed by the vendor for the sale of the property.
75. The focus also shouldn't be on the building but instead the service. There are sometimes opportunities for services to be delivered from a different building in a more integrated and sustainable way. It may be better for the Council to consider a commercial offer for an asset as long as the service can be provided elsewhere. It must also be noted that the financial pressures facing local authorities mean that sometimes it will necessitate assets being either transferred or sold, and the proposal to 'guarantee community bodies a certain amount of time in which to develop their plans' will need clarification to ensure it is viable. Asset transfer, from the Council's experience, can be a time consuming and difficult process and any support that could help expedite this process, both for Councils and community bodies, would be welcome.
76. That said, the Council agrees with the principle that communities should be offered sufficient opportunity to take over appropriate public assets, or alternatively be granted the option to obtain a licence to operate from an asset.

### **Area Boards and Community Partnership Working**

77. With respect to the proposals to introduce Area Boards, Cardiff welcomes a move towards greater community governance of this nature, something that will become more important if there are fewer, larger Local Authorities. Local

Authorities, in partnership with local people and other public service partners, will be best placed to determine whether area boards should be established and if so, where these communities should be.

78. Cardiff has successfully delivered a Neighbourhood Partnership model which has played a key role in targeting multi-agency intervention and delivering the What Matters Single Integrated Plan. This is recognised in the White Paper, with Cardiff's approach cited as a case study. The Neighbourhood Partnerships have focussed on problem solving local issues and practical actions which can be undertaken by partners. There has also been significant success in aligning resources at a Neighbourhood level through the delivery of Programmes such as Flying Start, Communities First and Families First.
79. Moving from a Neighbourhood Partnership model to an Area Board model would likely place increased pressure on the resources which would be required to successfully support public meetings and the capacity of partners to attend and effectively contribute. Additional support would be needed to provide robust management and accountability of arrangements including legal, finance and committee service resource to provide advice and formal recording of decisions made. Work previously undertaken in Cardiff (2011) to look at the cost of resourcing formal Area Boards/Partnerships estimated this cost to be **£1m per** year in Bristol based on staffing and support arrangements.
80. It should be noted that there is also potentially an issue in relation to silos being created at a Neighbourhood level and there being a loss of economies of scale at a city-wide level if budgets were devolved for some services. This is something that would need to be explored further ahead of introducing new arrangements. In developing new Community Governance arrangements the Council would seek to ensure a strong focus on evidence-based community needs was maintained.

## **Chapter 6: Corporate Governance and Improvement**

### **Managing Improvement: Self-Assessment, Peer Review & Corporate Assessment**

81. The Council welcomes the broad principles laid out within the White Paper (below), and of an approach to managing improvement which combines self-improvement, peer-review and external review:
- *“Rapid and responsive: providing timely and relevant evidence to management and members.*
  - *Risk based: focused on where there are problems or weaknesses.*
  - *Trusted and respected: commanding the confidence of those who are subject to the arrangements and those who use the data.*
  - *Open and transparent: outcomes from the work must be frank, honest, clear and in plain language.*
  - *Consistent and mutually reinforcing: avoiding duplication and nugatory work.”*
82. There are, however, some real concerns that the approach put forward is not proportionate to risk, and in practice will be resource intensive, bureaucratic and complex.
83. Under current proposals, Local Authorities would face a significant number of assessments, potentially two or more a year.

### **Current Proposals**

| <b>Year 1</b>   | <b>Year 2</b>   | <b>Year 3</b>   | <b>Year 4</b>   | <b>Year 5</b>   |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Self-Assessment | Self-Assessment | Self-Assessment | Self-Assessment | Self-Assessment |
| Peer Review     | WAO             | Peer Review     | WAO             | Peer Review     |

84. The Council would suggest a more streamlined approach that maintains the rigour of the White Paper’s proposal but does not place the same intensive resource pressure on serving two major assessments (internal and external) every year. The Council proposes a rolling cycle of self-assessment undertaken every two years, interspersed with external assessment undertaken by independent peers and the Welsh Audit office, outlined below. This proposal would be accompanied by the publication of the annual report against the Corporate Plan.

