



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

6/2/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle mae cyfranwyr wedi darparu cywiriadau i'w dystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Neil McEvoy Bywgraffiad Biography	Plaid Cymru The Party of Wales
Rhianon Passmore Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Lee Waters Bywgraffiad Biography	Llafur Labour

Eraill yn bresennol
Others in attendance

Debra Carter	Dirprwy Gyfarwyddwr, Polisi Cyllid Llywodraeth Leol, Llywodraeth Cymru Deputy Director, Local Government Finance Policy, Welsh Government
Graham Hinchey	Aelod Cabinet, Gwasanaethau Corfforaethol a Pherfformiad, Cyngor Dinas Caerdydd Cabinet Member for Corporate Services and Performance, City of Cardiff Council
Reg Kilpatrick	Cyfarwyddwr, Llywodraeth Leol, Llywodraeth Cymru Director, Local Government, Welsh Government

Jon Rae Cyfarwyddwr Adnoddau, Cymdeithas Llywodraeth
Leol Cymru
Director of Resources, Welsh Local Government
Association

Nick Selwyn Swyddfa Archwilio Cymru
Wales Audit Office

Huw Vaughan Thomas Archwilydd Cyffredinol Cymru
Auditor General for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Claire Griffiths Dirprwy Glerc
Deputy Clerk

Meriel Singleton Ail Glerc
Second Clerk

Katie Wyatt Cynghorydd Cyfreithiol
Legal Adviser

Dechreuodd y cyfarfod am 14:01.
The meeting began at 14:01.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Nick Ramsay:** Welcome, Members, to the Public Accounts Committee. Headsets are available for translation and sound amplification. Can Members turn off any electronic devices or at least put them on silent? In an emergency, an alarm will sound—follow the ushers. No apologies have been received today. Do Members have any declarations of registrable interests that they wish to declare at this point? Neil McEvoy.

[2] **Neil McEvoy:** I think so. I know Graham from Cardiff council—for many years, actually—so I should declare that.

[3] **Nick Ramsay:** That’s declared and on the record.

14:02

**Dull Strategol Cyngorau o Greu Incwm a Chodi Tâl: Sesiwn
Dystiolaeth 1
The Strategic Approach of Councils to Income Generation and
Charging: Evidence Session 1**

[4] **Nick Ramsay:** Okay, item 3 of today's agenda—the strategic approach of councils to income generation and charging. We do have our witnesses with us today. Thank you so much for agreeing to come and give evidence to the committee. It is very helpful. I do appreciate, as well, that you're on a tight time schedule, so I will endeavour to see that the proceedings go as quickly and efficiently as possible. Would you like to give your name and position for our Record of Proceedings?

[5] **Mr Hinchey:** Yes. I'm Councillor Graham Hinchey. I'm the cabinet member for corporate services and performance at Cardiff county council.

[6] **Mr Rae:** And I'm Jon Rae. I'm the director of resources at the Welsh Local Government Association.

[7] **Nick Ramsay:** Great, thank you. I'll kick off with the first question. On the issue of general competence, given that the Welsh Government plans to introduce a general power of competence, what additional support is required to enable local authorities to maximise the benefits of this general power? Who wants to take that? Jon Rae.

[8] **Mr Rae:** Yes, thank you, Chair. First of all, it's something that local government has welcomed. For a long time, both here in Wales and through the LGA in England—. This is a power that English authorities have had since the Localism Act 2011. I think what we need to do, as local government, is try and educate both officers and some of our elected members on exactly how it's going to impact on their activity. It's not limited to things you can do around fees and charges. I think it's about making sure that officers and elected members know that it would be a genuine power that should support a lot of innovative and efficient activity. Some of the indications from England are that it's an evolutionary process. It's not a revolutionary thing that sends officers out there to immediately be more commercial, or be less risk averse. It's really about taking away a legal impediment, I suppose. We've already started those discussions within the WLGA. Doubtless, when the Bill gets

published—

[9] **Nick Ramsay:** This has rolled into my second question. Do local authorities have sufficient skills and expertise as things stand at the moment to make the most of this power?

[10] **Mr Hinchey:** Thank you, Chair. I think the straight answer is 'yes' to that. It may vary across the piece across Wales, but I think we've got some very good examples, particularly in Cardiff, around how we've diversified, both in commercial acumen and in skills and training. We've invested quite a lot of money in our staff through the organisational development. We've put in place a Cardiff academy. So, we've trained just over 600 managers of people—they may be supervisors, managers or senior managers—up to a standard of Institute of Leadership and Management level 3 and above. So, I think they've got that commercial element now, and we've got some really good projects that I guess would show that Cardiff is looking elsewhere. So, for me, it's not just about the level upward or downward of fees; it's about diversifying and looking how we can. And some of those examples you've got in the auditor's report, and Neil will know the Radyr weir, close to the area he represents. There's an investment of £3.9 million, I think it was. After 12 years, that will recoup £5.5 million and deliver electricity into the grid. The Cardiff academy is another example of training where we can help other local authorities around south Wales to train their staff up to a level of financial awareness in business.

[11] So, I think it's about diversifying. You know, there are other examples in social care. You know, probably the biggest pressure that we face in local authorities is social care. We've started an organisation called Telecare Cardiff, and that's not just supporting people at home, but it's supporting people with difficulties financially, and, you know, it's expanding into some of the leafy suburbs. So, you know, I think there's a brand about local authority that people feel safe with, and it's not about profit making. So, I think it's about training of staff and developing our staff to work in different ways. It's—

[12] **Nick Ramsay:** John Rae, did you want to comment on that?

[13] **Mr Rae:** Yes, I just wanted to come in and just augment a bit what Graham said there by adding, I suppose, that the kind of raising awareness for officers and elected members around issues around commercial skills and income from fees and charges has been an element of some of the

national training that the WLGA provides. So, over the recent period, I've taken part in and have designed finance training programmes for elected members in terms of financial scrutiny, in terms of medium-term financial planning, and for senior officers in terms of general finance training, and raising income and acting more commercially has been a major part of those training programmes.

[14] **Nick Ramsay:** Lee Waters, did you have a supplementary question?

[15] **Lee Waters:** It's on this issue more generally, and I thought it was a good time come in on it, Chair. I'm just trying to better understand what you feel the current constraints are in terms of powers that are holding back from being able to do what you want to do. Because, in your own evidence, you talk a lot about confidence, rather than powers as such. In fact, you talk about, in terms of the general power of competence, you talk about its limitations. As the auditor points out, there already are powers that you have under the local government Act and he says the evidence of their use has been limited. The Welsh Government point out in their letter to us that there are wide-ranging powers to act to promote the well-being of the areas that aren't being fully utilised. In fact, they talk about the instinctive caution of local governments. So, I just wonder whether this is about a cultural challenge, or whether it is about powers.

[16] **Mr Rae:** I think there's a lot in what you're saying, that maybe it's a cultural thing as well as being just a legislative thing. You're exactly right—I mean, there are powers going back all the way to the 1972 local government Act, then there was the well-being power, I think, in the 2000 Act, and then there're bits on trading, isn't there, in the 2003 Act. I suppose the general power has been a response to the way courts have interpreted the Acts, and I think the kind of concern from local government is that they've maybe interpreted too narrowly what it is that local authorities can do. So, this general power, it does what it says on the front of the tin. In a similar way, one of my colleagues in England said, as a basic way of explaining it, that it kind of gets you around the question of, 'Can we do this?', because it almost answers that immediately, and you can get on then in terms of the, 'Well, how can we do this?'

[17] **Lee Waters:** So, it takes away the excuse as much as anything.

[18] **Mr Rae:** Yes.

[19] **Lee Waters:** Okay. Are there many examples that you can think of where you've been stopped doing something you want to do because you don't feel you have the powers?

[20] **Mr Rae:** That's a really difficult one. I can think of two national things where we've had to go, 'Hang on, we don't think we have the power to do that', or the local authorities in Wales wouldn't, and, actually, English authorities, because they do, obviously, have a GPC. So, one of the examples is the municipal bonds agency that has been set up in England. That, basically, enables local authorities to go and mutually borrow directly from the bonds market, through the bonds agency. Now, our advice is that local authorities in Wales can't do that because they don't have the general power.

[21] Something else I have seen over the past year or so, has been a proposal to provide mutual insurance services nationally. And, again, when looking through the business case for this, which came out of the English LGA, we found that they're citing a lot the English general power of competence, and felt that, as soon as they'd cited that, they were almost kind of barred from doing it. So, yes, those are the two issues, kind of nationally that I've seen. The LGA has published examples of how they're using it in England, so perhaps that is something that could help also.

[22] **Nick Ramsay:** That's great—you've made that point quite clear. Mike Hedges.