## Proposed arrangements

| Year 1          | Year 2                   | Year 3 | Year 4          | Year 5  |
|-----------------|--------------------------|--------|-----------------|---|
| Self-Assessment | Commissioned Peer Review | WAO    | Self-Assessment | Commissioned Peer Review<br><br>Or WAO review |

85. The proposed approach would maintain the focus on governance and performance improvement with rigorous self-appraisal and critical external analysis without being subject to an overly prescriptive performance regime. The focus should then be on supporting authorities where failure or significant risk is recognised.
86. The Council would also make the following points in relation to the proposals contained in the White Paper for Managing Improvement:
- The Chief Executive should have the discretion to commission the peer-review, focusing on areas identified by the self-assessment and Wales Audit Office as requiring improvement.
  - Local Authorities should not be compelled to respond separately to Self-Assessment, Peer Review and WAO report as it will create a fragmented policy position that is ultimately unworkable. The 3 reviews should be mutually re-enforcing and inform the Corporate Plan.
  - The 3 assessments should be subject to consideration by the relevant scrutiny committee

### Power to Intervene

87. The Council would agree that in some circumstances Ministers should intervene where a Local Authority is showing signs of failure, however only under extreme circumstances and as a last resort.
88. The Council also believes that commissioning an independent review would represent excessive oversight and be unnecessary given that the self-assessment, peer-review and independent audit would already constitute a balanced and comprehensive performance inspection regime. The Council believes that at a time of diminishing resources, Ministers should consider deploying additional resources to support local authorities in areas where they are considered to be failing, rather than allocate resources towards reviews. This would represent a more collaborative position, with intervention representing a last resort.

### Role of Audit Committee

89. The Council agrees that the proportion of independent members sitting on a Local Authority's Audit Committee should be increased, with existing arrangements with regards to independent committee members in Cardiff already benefiting the Council. Even before the Local Government Measure, the Council had more than one independent member (currently 4).

Independent members bring a wealth of experience from a range of disciplines and helps ensure the Committee remains apolitical.

90. The Council also agrees that the chair of a Local Authority's Audit Committee should be an independent member, and would note that Cardiff's Audit Committee currently has an independent chair. The Council currently has 8 Councillors and 4 Independents on its Audit Committee and we would consider this 2:1 ratio to work well. The Council believe that Elected Members provide local knowledge and experience whilst independent members can offer an external perspective from a wide range of disciplines as well as experiences from other organisations and sectors. By way of example of the calibre of independent members that the role can attract, the Council currently have as independent Audit Committee members a former Permanent Secretary at the Welsh Office, a former Chief Executive of a large Welsh Authority, a Professor in Accountancy and an ex-Chief Constable.

## **Chapter 7: Performance in Local Government**

91. The City of Cardiff Council agrees with the statement that '*Local Authorities should be required to produce a Corporate Plan*'.
92. The Corporate Plan has to translate political priorities into organisational objectives and it should set out the strategic direction of the organisation, rather than be an exhaustive list of everything the Council does. The proposals to include all stated categories (and within the proposed level of detail) will produce a comprehensive plan. However, whilst development of the Corporate Plan should take account of all of the proposed categories, in its proposed format the document risks being extremely resource intensive to develop, highly technical and will fail to engage with local residents. If the Corporate Plan is to be a document which engages the public, it needs to be concise, high level and focused on key priorities.
93. The Council would agree that the Corporate Plan should include detailed information on the short and medium term priorities of the organisation, as well as emphasising the Council's commitment to the local Well-being Plan. It should support the Well-being Plan, which is a long term plan focused on improving outcomes for residents, as opposed to outlining long term organisational goals. The Corporate Plan cannot be a long term document as Local Authorities are subject to election cycles and annual budgets.
94. Furthermore, there is a clear disconnection between the expectation in the White Paper that the Corporate Plan is a long term document and the absence of a commitment to move towards a longer term financial planning regime.
95. Crucially it is important that the Welsh Government recognise the distinction between area wide outcomes and organisational effectiveness. Achieving area wide outcomes is a collective and long term endeavour, whereas organisational effectiveness is measured by more immediate performance indicators. The lines between the two should not be blurred. The Corporate Plan must be about organisational effectiveness measured through performance information. It contributes to wider outcomes measured by broader "macro level" data.