[23] **Mike Hedges:** The one I came across was that you had to make a surplus capacity argument in order to sell. For example, Swansea council had manufactured its own UPVC windows for replacement windows in its own council houses. But we had to go to all sorts of lengths, and getting Anthony Scrivener to say that we were using surplus capacity, in order to be able to sell to other people, rather than only making it for ourselves. So, to have the economies of scale, you needed to make more than we needed. Is that the type of example that you would give in terms of what general competence would give, in terms of raising income by using surplus capacity?

[24] **Mr Hinchey:** I agree with what Mike is saying, in a sense. We've got to take away some of the issues that Lee picked up earlier on, about cultural issues. It's absolutely right—we need to move to the next stage of how local government should work: more business-like, business planning support in what we're trying to do. So, there's a cultural shift that needs to take place. And I think, you know, most authorities are engaging in that, and we're

trying to share with the WLGA and other local authorities how we do that. Cardiff academy is one example of retraining people.

[25] But, going back to Mike's question, I think one example in Cardiff may be the local authority trading company. We wanted to retain our specialist procurement people. We'd already started working across Wales—in Pembroke, and some other authorities, even in England—where we wanted to retain our staff. And so we had difficulties in the legal set-up and the legal framework that we had to go through, which is quite costly and quite time consuming, to get to a point where we retain staff and be able to move on to the next stage. So, there are some limits that are different in local authority to how we would see it in the private sector. So, those are the kinds of things we'd like eased to let us move on.

[26] **Nick Ramsay:** Will the use of the general power increase the level of income raised by councils?

[27] **Mr Hinchey:** Can I pick that one up, Nick, if you don't mind? I've read quite a bit on this around what's happening in England and some of the scenarios. In fact, I think it's detailed in the auditor's report. If I remember the figures, it was six per cent saying that there were significant differences in income, but 45 per cent saying only minor issues, and the rest—49 per cent—saying that there were no differences at all. Our interpretation of that is probably correct—it's about change of culture, moving on, diversifying, innovations, rather than fees and charges making a difference. I think, in that report, it talks about another £68 million available across Wales if we could replicate that. I think, we will probably be better off going down the path of innovation and using local authorities' specialist skills to do more.

14:15

[28] We've got some very good specialist skills in local authorities that we can trade. And I think the brand of local authorities is really good. People feel safe about it—the example I gave you on telecare—but also, in the engineering packages, we are now being much more commercial in Cardiff, collecting waste for the local health authorities for example. So, there are some really good examples of where local authorities are moving forward.

[29] **Nick Ramsay:** Jon Rae, did you want—

[30] **Mr Rae:** Again, just to add to what Councillor Hinchey is saying there, I

think the lesson coming out of England is that it's not necessarily just about raising income from charges and fees. The three main areas that the local government association focus on are: the GPC's contribution, really, towards regeneration and supporting the local economy; delivering greater value for money—the two national examples that I cited earlier potentially could save authorities quite considerable money—and again, further innovation. Those were the three areas that the LGA had identified that the GPC contributes to.

[31] **Nick Ramsay:** And given the freedom of the power of competence to enable local authorities to pursue commercial activity in non-traditional and new areas of work, are there any areas of activity that local authorities shouldn't engage in?

[32] **Mr Hinchey:** I personally don't think so. I'd rather leave the door open. There are, for me, a lot of differences, particularly across Wales, where what we don't want to do as local authorities is be competing against each other. We certainly don't want a postcode lottery of services across Wales, where somebody across the border may be charging a bit more for a planning application, when literally across the road, or across the boundary, somebody else—. I would leave the door open, to be honest, and let local authorities work together on that particular issue, because there are issues around people in deprived areas, for example. Would they see that as a second tax, raising fees? Is that something extra on top of your council tax you have to pay? So, there are disadvantages.

[33] **Nick Ramsay:** So, no out-of-bounds areas on the face of it, but leave it to local authorities working together to work out which areas they shouldn't be—

[34] **Mr Hinchey:** And we don't know where the future lies in terms of strategic services, whether it's education, social services or even infrastructure and planning. There could be things coming up in the future—the city deal is going to happen, and there are other things that may be strategic. And so we don't really want to restrict ourselves.

[35] **Nick Ramsay:** Okay. Thank you. Mike Hedges.

[36] **Mike Hedges:** Would you like the levels to all be set locally to give you complete control over fees? Some fees are set locally, aren't they, and some are set against national standards. Would you like them all to be set locally?

[37] **Mr Rae:** I think the default position should be that they are set locally, so that they reflect local market conditions, which will determine the levels of cost recovery there. However, it's not difficult to envisage scenarios where not only Welsh Government, the UK Government, even the EU—in fact, there's a couple of charges where the EU set caps around environmental land searches. So, it's obvious, through looking through a schedule of fees and charges that the levels of charges are either determined by regulation or a maximum amount is determined. So, yes, default, yes, but we need to have the discussion around that. I think, for some services, you don't want—we've mentioned the postcode lottery—a postcode lottery, perhaps around some of the social care charges.

[38] **Mike Hedges:** Leaving aside social care for the moment, let's talk about the general charging in things like planning et cetera. Should each local authority be able to set their fees in such a way that they do not lose money on the service that they're providing?

[39] **Mr Hinchey:** My answer to that is 'yes', Mike, for two reasons. I think local authorities are working together much more closely than ever before, not just sharing services. In Cardiff, we've got regulatory trading standards coupled up with Bridgend and the Vale, so we're working really well together as a tripartite. We've got Prosiect Gwyrdd—five authorities working in waste management. But I think the default position should be 'yes'. You mentioned particularly planning. You know, Cardiff is going through a boom period, but that will end at some stage and so I think we've got to test the market and go with what is happening at particular times. So, if we set fees high now, in two or three years' time it might be totally different. We want to have some cross-boundary working as well.

[40] **Mike Hedges:** Council boundaries are themselves, by definition, artificial, aren't they? The boundaries between Cardiff and the Vale, Cardiff and Caerphilly, Cardiff and Newport—these are lines on maps; they don't actually equate to how people think. Swansea runs into Neath and you wouldn't know you'd crossed a boundary, for example, after you go past the Bowen Arms. There's a good argument—and would you agree—for the region getting together and setting a regional fee. So, you'd have regional fees rather individual authority fees, because a development—I see Lee there—one side of Loughor bridge or the other side of Loughor bridge is probably going to attract exactly the same people.

[41] **Mr Rae:** Yes. Given the theme of the current White Paper, it's almost

inevitable, isn't it, that some services will be delivered regionally. As councillor Hinchey has pointed out as well, with the existing collaborations for the regulatory services project in Cardiff, Bridgend and the Vale, it seems inevitable that there would have to be some consistency of charges for those services.

[42] **Mike Hedges:** Okay. That's me, Chair.

[43] **Nick Ramsay:** Rhianon Passmore.

[44] **Rhianon Passmore:** Thank you. To pick up on that same theme with regard to the postcode lottery that you both mentioned, and in looking contextually at the fact that, for instance, Monmouth's average weekly income is a third over that of Blaenau Gwent's, and recognising that there are pockets of poverty within Monmouth, do you think that—bearing in mind that public service delivery, at its heart, generally, outside of environmental issues and refuse, deals with our most vulnerable—do you think that we have got the balance right in terms of national capping? You touched upon social care versus that local authority ability to be able to set what's right locally for that area.

[45] **Mr Hinchey:** In my view, I think you're right, Rhianon; I think we always go back to our corporate plan—'What are we about?' You know, there are things that will be regionally different. We know where the pockets of deprivation are and we want to deal with those. And so, the in budgets that we're doing now, particularly in Cardiff, we're looking at relatively small issues that make a difference to people who are on a low income. Issues around cremation and burial, for example, are ones that we want to take away as an authority—to take away all those charges. They're not huge charges, but morally it's the right thing to do, and so they will be all free, whereas fees and charges have been in there for many, many years. So, it's about our corporate plan and who we are, as well as making the bottom line a zero or better. I think the corporate plan is what you need to go back to, whether it's vulnerable people or skills and training. I think if it fits in with the corporate plan about what you are, then it's the right thing to do.

[46] **Rhianon Passmore:** So, that default position in terms of local determination is where we're coming from. So, my question is really around the balance of where we're at now, bearing in mind the near 10 per cent cut to Welsh block grant money and the projections moving forward, and the fact around, for instance, social care that many local authorities are losing out

financially in terms of subsidising that. Have we got the balance right and, if not, what needs to change?

[47] **Mr Rae:** Do you mean the balance between locally set and nationally set—

[48] **Rhianon Passmore:** Yes.

[49] **Mr Rae:** I looked at schedules of fees and charges, perhaps anticipating this question, over the weekend. In the ones I was looking at, you can spot in them a couple of local authorities. There's probably a schedule of almost 1,600 offers that a local authority will charge for, and they cover quite small things like photocopying to members renting out the village hall, and so on. There are over 1,500 offers. Surprisingly, from my counting, maybe it's about 300 that are regulated nationally. So I'd say I think we need to look at that. There are some areas of real pressure that we need to look at, and it's not to say that the Welsh Government hasn't looked at them in the past, because I think some fees and charges were reviewed in social services at the time of the introduction of the social services and well-being Act. Only back in 2015, there was some review of some of the planning charges. But my sense is that I don't think they really took account of what local authorities were saying in that some of these charges—we should be getting full cost recovery from them. The more tricky question was—

[50] **Nick Ramsay:** Was it a half-hearted approach before then?

[51] **Mr Rae:** I think the trickiness has always been around—. Let's just take the area of social services, where it's proved to be difficult. There's a debate, isn't there, about whether some services should be free and some services should be—they're means tested at the minute. So, when the first steps package was introduced—I think back in 2012–13, something like that—basically, it capped the level of income that an authority could get from charging for its domiciliary services. Now, the issue was not that local government was against that as a national policy, it was whether the income forgone—whether local authorities were compensated the right way. Because that was a one-off payment that came into the settlement. The funding formula, as you all know here, chucks stuff around in a way that's associated with general need, but maybe it's not exactly the amounts of income foregone that the local authorities experienced. So, actually, I think that question is more about our local authorities being compensated enough for where the level of fees and charges have been capped or suppressed below

full economic cost.

[52] **Rhianon Passmore:** Do you think you're stuck between a rock and a hard place? And what would you like to see from Welsh Government?

[53] **Mr Rae:** I think it's difficult. I mentioned—. In fact, one of the recommendations of the auditor general's report is a full review of fees and charges, so the auditor general's office will know what a vast and complex task that is. But, I think if we kind of focused on a few key areas, that would be helpful. I'd say this again; it's not just about the Welsh Government either. All the licencing fees are a matter for the Home Office; they were reviewed in 2007. We spoke to some of the senior offices in that area last week; they estimated that maybe something like 80 per cent of their costs could be fully recovered through licencing fees. They're in services where they want to be fully self-financing because the level of the subsidy has just been wiped out.

[54] **Rhianon Passmore:** Can you outline the few areas that you say need to be reviewed in particular?

[55] **Mr Rae:** I think some of the charges for social care need to be looked at. I know that the last time the regulations were reviewed—which was only last year—actually, local authorities had to basically change their charging structures for respite care. It came out of the blue in the change in the regulations. I know one authority up in north Wales that had a financial impact of nearly £300,000, so I think that's certainly an area. Certainly, charges for planning and development control, I don't think they were—. I just think it needs to be looked at.

14:30

[56] I'd say waste as well, and actually it's an example of an area where the WLGA, through one of its Welsh Government grant-funded teams, is actually trying to almost self-regulate—so, take a look at levels of fees and charges and see actually if we can't come up with more consistent fees and charges. It's not just about having a conversation with the Government about trying to raise them. I think, equally, local government needs to maybe put its own house in order on some of these that are locally set.

[57] **Rhianon Passmore:** With regard to nationally set fees, do you think there is an impact for local authorities? You've mentioned a few areas there around recruitment and retention.

[58] **Mr Hinchey:** Yes, I think you can go wider as well. I think if you look at social services here, I'm sure we could talk for hours about social services and the support we do need for that. Of course, we'll talk about living wage, I'm sure, at some stage, about support for those care workers and trying to retain them, because all of us as representatives visit our residents, and they want permanent people there, they want the regular people to come and see them, and if the market is fluctuating so much that they're seeing different people at different times, that's not good for the individual.

[59] But things like taxi licensing, Rhianon—that's one issue in Cardiff. It's a big issue. It's nationally organised. If we want to revisit that and get the standard of taxiing up, for example, maybe local discretion on that to be able to be a bit more innovative, particularly in the urban areas—Mike will know Swansea has got the same sort of issues as Cardiff—and we want to get that kind of standard up, so that's certainly one area. I think around the planning issues and building control, they're probably two other areas that will fluctuate as we're a growing city.

[60] **Rhianon Passmore:** Finally—I'll let Lee in in a minute—one more: with regard to the process that Welsh Government uses based on the data from local authorities, are those data accurate enough and up-to-date enough to be able to set those national caps? Have you a view on that?

[61] **Mr Rae:** I don't think there's any nationally held catalogue, is there, on any of these things, which makes it difficult? As I've already pointed out, with over 1,500 offices, it's complex data collection. When Welsh Government or any other government is doing a review of fees and charges, there is a way of just asking for total cost in accordance with the Chartered Institute for Public Finance and Accountancy rules and definitions of what total cost is, and that should give you a pretty consistent picture of what some of these services are costing. But I'll refer back to last year—there was a consultation around some of the social services fees and charges. This was actually done at quite a low level through some of the charging officers, and I don't think it actually hit the inboxes of strategic finance directors. So, as I said, by the time that we'd found out—and this was after the consultation had closed—there'd been a slight change in wording from what was consulted upon to what was finally published that meant that the respite care charges had to be capped, I think at the same level as the domiciliary care cap, and certain authorities lost hundreds of thousands of pounds. So, I think there's something in the way that not only data are used, but I think there are questions about the

process as well—that needs to be done a little bit more at the strategic level, not just with charging officers.

[62] **Nick Ramsay:** Lee Waters then Mike Hedges—briefly, please.

[63] **Lee Waters:** So, the balance of your argument is in favour of maximum discretion. To just turn the argument on its head: where do you think there should be standardisation? Why shouldn't we just delegate everything and let local authorities set their own charges?

[64] **Mr Rae:** Well, because I think one of the key points is that the charges, the full cost of these services, are going to be determined by the economic inputs, aren't they, in each of these areas? Now, if you're in a rural area, economists would argue there's a kind of supply constraint there, there's an area cost adjustment, because it costs a heck of a lot more to deliver some of those services in rural areas, and domiciliary care is a prime example. There's lots of evidence around the increased travel times that care workers incur when they are going around a rural area, but also there are increased input costs in places like Cardiff—cities as well—where labour costs can be higher and capital costs can be higher—the cost of land or buildings. So, there are sound economic arguments why the costs will vary, even across the 22 local authorities.

[65] **Lee Waters:** I understand that, but do you have a view, in the light of that, where national standards should apply and where they shouldn't?

[66] **Mr Rae:** That's a good question. I would say that's a question for Welsh Government, really, isn't it? I've got a sense that—

[67] **Lee Waters:** No, it's a question for the WLGA. Do local authorities have a view on where you should cede discretion and where you shouldn't?

[68] **Mr Hinchey:** As a local authority, I would agree with your first precept that discretion should be the default position. I can't see many areas, if any, where you would want to prescribe from Welsh Government where those sit. Perhaps a different subject completely, around leisure, so we're talking about where local government has moved on in the last five or 10 years around leisure. Most authorities have either looked at or moved to a new alternative delivery model: Parkwood is operating the Vale; Halo, I think, is operating in Bridgend; and Cardiff has now gone into partnership with GLL. There are huge procurement advantages to doing that as a partnership and sharing

those profits over a number of years and keeping our leisure facilities and community facilities open. But that may be different in a rural setting where, perhaps, some of those external providers or people who may be hoping to partner up may not be as interested as they would be, perhaps, in the urban—

[69] **Nick Ramsay:** I would imagine, though, it's in your interest and in the WLGA's interest to argue for or to want discretion, the maximum discretion. The point you made was that the Welsh Government will clearly have areas where it wants you to standardise, but you are—

[70] **Mr Rae:** Sorry, I'm struggling to answer Lee's question, because, obviously, we don't have a WLGA line on that, apart from, you know, we always argue that—. Actually, in Tony Travers's recent report on his independent commission on local government finance, he basically described that for fees and charges there should be a permissive environment—I think that was his terminology. But just to try and answer Lee's question, I think leaders would have some sympathy in the area of social services, where you wouldn't want to create a sense of a postcode lottery out there of wildly varying charges. So, does that answer your question?

[71] **Lee Waters:** Partially.

[72] **Nick Ramsay:** We've got a lot of interest spurred now, for good or bad. Mike Hedges.

[73] **Mike Hedges:** On the answer you gave to Rhianon a few moments ago, when you said that the wrong people were, or that people returning the information—. Surely if local authorities have the right level of discipline within that organisation, any request for financial information will be checked higher up in the hierarchy, because there are people who may well be running taxi licensing who don't know the full cost of taxi licensing; they only know the cost of their part of taxi licensing.