### **Fewer, more meaningful measures**

96. The City of Cardiff Council agrees in principle to the establishment of consistent data definitions and performance information. This should form part of a process of rationalising and aligning the many different sets of performance measures and the Council fully endorses a new approach to performance data that will start from the premise that 'we must collect fewer, more meaningful measures'. We suggest that local authorities should be fully engaged in the process of establishing these data sets.
97. Whilst this will allow for effective benchmarking at a Wales-wide level, it would be useful for these data definitions to mirror those used elsewhere where appropriate. If we are going to deliver excellent public services then we need to learn and compare ourselves to the best in the world – and the ability to benchmark with others on comparable performance data would be welcomed.



Having explored benchmarking with UK Core Cities we would emphasise that this is an exercise that requires resource, capacity and expertise.

### **Minimum Performance Outcomes**

98. The Council is not opposed in principle to the setting of minimum performance outcomes or standards, if used appropriately. Mutually agreed minimum standards could provide Welsh Government with the certainty that national priorities are being delivered and provide a framework and flexibility for a substantial degree of local freedom.
99. If minimum standards are to be developed then there will be a need to take into account that all Local Authorities are unique in makeup and face local issues. A “one-size fits all approach” will not always be suitable and it must be taken into account that not all Local Authorities will start from the same place on certain issues.
100. Local Authorities would need to be involved in the development of minimum performance outcomes/standards and there should be absolute clarity over the process by which the Welsh Government will review performance against these.
101. In reviewing performance against minimum standards there should be a clear support process in place and only in exceptional circumstances Ministers should have the power to intervene. It should be noted that the City of Cardiff Council would emphasise that intervention is a more meaningful consequence than a fine. The reputational damage of an intervention far outweighs the potential financial cost and having a clear support process in place should enable improvement before an intervention becomes necessary. Again, the Council would emphasise that any intervention should be a measure of last resort and pursued only in the most extreme circumstance. Strong partnerships and collaboration for improvement represent a much more productive approach to driving up standards.
102. There would also need to be agreement on the measurement of minimum standards, and we would argue that they need to relate to organisational performance measured by performance indicators. The selected performance indicators must be making a contribution to wider outcomes, but local authorities should only be held accountable for what is within their gift to deliver.

### **Digital Councils**

103. The City of Cardiff Council already makes extensive use of digital and social media channels, and is committed to building on this approach. The Council already has over 36,000 twitter followers, was ranked in the top 10 Councils for use of twitter in 2014<sup>3</sup>, and has the only website ranked as a 4-star site by SOCITM in Wales. Welsh Government could encourage greater use by providing support and expertise in respect to developing online processes,

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<sup>3</sup> Trinity Mirror, 2014

coding, programming and engagement via social media – this will help address a skills gap.

104. Cardiff's status as a super connected city offering high-speed, high-quality seamless broadband is an important enabler of this agenda. Around 150 public buildings now offer free Wi-Fi across Cardiff including two traveller sites, homeless hostels and residential homes. Residents and visitors can also now access free Wi-Fi in the city centre and Cardiff Bay. Allowing and enabling high quality digital access for communities will help encourage digital engagement.

## **Complaints**

105. The Council would like to emphasise that it already has both an online and paper based complaints process, and produces an annual complaints report. Local Authorities should be transparent and obliged to report on complaints made to all service areas and to provide information on how quickly complaints are responded to. The equivalent of the Council's Audit Committee is the best placed to consider reports on complaints.
106. In addition to the collection of data on complaints, the Council would support greater dissemination of complaints resolution. Lessons can be learned from examples such as the Financial Ombudsman Service, which produces a regular newsletter to industry to help share learning and reduce root cause of complaints.