[74] **Mr Rae:** Actually, I think that's a fair point. I think there was an issue for local authorities there, as well, that if returns are being made centrally back to Welsh Government, they should go through their own corporate finance department, absolutely.

[75] **Mike Hedges:** I think, perhaps, that's something that local authorities ought to learn the lesson of, because—I'll finish on this—I'm sure the people

returning them were returning them with the best possible motives, but they were only doing it from their knowledge, and their knowledge may well have been substantially incomplete.

[76] **Mr Rae:** Yes.

[77] **Mr Hinchey:** Could I just add to Mike? There will always be ‘unintended consequences’, I would call them, where, if you’re talking about a taxi licence, for example, you need to talk in the wider remit about city centre safety, for example, so there would be overlaps of increasing or decreasing taxi licences, and that’s what you need to—. Local government is a complex, large organisation, as you well know, Mike, so you need to think across directorates, and the purpose of trying to transform and collaborate more in local government is trying to share best practice. I think there are some good examples.

[78] **Nick Ramsay:** That’s a fine answer. Neil McEvoy.

[79] **Neil McEvoy:** Thanks, Chair. The same question to both of you, really. I’ll start off with Graham on behalf of Cardiff. Excluding charges and fees and the weir projects that predated 2012, what innovative schemes for income generation have been introduced since 2012? First in Cardiff, and then maybe we can move on to the rest of Wales.

[80] **Mr Hinchey:** Well, there are some really good examples. Telecare Cardiff is one, in our Connect 2 Cardiff organisation down at Wilcox House. It’s generating income. Commercial waste is being collected by Cardiff council refuse vehicles now. We’re looking, Neil, you’ll know, at the Welsh interpretation and translation service coming across from Gwent Police into Cardiff, to diversify. There are hundreds of different languages being spoken across Wales, as you know, and so we’re taking that on because we can trade, whereas the police authority can’t trade in the same way as we’re doing. And leisure services; you’re well aware of leisure services. Would we want to go down the path of just trying to keep our leisure centres open with no investment into that fabric? Now, the buildings are still ours—Cardiff council’s—but are managed in a different way, so there will be investment and shared investment and profit sharing in the new model.

[81] So, there are some really good examples besides, as I say, Radyr weir, which has been an ambition to get on with. And it’s not just about generating money; the sustainability tick in the box, the flood risks, as you

know, you're a local member there—. I know the west of Cardiff really well where I grew up; there've been some real horrendous problems in the west of Cardiff with the River Ely, as you know, with flooding in years gone by, and that's helped with that. So, it's not just about money and generating a surplus, or balancing the bill, there are other things involved. Even fish are moving further up the River Ely now, because of the Radyr weir. So, there are lots of consequences and some really good examples that we can share across Wales.

[82] **Mr Rae:** Some of the advancements that the finance community has made since 2011 have just been on actually getting better information and benchmarking their own fees and charges. My sense with these things is that it's even worse if these tariffs are in the back of some regulation or piece of legislation. They always presuppose that inflation doesn't exist; they get uprated or updated every three or four years or something like that, and that's the same, I think, for some locally set charges. So, going back to 2011, there was quite a lot of work done by commission from Deloitte—I think this was in partnership with Welsh Government through the efficiency and innovation programme—that started to get finance directors and the finance community benchmarking their own fees and charges a little bit more, but more innovative work around alternative delivery models.

[83] **Neil McEvoy:** What's being done to generate income, though? Or, if it hasn't been done previously, what could be done to generate income? Cash, I'm talking about; money.

[84] **Mr Rae:** I think a lot of this work has just been around, again, existing fees and charges and making sure that they were reflecting full economic cost.

[85] **Neil McEvoy:** As an organisation, don't you see that it's your role—it may not be—to trailblaze and introduce ideas into the system? I declare an interest, a Cardiff council interest: in 2008–12, we took equity in some companies with the idea of reclaiming that equity in the future. Are there any schemes like that or other areas that you think could be taken forward by councils?

[86] **Mr Rae:** I can't think of any off the top of my head, and that's not to say that they don't exist. Just recently, I was up in north Wales looking at the approach that some of the authorities have up there to alternative models of service delivery. I say, as an organisation, we do push this stuff out wider; it's

part of our good practice website.

14:45

[87] It's not just about putting these things on websites, and case studies on websites as well, it's about making sure that our improvement team—we still have a small improvement team—are able to make sure that these things are referenced in some of our events. So, for example, the last conference that we had, some of what Flintshire was doing in terms of alternative models of service delivery does get showcased. There are also events coming up, and I referred to them in my paper, where there'll be a further showcasing of some good practice. I think sometimes that's the better way to do this.

[88] **Neil McEvoy:** Okay. So, really, in essence, you can't really think of any schemes across Wales that have gone out and generated income and brought money into councils.

[89] **Mr Rae:** No, but if that's a note you want me to—

[90] **Nick Ramsay:** Could you provide that information, then?

[91] **Mr Rae:** Absolutely, yes. I certainly can do that.

[92] **Mr Hinchey:** I could certainly give you examples, and some of those examples Neil will know are generating income. The commercial waste element—so refuse people are picking up waste from local health boards. So, those four or five examples I gave you in Cardiff, I'm more than happy to support that with a balance sheet to show what we're doing. But it's more difficult for other authorities, I guess. I've lived all my life in the capital; you've got some other assets that we should cherish. We've got the venues, for example, that we want to turn around, and both the New Theatre and St David's Hall have turned around their balance sheets over the last couple of years. So, there are some really good examples. We've got some specialisms—I talked about the local authority trading company—that other authorities can benefit from. We've got some highly skilled people. So, going back to the question earlier on, it's about culture and it's about developing our people. That's why I think the staff engagement and development is absolutely key.

[93] **Nick Ramsay:** Okay. I want to move things on now. Neil Hamilton.

[94] **Neil Hamilton:** I've been quite surprised—shocked, in fact—by the variation that there is in some charges around Wales for what you might regard as pure public goods. You mentioned burial and cremation charges, for example, earlier on, and the cheapest charge for a grave for one in a local authority in Wales is £427, the highest is £1,920. I mean, that's a staggering degree of variation. So, just to go back to the points that you've been making, which I fully understand, about local discretion, should there be some kind of limit placed upon the exercise of such discretions? And, therefore, is there a case to be made for a capping regime for specific types of charges that can be made, at least for what you might call pure public goods, as opposed to goods that could be provided by anybody in the private sector, which local authorities are in competition with?

[95] **Mr Hinchey:** I think the answer is 'yes'. I think, in some specific circumstances, and they're probably the few rather than the many to be honest, Neil, there potentially could be a ceiling and a floor, which you could operate within, but, again, it's a compromise, isn't it, between being able to be innovative and try things, and, let's be honest, as a local authority—well, any representative—you can't operate outside of the law, you can't be too risky, in a sense. The general powers of competence don't allow us to do something that's either unlawful or very risky, so it's not going to change that in any way. But I guess there is a circumstance, or some number of circumstances, where you could operate with a ceiling and a floor to give that tolerance. But, in some of them—and you've named particularly one where the differential is too great, so, maybe we should be having a range in which to operate for some specific ones.

[96] **Neil Hamilton:** To go back to the point that Rhianon made earlier on, about the difference in income between, in some cases, neighbouring areas, she mentioned Blaenau Gwent and Monmouthshire, for example, where the average income per week is £400 in Blaenau Gwent and £600—odd in Monmouthshire, just up the road. To what extent do you think it might be possible, or indeed desirable, to have some kind of sliding scale, or relation between income levels in an area and the charges that are made for certain things? Or is that too complicated and impractical a consideration?

[97] **Mr Rae:** It may be. I'd make another point around that as well, that, currently, the local government funding system equalises for need. It equalises for resources in terms of council tax. Perhaps it should equalise for an authority's ability to raise resources from its own fees and charges, and

then perhaps you can almost get around that question. But, certainly, perhaps it's something that should be considered. It's a well-recognised phenomenon. I think, at one point, the English social services formula actually made allowance for differing fees.

[98] **Mr Hinchey:** Two examples as well, Neil: I think, per capita, in Cardiff, we're £150 per person below the average in terms of funding. But, you know, we don't moan about that, we're not particularly—. Because Cardiff is able to generate other things. It's a tourism attraction city. What we don't want is to rejig the formula where some, perhaps, of the urban areas will benefit and rural areas will lose out. I don't think that is fair as a Welsh community. The other areas, I guess, that we've not touched on are perhaps the environment and the volatility in materials recycling. They are high-risk areas, where perhaps a few years ago you could be making a profit out of cardboard or glass or something. Excuse the pun, but the floor has fallen out of that now. So, you've got some commercial elements that we'd need, as a local authority, or as a representative body, to be very, very careful with. So, risks: absolutely, we need to be a little bit more risky, but within the limits of 'this is a public purse and we need to be very responsible with it'.

[99] **Neil Hamilton:** Of course, within a city like Cardiff you get tremendous ranges of income as well, between somewhere like Whitchurch and somewhere like Splott, for example. So, your level of charges should take into account the ability within the city of people to pay. You can't just take a commercial view of these things. Even though you may be looking to recover your costs, at the very least, that's potentially going to have a significant income effect upon possibly a large proportion of your population.

[100] **Mr Hinchey:** Yes, I think that's true. If you look at education, for a different example, the deprivation grant is there to support that through a Welsh Government formula. So, I think that there are some caveats in there to help the formula. But is this the start of a process where we should be looking at the formula itself, and is it right? There are hundreds of different parts of that formula that are moving at each stage. This year, some of the grants came out—homelessness, for example. And so there are moving parts in our formula that not always are we aware of. I think, generally speaking, as a cabinet member, I'd like to see Welsh Government give us a longer-term financial settlement—an ad hoc, year-by-year, doesn't give us any room for planning. Although we work on a medium-term financial plan, they are indicative. We're working on a -1 per cent. We don't know what the living wage will produce. There are all sorts of moving parts. So, a longer-term

plan from Welsh Government will help us—

[101] **Nick Ramsay:** So, you think that multi-year budgets from the Welsh Government are key to delivering the aspirations of this in the long term.

[102] **Mr Hinchey:** In the same way that health boards are operating a bit better now. So, that would help us with our long-term planning.

[103] **Neil Hamilton:** The only other question I'd like to ask at this point is: to what extent do you think that the revenue generated from fees and charges should be hypothecated and spent only in that area, or to what extent should it be regarded as part of local authorities' general income pot to be spent wherever you like? Car parking charges, for example, are a key issue for most elected representatives, as we know, particularly if you, as I do, represent lots and lots of small towns. Everybody believes that this is just a milch cow for the council and so on. Whether it's true or not is another matter, but to what extent do you think it's right to confine the areas of expenditure to the areas of income themselves?

[104] **Mr Rae:** Well, I think local authorities should have maximum flexibility. It's not to say that, actually, in some—. I think, for some of the parking penalties, I'm right in stating that any income has to be spent in the area. But, I mean, parking's, you're right, almost the kind of key area here, isn't it? I don't think local authorities in Wales actually raise that much from—. You know, it's a big—. As the auditor general's report has highlighted, potentially, it's an area where there's growth. But, actually, I think, in the report, comparing parking charges in England was maybe not the right thing to do there. Most of the parking charges you see here in Cardiff, they're hourly charges in London. So, I don't think that's an appropriate benchmark. So, I'm not sure that there's £43 million—I think that was the figure—to be squeezed out of car parking charges and, whatever the figure is anyway, it should have maximum flexibility, or the authority should have maximum flexibility.

[105] **Nick Ramsay:** Right, we're into our last couple of minutes, if that's okay. Lee, very briefly, a succinct question and answer, and Oscar as well. Lee.

[106] **Lee Waters:** In their evidence to us, the Welsh Government said that there's scope for authorities to do more in terms of sharing knowledge and experience, and progress in this area has been slow. Jon Rae mentioned

there was a portal of best practice, but the fact that you yourself are struggling to think of good practice across Wales does suggest that they might have a point.

[107] **Mr Rae:** Well, I think there is a point about the national approach to local government improvement, because there isn't an improvement grant anymore. The former Welsh Government took that away from the WLGA. So, in one fell swoop—. About, I think, £1.6 million was being spent on local government improvement, which included sharing good practice, and then—

[108] **Lee Waters:** Nice try, Mr Rae. I was asking you about the sharing of good practice. You don't need a grant to share good practice, and you were struggling to think of examples across Wales.

[109] **Mr Rae:** You need resource. You need resource to fund it, Lee. You can't just do it for nothing.

[110] **Lee Waters:** Well, the WLGA is resourced to co-ordinate across local government. You're, in effect—. You have a whole tranche of senior officers mirroring the arrangements—

[111] **Nick Ramsay:** Hang on, hang on. Mr Rae is not trying; Mr Rae is answering the questions in the best way he can.

[112] **Lee Waters:** Well, his answer was that their grant's been taken away, so they can't possibly be expected to share the best practice.

[113] **Mr Rae:** I think it's part of the answer. We've gone—. From spending somewhere in the region of about £1.5 million [correction: £1.6 million], we're now spending around about, I think, £260,000 in that area. So, we're still investing something. I mean, obviously, it's just not the same amount. So, we struggle with that. We struggle to put on events in the same way that we did before.

[114] **Lee Waters:** But surely—. We talk a lot about being a small country and being nimble and being able to know each other. Surely there are advantages to that; it can't just be about, 'Just give us a central resource so we can hold events, so we can tell each what we're doing'. So, what can we do to address the Welsh Government's point other than, 'Give us more money to do it'?

[115] **Mr Rae:** Well, I think using existing professional networks—for

example, finance directors meet up as the Society of Welsh Treasurers, directors of education, social services, et cetera—using those networks a lot more. The one I'm closely associated with, obviously, is the treasurer's network. I think they've become a lot more strategic and a lot more willing to circulate good practice and share good practice. So, I think that's been a step forward. You're right; it's not all about investing money in it.

[116] **Lee Waters:** I'm unconvinced about the spreading of best practice. When you're asked about examples of where you've been able to raise money—

[117] **Nick Ramsay:** I'm afraid time has beaten us, Lee. So, you'll have to remain unconvinced until we get a chance to ask these questions again.

[118] **Mr Hinchey:** Do you mind if I—? Sorry, Chair, just to interject with a couple of the examples that I know Lee may well know about, the Cardiff Academy is an innovative—we've invested in that to train other authorities. In fact, Welsh Government are sending people there. We're training school governors. So, we're trying to save money. It's not all about money; it's about innovation and developing staff, and I think, although you may be unconvinced across Wales, I can certainly give you many, many examples of innovation where we're not asking for more money, Lee, but we are doing what we think is right to develop our staff to get to that next level.

[119] **Nick Ramsay:** Perhaps you can provide us with examples of that innovation on a note rather than going through them now. We're out of time, but I know Oscar's dying to ask you a question. Oscar, five seconds.

15:00

[120] **Mohammad Asghar:** Very briefly. It's very interesting and incredibly unjust with the taxi drivers, and with their tax. They've got to go for plating twice a year, which is not right, and go, for the MOT in Newport, to Newport City Council's MOT bay. Why can't they go to ordinary, registered MOT bays and get the MOT done, and one plating in a year? It's not fair with the taxi drivers in south-east Wales.

[121] **Nick Ramsay:** I fear that this is not going to be a five-second answer, is it? Because this is a whole a new area.

[122] **Mr Hinchey:** The five-second answer, Nick, is that, in Cardiff, we're

sharing our trading standards and regulatory service with Bridgend and the Vale of Glamorgan.

[123] **Mohammad Asghar:** Newport?

[124] **Mr Hinchey:** Well, we're certainly more than happy to work with Newport.

[125] **Mohammad Asghar:** Something to pass on to them.

[126] **Mr Hinchey:** Absolutely.

[127] **Nick Ramsay:** Okay, and with that final positive note on taxis, can I thank Graham Hinchey and Jon Rae for being with us today? That's been really helpful. We will send you a draft transcript of today's proceedings before we finalise it. Thank you.

[128] **Mr Hinchey:** Thank you, Chair.

[129] **Mr Rae:** Thank you.

[130] **Nick Ramsay:** I hope you get back in time for your budget deliberations. Thanks for your time.

[131] **Mr Rae:** Thanks.

[132] **Mr Hinchey:** Thank you.

[133] **Mike Hedges:** Is it a break?

[134] **Nick Ramsay:** No, not yet, no. Well, it might say 'break', but I've altered the agenda. It's the Chair's prerogative in this instance. They were on a tight time schedule, so we've delayed the first couple of items.

15:01

Papurau i'w Nodi Papers to Note

[135] **Nick Ramsey:** So, if I can go back to item 2 on the paper—papers to note. We need to agree the minutes to the meeting held on 30 January 2017.

[136] **Mike Hedges:** Agreed.

[137] **Nick Ramsay:** Agreed. Good. Also, further to a Member's queries on bus concessions whistleblowing and the Welsh Government's counter-fraud measures with our valedictory session with the Permanent Secretary—the former Permanent Secretary—we've had a subsequent letter. Are we happy to note that letter and the contents therein?