## **Chapter 8: Strengthening the Role of Review**

107. The Council fully endorses the need for strong review, particularly in relation to performance and improvement.
108. The Council agrees with the White Paper in that “the cost of scrutiny, audit and inspection should be proportionate” which is why the Council has suggested the revised approach to self-assessment, peer-review and external audit which captures the benefits of the White Paper proposals but reduces the potentially substantial requirements of the White Paper proposals.
109. Equally, the principal of strengthening scrutiny and widening participation is welcomed, but this should be balanced with the recognition that such arrangements are resource intensive. The Council would urge Welsh Government to make further resources immediately available to facilitate the accelerated roll out of webcasts of scrutiny and other council business in advance of any of the requirements placed through legislation.
110. Cardiff Council agrees with the need to better coordinate external regulators, notably the WAO, CSSIW and Estyn. The principle of the proposed ‘whole system assessment’ of authorities jointly undertaken by the main regulatory bodies is much welcomed.

### **Strengthening Democratic Services**

111. The Council agrees that the requirement preventing the Monitoring Officer from also being the Head of Democratic Services be removed.
112. The Council is supportive of the introduction of a system of key decisions, and that only key decisions should be subject to pre-decision scrutiny and call-in. This would support effective Cabinet Forward Planning, and thus also support Scrutiny’s ability to plan effectively. If introduced, a statutory notice period of 28 days, as in England, would be an appropriate period for publication of key decisions.
113. The Council agrees that the Scrutiny Committees should be required to publish their scrutiny plans. In terms of Scrutiny Committees being required to establish short, medium and long term scrutiny plans we would note that Scrutiny Committees already publish short term (monthly) and medium term (annual forward plans), based on the Corporate Plan and What Matters strategy. Anything beyond this would be unworkable in terms of forward planning.
114. In relation to the use of external expertise, Cardiff’s five Committees already regularly invite third sector, academic and professional stakeholders as witnesses to meetings and inquiries.

### **Local Public Accounts Committees**

115. Until the Designated Person’s Order is placed by Welsh Government, local scrutiny committees have no power to compel health, police and other

strategic partners to appear before them, or take their recommendations into account.

### **Giving Communities a Voice in Scrutiny**

116. Cardiff has a track record of working with a number of third sector partners and stakeholders from professional and community bodies. While seeing Cardiff's Neighbourhood Partnership Areas as valid methods of engaging with people on a local geographical basis, it would seem counter-productive to restrict calls for evidence to these bodies. Scrutiny has regularly received over 3000 responses to surveys on topics such as litter and the night time economy, and has always taken a bespoke methodology to target responses by approaching communities relevant to the topic under consideration, rather than being shackled by a narrow geographical focus.

### **Regional Scrutiny Arrangements**

117. Scrutiny members have recently supported the principle of a regional scrutiny committee to support the governance of the Regional Regulatory Collaboration. Cardiff has previously been involved in the 5 authority Prosiect Gwyrdd Scrutiny Panel. The Council would therefore be supportive in principal of Welsh Government's intention for a joint scrutiny committee to be established where a regional delivery mechanism is established. However, because local scrutiny is essential, any emerging regional scrutiny arrangements would need to be proportionate.

### **Strengthening the Role of Audit and Inspection**

118. The Council fully endorses the need for strong review, particularly in relation to performance and improvement. We also contest that "audit and inspection have too often been the first line of defence against poor performance", but welcome a collaborative approach to strengthen the role of internal and external review.
119. The Council also agrees with the White Paper that "the cost of scrutiny, audit and inspection should be proportionate" which is why the Council has suggested the revised approach to self-assessment, peer-review and external audit which captures the benefits of the White Paper proposals but reduces the potentially heavy burden on authorities.
120. Equally, the principal of strengthening scrutiny and wider participation is to be welcomed, but this must be balanced with the recognition that such arrangements are resource intensive. We would therefore suggest that an overly prescriptive set of requirements would stretch resources too thinly and not allow local authorities and their partners to collectively focus efforts on areas that require the greatest improvement.
121. The Council agrees with the need to better coordinate external regulators, notably the WAO, CSSIW and Estyn. The principle of the proposed 'whole system assessment' of authorities jointly undertaken by the main regulatory bodies is much welcomed. However, as we have argued in paragraph 68 we do not believe that a biennial assessment as outlined in the White Paper is

“proportionate to risk”. It is also resource intensive in its requirements and care should be taken that this does not place significant additional burden on authorities.