[138] **Neil McEvoy:** Sorry, can I follow up with a question?

[139] **Nick Ramsay:** Neil McEvoy.

[140] **Neil McEvoy:** Because it's just really imprecise. What I want to know is which department is solely responsible for fraud prevention. There is a department, and all I'm trying to establish is what resources they have. I'm aware of counter-fraud cutting across all the Assembly and so on, but there is a specified department. So, how much are they resourced by? That's what we're after, really.

[141] **Nick Ramsay:** Well, we have the new Permanent Secretary coming in on 6 March. You can ask a question.

[142] **Neil McEvoy:** Are they in place now, then?

[143] **Ms Griffiths:** Yes. She starts today.

[144] **Neil McEvoy:** Okay. Good.

[145] **Nick Ramsay:** She starts today. Well there we are; she's had her first question already, hasn't she, courtesy of Neil McEvoy in this committee? I'm sure that's really made her day.

[146] **Neil McEvoy:** I should know, but who is it?

[147] **Ms Griffiths:** Shan Morgan.

[148] **Neil McEvoy:** Okay.

[149] **Nick Ramsay:** Shan Morgan, yes.

[150] **Mr H. Thomas:** Better give her notice of that question.

[151] **Nick Ramsay:** Do we have anything else we need to discuss? Oh, the FRAB—the Financial Reporting Advisory Board report—do you want to say a few words on that, auditor general?

[152] **Mr H. Thomas:** This is a report which has to be laid before each of the constituent parliaments and devolved assemblies. It is the body where, across the UK, we actually arrive at common decisions in the way in which we do accounting. As well as the Welsh Government, until recently it was the turn of the Wales Audit Office to have a representative there, but we always use it as an ability to just double-check that we are developing international accounting practices in a way that's appropriate for the public sector. So, it's just a note, as laid down by legislation—or practice, rather—in terms of the work that's been done. If anyone's got any particular questions on particular aspects of this one, I'm happy to deal with that, perhaps, outside the meeting.

[153] **Nick Ramsay:** Happy to note the report? Lee.

[154] **Lee Waters:** As there was no analysis provided of it, is there anything in there that we should be particularly alert to?

[155] **Mr H. Thomas:** Not this time.

[156] **Lee Waters:** Okay, thank you.

[157] **Rhianon Passmore:** Very briefly, Chair, if I may. In terms of what you say, that 'this time' the Wales Audit Office was present—are we not ordinarily present on this board?

[158] **Mr H. Thomas:** What it is, is that because there are so many people who might have an interest in being there—

[159] **Rhiannon Passmore:** It's a rotation.

[160] **Mr H. Thomas:** Whilst the National Audit Office have a permanent place, Scotland, Wales and Northern Ireland rotate representation.

[161] **Rhianon Passmore:** And is that satisfactory for us?

[162] **Mr H. Thomas:** It is, because it's not as if we're excluded from that.

[163] **Rhianon Passmore:** Okay, all right. Thank you.

[164] **Nick Ramsay:** Okay. Happy to note the report? Report noted. I propose we now take a 10-minute break, 10 seconds ahead of schedule.

*Gohiriwyd y cyfarfod rhwng 15:04 ac 15:13.
The meeting adjourned between 15:04 and 15:13.*

**Dull Strategol Cyngorau o Greu Incwm A Chodi Tâl: Sesiwn
Dystiolaeth 2
The Strategic Approach of Councils to Income Generation And
Charging: Evidence Session 2**

[165] **Nick Ramsay:** Item 4: the strategic approach of councils to income generation and charging, evidence session 2. Can I thank our witnesses for being with us today? Would you like to give your name and position for the Record of Proceedings?

[166] **Mr Kilpatrick:** I'm Reg Kilpatrick. I'm director of the local government department in the Welsh Government.

[167] **Ms Carter:** I'm Debra Carter, deputy director of local government finance policy.

[168] **Nick Ramsay:** Great, thank you for being with us this afternoon. I'll kick off with the first question. Given the Welsh Government's plans to introduce a general power of competence, what additional support is required to enable local authorities to maximise the benefits of this?

[169] **Mr Kilpatrick:** Thank you. We've been considering a general power of competence for some time. You'll remember that Ministers initially suggested putting a general power of competence or bringing in a general power of competence for Wales in our White Paper two years ago. This was then reinforced by including provisions to do that within the draft local government Bill last year, and the proposal was reinforced again in our local government White Paper just a couple of weeks ago [correction: just a week ago]. The general power of competence is an interesting concept in that we have been talking about it for some time.

15:15

[170] Local government has been asking for a general power of competence for quite a long time. What we do know is that local government already has some fairly extensive powers—well-being powers, principally—to do a number of things, and to do pretty much, as far as we can see, what it wants to do. Having had many discussions with the WLGA, we haven't yet come across any specific proposals for action, for commercial activity or for innovative projects that local government has wanted to do but has been unable to do with current powers.

[171] **Nick Ramsay:** Sorry to interrupt, but that begs the question: what difference will it make?

[172] **Mr Kilpatrick:** It does beg that question, exactly. There is a difference, I believe, that it will make, and that is to provide a fairly broad power that will help clarify and give confidence to local government in doing some business that may be more risky than the well-being powers would suggest. I think this confidence could be really valuable, actually. It would help them to perhaps be a bit more innovative and to take greater risks than they currently do. In terms of what support the Welsh Government might want to put into local government, I think that they have a fairly well developed set of legal processes and advice of their own. I'm not sure that we would actually need to do anything.

[173] **Nick Ramsay:** Do they have the relevant skills and expertise to be able to carry out the new powers?

[174] **Mr Kilpatrick:** To operate within the new powers, yes, I do believe they have that. I'm sure they would agree with that. Whether they have the capacity to develop and deliver innovative projects, that is another question. I think there are issues around their corporate capacity and capability, and the availability of resources within local authorities to enable them, perhaps, to be as creative as they could be.

[175] **Nick Ramsay:** Before I bring Lee Waters in, will the use of the general power increase the level of income raised by local authorities, in your assessment?

[176] **Mr Kilpatrick:** I think the issues that I was describing earlier—. Authorities seem to be able to do pretty much what they need to do now to

raise income. We haven't come across any examples where projects have not been able to go forward as a result of not having the general power of competence, if that is not too many negatives. So, I think that it will be very useful for them. It will help them and support them to do different and innovative things, if they can identify those projects. But, in itself, I'm not sure that the general power of competence will enable them to raise more income that they can at the moment.

[177] **Nick Ramsay:** Lee Waters.

[178] **Lee Waters:** So, the primary reason for giving them the general power of competence is to stop them asking for it.

[179] **Mr Kilpatrick:** No. The primary reason is to provide them with a general power of confidence, actually, that will enable them to undertake projects or activity or businesses that may be slightly risky and that they may not be confident to do within their current well-being powers.

[180] **Lee Waters:** So, again, it is a cultural issue then, if it is about confidence.

[181] **Mr Kilpatrick:** Well, I think some authorities are more risky than others and more prepared to take on new areas of business than others.

[182] **Lee Waters:** You mentioned earlier that there is a lack of corporate capacity to be creative. The letter that the Welsh Government has sent to the committee highlights the paragraph from the auditor general's report that points to a reluctance to deal with potentially controversial issues. You said that it is important that these matters are addressed by authorities. We seem to be dancing around here. You don't primarily think it is a powers issue. You suggest it might be a capacity issue. But you are hinting it might be a leadership issue. So, is it all of those things, or is one more important than the others?

[183] **Mr Kilpatrick:** I think it's all of those things. Depending on the authority that you are in and the businesses that you are trying to move forward with, I think there are different issues. Leadership among local government is an issue that Ministers have been very concerned about for some time. Leighton Andrews, particularly—our previous Minister—was trying to do quite a lot to try and improve leadership across local government. I think there is an issue, as we can see in many authorities—and

the WLGA, I'm sure, would agree—that, over the last few years, when we have seen considerable financial challenges for authorities themselves, there has been a thinning down of senior leadership and senior teams. Some have lost a very great deal of senior officers, and that inevitably has to have an impact on their ability to identify new things and then to undertake the investment of time, staff and energy in implementing those new projects.

[184] **Lee Waters:** I wonder if you think, reflecting back on the austerity era to date—. Innovation has been spurred in England because there was a crisis. The amount of funding was reduced dramatically. We've avoided that in Wales, we've gone instead for salami slicing, and that hasn't had the impetus to provoke a similar crisis, which may have spurred innovation. Do you think there's something to that?

[185] **Mr Kilpatrick:** Ministers, in 2010, agreed that they would give local government a relatively favourable settlement when compared with England over that spending review period, with a very clear idea that authorities could use that money to equip them for the considerable financial challenges that we now face and we are certainly going to face. Local authorities responded to that through the delivery of a fair amount of the Simpson review compact commitments. I think that there is still work to do and there is still some way to go to transform themselves into a set of organisations that can deal with the financial challenges that are to come.

[186] **Lee Waters:** So, in a sense, what you're politely saying is that that period was a wasted opportunity, because the Simpson review, which was about collaboration, has disappeared off the radar.

[187] **Mr Kilpatrick:** I don't think the Simpson review has disappeared entirely off the radar. There have been some very good projects as a result of that, around emergency planning, particularly in north Wales. There were quite a lot of social services and education projects that were delivered, which have led, as we can see, to the consortia and ultimately fed into the regional working that is part of the social services Bill—sorry, Act, as it is now.

[188] **Lee Waters:** So, you don't think it was a wasted opportunity.

[189] **Mr Kilpatrick:** No, I don't think it was a wasted opportunity. I think there are, though—. Financial challenge does breed a degree of innovation and we have seen some of that in our authorities in Wales, and I'm sure we

will see some more of it as we move forward.

[190] **Nick Ramsay:** Mike Hedges.

[191] **Mike Hedges:** Just on local authority working, why should local authorities be able to make all these great savings and all these changes and health boards are incapable of doing so? I ask that rhetorically. I don't expect an answer to that. The question I will ask, though, is: you've talked about well-being and my understanding is that well-being used to be funded by the equivalent of a penny rate. Now, it's the equivalent of what a penny rate would have carried on. So, there's a maximum amount of money that is allowed to be spent on general well-being at the moment, outside the current areas that have to be funded. Under the general power of competence, that cap would not exist.

[192] **Nick Ramsay:** I think he does expect an answer to that.

[193] **Mike Hedges:** I expect an answer to that one.

[194] **Nick Ramsay:** It's not a completely rhetorical afternoon.

[195] **Mr Kilpatrick:** When I was talking about well-being, I was talking about well-being powers. There were no, as far as I'm aware, finances attached to that and certainly no finances that run into local government that were hypothecated towards well-being. Well-being is a much more general concept.

[196] **Mike Hedges:** I think the point I was trying to make is local authorities have currently got the power, and have always had the power, for decades—a general power to do things for the benefit of their area, and they were able to spend up to a penny rate. That's now being transformed into the equivalent of a penny rate in terms of council tax. What I was asking was: that limit now would disappear, wouldn't it, with the general power of competence.

[197] **Ms Carter:** That approach doesn't persist now. The way that the funding of authorities operates is that the majority of their funding is unhypothecated and they can choose how it's prioritised. Part of their funding is on mandated services and part of the provision is for mandated services, but the general well-being powers, particularly those that are in the Local Government Act 2003 [correction: 2000], enable authorities to undertake a range of functions for the benefit of their communities. How

they fund them really forms part of their general budget allocation and decision making.

[198] **Mike Hedges:** So, you're saying there's no cap on what they can spend under general powers of competence.

[199] **Ms Carter:** There won't be a cap in relation to the general power of competence. The funding arrangements will remain essentially as they are with the prioritisation and decision making being for the authority.

[200] **Mike Hedges:** Okay. I think that was a 'yes'. If it isn't a 'yes', can you contradict me?

[201] The other thing is, you say where it couldn't be used. An example going back—this goes back to the 1990s, and you may say it's been overtaken by events now—but when Swansea council manufactured UPVC windows for use in council houses, they had surplus capacity on times, and they had to get an argument that they could use surplus capacity. They had to go and get a QC to tell them—Sir Anthony Scrivener was the one who did it—saying that they could use the surplus capacity argument in order to sell those on. Are they now allowed to trade in areas like that, when in competition with the private sector, or would the general power of competence give them the ability to?

[202] **Mr Kilpatrick:** The general power of competence will give them the ability to do that, if it's put in place in the way that it has been across England.

[203] **Mike Hedges:** Thank you.

[204] **Nick Ramsay:** I notice you didn't contradict him that it was a 'yes' or a 'no', so, we assume the answer stood.

[205] Can I just ask something on this section? What do you see as being the major risks that local authorities will need to mitigate in using the general power of competence?

[206] **Mr Kilpatrick:** I think the issue for them will be—. I think it's more about the activities they are going to undertake under the general power of competence, and, in a sense, they will need to mitigate the legal risk around any of those activities in the same way that they do now, except they will

need to mitigate them against a general power of competence rather than a set of well-being powers.

[207] **Nick Ramsay:** So, are they mitigating less risk, in a way, given that the—

[208] **Mr Kilpatrick:** The powers will be wider, which would enable them, potentially, to trade in a different way and undertake more risky activities.

[209] **Nick Ramsay:** And given that the freedom of the general power enables local authorities to pursue commercial activity in non-traditional ways, are there any areas of activity that local authorities should not engage in?

[210] **Mr Kilpatrick:** That would be a matter for local authorities to determine themselves. They are independent, sovereign bodies, and they have their own democratic structures and their own governance and their own scrutiny. So far as the activities they get involved with—that would be a matter for local councillors to determine.

[211] **Nick Ramsay:** 'Sovereign bodies'. You don't often hear local authorities described as sovereign bodies, and I'm sure that if our former witnesses are still listening, they'll love that.

[212] That's all from me. Rhianon Passmore, did you have any questions?

[213] **Rhianon Passmore:** Thank you, Chair, and I'll move on from general competence, if I may.

[214] We've already touched upon, I think, the need for resilient, strong, effective and fit-for-purpose local authorities in a new era of more cuts coming from the UK Government, in my political view. In terms of having those fit-for-purpose bodies, and the importance of services to the most vulnerable that often the capped services and the capped fees protect, in particular in social care, and that those are often heavily subsidised, do you think that we are in a position, as Welsh Government, to be able to review those caps as we move forward, so that our local authorities are sustainable? Is it the right time now? And a third one: have we got the balance right in terms of the national caps, compared to the locally determined ones?

[215] **Mr Kilpatrick:** I think the Welsh Government has got a fairly good

record on reviewing caps. The social care cap is possibly the cap that is most talked about at the moment. I imagine WLGA would have raised it earlier on. That cap has been reviewed, I think, three times and increased from the original £50 cap in, I think, 2011–12. That's going to be—after being raised to £55, then to £60, it'll be raised to £70 from 1 April this year, and there are discussions certainly going on between Ministers and local government with an expectation that that cap will be raised further over the next five years. So, I think the answer to your question is: we are in pretty constant dialogue between individual Ministers and local government and my policy colleagues to make sure that, where caps and charges apply, they are reviewed where they need to be and increased where they need to be.

15:30

[216] **Rhianon Passmore:** And in regard to the part of the question about the balance between our national cap across Wales and the locally determined services, fees and charges, have we got the balance right at this moment in time, or is there always a need for review? And in terms of that data collection coming in from local authorities to effectively do that, are we as a Welsh Government fit to be able to assess what is out there?

[217] **Mr Kilpatrick:** I think the issue here is one around—. When you say, 'Have we got the balance right?', is that what is charged for, or is it the level of the charge?

[218] **Rhianon Passmore:** In terms of the balance between what is nationally capped—not the review of it, but what is nationally capped—versus the autonomy of the, I think, sovereign bodies that have been just mentioned, in terms of local government's ability to determine what's locally correct for them.

[219] **Mr Kilpatrick:** I think these are, ultimately, matters for Ministers to determine, as policy issues. But where we are at the moment is local government has a quite a large discretion around setting its own levels of fees and charges. Ministers have taken a decision to set fees around, particularly, social care and planning, and one or two other areas, and I detect no appetite for them to extend the areas or the activities over which charges would be implemented.

[220] **Rhianon Passmore:** And in regard, then, to the point that I made around how local authorities are heavily subsidising some of these areas, and

in terms of the context around being resilient and fit for the future, do you feel that local authorities are in a very difficult place for this particular issue?

[221] **Mr Kilpatrick:** I think one of the issues that the auditor general's report brought out quite clearly is that, while fees and charges and income raising is important—and the £360 million that is currently raised by local government is, clearly, a significant figure—the use of fees and charges and other mechanisms for raising income is not just about covering the costs of services, quite often. It will be and can be—and, sometimes, should be—about how services are used, potentially, for demand management, for helping to avoid costs later on in the process. Fees and charges may also be used to discourage certain types of behaviour, which could save authorities money elsewhere. So, I think simply looking at fees and charges and income in terms of the amount of money used to subsidise services is perfectly legitimate, but I would argue that there are a number of other things that we should also be looking at as well. And that would bring me back to an argument about whether local authorities have got the right strategic view and overall approach to setting fees and charges.