122. The Council would welcome further dialogue with Welsh Government about how the work of the WAO, CSSIW and Estyn could be better coordinated, with the potential for merging these organisations into a single body being worth further exploration. This could assist with ensuring greater coordination of inspection, release financial savings and progress many of the principles advocated by the White Paper.

### **Strengthening the Links Between External and Internal Review**

123. The Council supports the proposal that internal and external review should be encouraged and required to work seamlessly and effectively together. The Council is currently spearheading a Welsh Government funded research project to seek support across the sector for optimisation of good working relations between local authority scrutiny and Audit, Inspection and Review bodies. Initial findings from this research suggest that the WAO, CSSIW and Estyn already share their findings with Scrutiny Committees on request. The Council recommends that the Welsh Government consider the findings and recommendations of this project in further strengthening this relationship across Wales.

## **Chapter 9: Finance**

### **General Revenue Funding – distribution**

#### **Sources of funding**

124. The acceptance to take a more strategic and longer term approach to the reform of the finance system is welcomed. The Council recognises the points made in connection with volatility as a result of frequent movements of funding between public service organisations. However these elements of volatility sometimes relate to similarly volatile increases in need and associated demand within councils. The system of funding distribution already delays moving funds into growing areas of need due to the historical nature of the distribution mechanism and therefore additional measures, such as floor mechanisms, impact further on mismatching the distribution of funding. Therefore any solutions to a strategic, longer term solution should look to address this point. The Council would also support broader Welsh Government policy objectives expressed through legislation such as the Wellbeing of Future Generations Bill.
125. Whilst acknowledging that opportunities for further funding are limited it should be noted that the costs and timescales of merging councils will need to be considered alongside that of reforming local government finance. For example terms and conditions, ICT systems, compliance and council tax levels. The Council feels there is also an opportunity for Welsh Government to explore the use of the Wales Bill to devolve local taxation and freedom around income generation to support local authorities. Four UK areas will be given autonomy to collect and keep 100 per cent of business rates as announced by the Chancellor's recent budget. Cambridgeshire, Peterborough, Greater Manchester and Cheshire East will all start receiving the business rates paid in their areas from April in a trial that could be rolled out across the country, potentially providing areas in England with the tools to drive forward growth not available in Wales.

### **General Revenue Funding – local taxation**

126. The value of income collected by Welsh Local Government is significantly higher than the estimated £200 million included in the new devolved taxes which the new Welsh Revenue Authority will be responsible for. Currently Welsh Authorities collect £1,300 million in Council Tax and £895 million in business rates. Collection rates overall are also extremely high and there is an opportunity to learn from the experience of Local Government. Our concern would be that the timescales that WG are working to do not give us enough time to consider models for delivery.
127. Consideration should be given to the localisation of business rates with Local Authorities as an incentive to promote economic development and as an opportunity to raise additional taxation to help pay for services. Cardiff is a net contributor to the pool every year and the total yield from business rates has grown significantly.

128. Business rates have become increasingly complex in recent years with the number of reliefs available increasing making the system more bureaucratic to administer and more complicated for business to understand. A good example of this is the Retail Relief Scheme which was application only for 2014/15. Many businesses already in receipt of Small Business Rate Relief didn't realise that they could also claim this relief. Simplifying the system would be supported. In addition more local flexibility should be introduced in the level of the multiplier to give Local Government more control over the total yield. Consideration could be given to linking the percentage increase in the multiplier to that of Council Tax. This should only be considered as part of the Localisation agenda which should be prioritised.

### **General Revenue Funding – Distribution**

129. The intention to retain a needs-based formula is recognised as is the requirement to develop a new basis for distributing funding. The complexity of moving from a system based on past spending patterns to a more outcome-based approach should not be underestimated and time and resource needs to be factored into both Welsh and local government to ensure that a fit for purpose alternative distribution system can be developed. The role of the distribution sub group and the principles upon which it operates should be maintained and resourced whilst a solution is developed.

### **General Revenue Funding – Council tax**

130. Council Tax was revalued in 2005 and revised bandings were agreed on a national basis which did not reflect regional variances in value for similar property types. As a result even though the yield in Wales increased by only 0.5% the yield in Cardiff went up by 6.5% or 13 times the Welsh average. This resulted in 86,000 households increasing in band with many occupiers being asset rich but income poor. Any change to the system in future should take into account regional variations as one size clearly does not fit all.
131. Local Authorities should also be given greater flexibility to vary or remove discounts and exemptions. The additional income generated should not be included in the Council Tax Base calculation as Local Authorities should be able to use any increase in yield to help fund services. An example of this is the single person discount which is currently 25% and cost £15 million a year in Cardiff. Therefore a reduction to 20% would generate an additional £3 million in income each year.

### **Other Revenue Funding and Flexibility**

132. The Council welcomes that the White Paper acknowledges that specific grants as hypothecated funding carry administrative overheads and that councils want greater flexibility in relation to this funding. In addition the Council welcomes the proposal for greater local flexibility over setting fees and charges to assist councils in managing financial challenges.

133. We would request that wherever possible specific grants are added into non-hypothecated aggregate external finance funding to allow as much flexibility for local decision making as possible. Holding significant sums within Welsh Government for specific grants aligned to national priorities and new initiatives runs the risk of compromising councils' longer term planning ability. Councils need this flexibility, particularly currently, as they are making significant decisions to ensure that they can realign themselves to a lower, sustainable resource base over the medium term. For those specific grants that remain the process of audit should be streamlined wherever possible to reduce audit fees whilst ensuring that financial probity in the handling of public finance is maintained.
134. This flexibility request should extend to councils being judged as being able to work strategically across councils impacted by local government reorganisation. In addition opportunities for capitalisation directions should be considered whenever appropriate to help manage the costs of reform and reorganisation.

### **Funding other tiers of Local Government**

135. We would welcome the proposal to making funding arrangements for other tiers of local government more coherent and consistent.

### **Financial Governance**

136. The Council has engaged proactively and extensively with its residents, businesses and partners. The Cardiff Debate enabled this process and was supported by a seven week period of debate on the 2015/16 budget proposals known as Changes for Cardiff. The Council would like to put forward this model as an example of best practice and can provide further information as required. The outcome of the consultation process can be found on the following web-links; <http://cardiffdebate.co.uk/> and [www.cardiff.gov.uk/budget](http://www.cardiff.gov.uk/budget)
137. The key to engaging more effectively with all key stakeholders prior to determining spending priorities is to allow opportunities for early engagement. This opportunity should allow open discussion in respect of the redesign of services and the opportunities available for co-production where applicable.

### **Accounting, accountability and engagement**

138. We note Welsh Government's intention of issuing statutory guidance on how councils engage with the local community when determining their annual budget and council tax to improve transparency and accessibility to budgets, balances and past expenditure levels. We consider that our approach to these matters is already transparent and that a requirement to issue further statutory guidance is unnecessary. We would however be able to share how we make publically available significant amounts of budgetary information to aid engagement and decision-making.
139. For example the Council issues budgetary analysis sheets which breakdown income and expenditure against all sub-divisions of service and map savings



against them. This enables engagement of where savings are being taken, against what budgets and within the context of overall budgets.

### **Financial Planning**

140. Financial planning should be robust, strategic and sustainable. To enable councils to do this Welsh Government should maximise the amount of non-hypothecated funding that it can make available. It should also ensure that wherever possible indicative funding profiles are provided over a number of years.