[222] **Rhianon Passmore:** So, do you think there should be more guidance from Welsh Government?

[223] **Mr Kilpatrick:** I think that local authorities have done quite a lot of work already, as the report recognises. Some of them have got quite detailed documents—fees and charges documents. I think the well-being of future generations Act gives them a really good lens through which to look at their fees and charging policy. So, why are they setting fees and charges, do they really understand the point, do they understand the impacts of those fees and charges on the citizens, on the communities, or on the business, and will those impacts actually be the impacts that the local authorities want to have? And there is a lot of expertise amongst the 22; I'm not sure that Welsh Government would be able to add much to that by providing guidance.

[224] **Rhianon Passmore:** And in terms of the ability of local authorities to recruit and retain the staff and capacity, particularly around some of the nationally capped areas—do you feel that this has an impact on recruitment, when we have—?

[225] **Mr Kilpatrick:** I think the general financial conditions in which the public sector is operating will have an impact on recruitment, as will geography. I think it may be more difficult to recruit social workers in some

parts of Wales than others. I'm not sure that the fees and charging policy, in itself, would have a material impact on recruitment and retention.

[226] **Rhianon Passmore:** Okay, thank you.

[227] **Nick Ramsay:** Neil Hamilton.

[228] **Neil Hamilton:** I return to the point that was made almost at the start about local authorities, as a result of the general power of competence, becoming what you'd call sovereign entities in their own right. Having unfettered local discretion gives rise to the possibility of significant variations in fees and charges around Wales. I wonder if we could explore the justification for this, particularly in respect of what you might call purely public goods, as opposed to trading services. We've got some information on the current variation in fees and charges in the last session—burial and cremation was mentioned. And I was rather surprised to discover that the lowest charge, for example, for a new grave for one person was £427 and the highest was £1,920. That's a staggering degree of variation, and there are other examples of that as well. My own view is that, on public policy grounds, that kind of variation must be wrong, and, therefore, there is a danger with unfettered discretion, unless we introduce some kind of limitation upon the degree of variation, that significant injustice might be caused, bearing in mind that there are income disparities not only between local authority areas, but also within them. How would you respond to that?

[229] **Mr Kilpatrick:** I think the variation in fees and charges across Wales is inevitable. As you recognise quite rightly, we have 22 authorities, and we have many more communities that have got very different socioeconomic structures, very different incomes, and very different geographies. Therefore, there will be an inevitable variation. My argument, which comes back to the answer to the previous question, is that fees and charges can be set by authorities themselves, and, in order to do that, they must have a very clear idea about what it is that they are trying to achieve. They must also understand the nature of the communities that they're serving, and the ability of those individuals, those communities, those businesses, to bear those charges. Ultimately, those charges and those fees will be signed off by local councillors, and one would hope that there would be a process of rigorous scrutiny, and rigorous public engagement, around those charges, to make sure that they are appropriate and they are in line with what communities can bear.

[230] **Neil Hamilton:** Is there scope for introducing some kind of sliding scale

for charges according to the average income of a particular local authority, or even on a more micro level than that? Or would that just be too complicated and impractical a suggestion?

[231] **Mr Kilpatrick:** I think that would be a very complex approach. We have a very complicated local government formula, which allocates the revenue support grant—about £4 billion—and keeping that up to date, keeping it accurate, and keeping it robust and representative is a very significant task. I think if we were to move towards doing something similar with fees and charges, we would end up with a very large bureaucratic overhead, which would ultimately remove some of the local democratic responsibility, flexibility and freedoms from individual members. And, at the moment, that's where those responsibilities should sit.

[232] **Neil Hamilton:** Another argument which is very lively in relation to income generation, of course, is how that money which is raised is going to be spent, in particular, for example, car parking charges, which is a very live political issue for everybody. I represent lots of little towns in Wales, in the Mid and West Wales region, and shopkeepers and traders are all up in arms about the charges for parking, which they think restrict the potential footfall of their businesses, and which is regarded as a milch cow for councils. Whether that's true or false as a perception, nevertheless, the question does arise whether the income generated from different income streams should have an element of hypothecation in it. And if we're raising money out of things like car parking charges, should the money go into providing more car parking spaces, for example, to alleviate the problem that the charge itself might bring about?

[233] **Mr Kilpatrick:** We've had and we continue to have a very long and interesting discussion with local government about hypothecation. And for many reasons, local government doesn't like Welsh Government hypothecating its resources, and I can understand why. Therefore, I think the answer to your question would be better given by local authorities than Welsh Government.

[234] **Neil Hamilton:** I see.

[235] **Ms Carter:** Can I also add that the auditor general's report I think helpfully categorises the different kinds of charges that authorities impose? So, part of the policy consideration in setting charging regimes, where they exist, takes account of the benefits or otherwise of hypothecating the funding. So, you have certain charges where the service can only charge in order to recover the costs to pay for that service, and others where there is more freedom to

generate funding and that, at the moment, is recycled into the authority's general budget for it to prioritise for the range of services it provides. I think that comes back to debates that we've had over many years with local government about providing them with the flexibility to be able to make those choices.

[236] **Neil Hamilton:** Because you did mention that one of the purposes of fees and charges might be demand management, rather than simply recovering costs. So, that brings us into the area of policy decisions, then, about these issues. Why shouldn't the Welsh Government have a view on that?

[237] **Mr Kilpatrick:** We do have a view, and our view is that it's a matter for local government to decide. [*Laughter.*]

[238] **Neil Hamilton:** Yes, Minister. [*Laughter.*]

[239] **Nick Ramsay:** I feel we've just been round in one big circle, to be cynical. Lee, did you want to comment on that?

[240] **Lee Waters:** Can I just ask about the proposals for regional collaboration that the Welsh Government has just announced? How do you envisage this changing the situation you've just been describing? Do you think it's more likely it will have progress on this agenda as a result of that?

[241] **Mr Kilpatrick:** In terms of raising fees and charges?

[242] **Lee Waters:** Yes, in terms of commercialisation generally, in terms of responding to this agenda. Presumably, this is one of the reasons you've considered drawing up these proposals.

[243] **Mr Kilpatrick:** I really hope that the new regional bodies—. One of the reasons why we are moving to, or proposing to move towards more regionalisation is about creating more resilient authorities and more resilient regional organisations that would be able to undertake the sorts of activities we've been talking about. They would be able to draw together in partnership authorities that, as we've seen over the last few years, in some areas have made really good progress on working in collaboration, and in others not quite so good.

[244] **Lee Waters:** Are we relying on hope? You said you hoped that this would result in this.

[245] **Mr Kilpatrick:** Well, that's the policy intention—that it will create—

[246] **Lee Waters:** And what lessons have you learned from the slow progress that you've catalogued to make sure that the new system is designed differently to ensure that we go beyond hope in embedding this change?

[247] **Mr Kilpatrick:** I think the two lessons have been outlined by the Cabinet Secretary in the White Paper, which are about creating mandatory and systematic regional partnerships. 'Systematic': obviously, creating a set of partnerships that are based on clearly defined regions with clearly defined authorities as members; but 'mandatory': putting the proposals into legislation. This will create formal regional partnerships that local authorities will have to participate in.

[248] **Lee Waters:** I understand the structural change, but, in terms of addressing this particular agenda, will those new regional structures be mandated to make progress in this area?

[249] **Mr Kilpatrick:** We have no plans in the White Paper to mandate them in terms of raising income. Economic development, land use planning and strategic transport will all be set out at a regional level, and we've seen in the city deals already for Cardiff, mid Wales, [correction: delete 'mid Wales'] north Wales and Swansea that there is a real appetite, I think, in local government to begin moving forward with some of these more economic development-based proposals.

15:45

[250] **Lee Waters:** So, relying on hope, then, was a fair description of your approach to this.

[251] **Mr Kilpatrick:** We have a set of proposals at the moment, and, if they get through the legislative process, we will have law, and we will be working with local government to make them work.

[252] **Lee Waters:** Thank you.

[253] **Nick Ramsay:** Neil McEvoy.

[254] **Neil McEvoy:** Thanks, Chair. An open question from me, really: how

could a general power of competence enable councils more to generate income? I think you mentioned one or two things earlier. I find local government very conservative—no offence, Oscar—with a small ‘c’. But, without maybe being so tied to where they are now, how could local government, how could local councils, generate income in the future? Cash I’m talking about, really.

[255] **Mr Kilpatrick:** That’s a very good question. We’ve seen a number of approaches in England where all authorities have taken slightly different and maybe more novel approaches to raising income. I think Sevenoaks owns a petrol station and a shop. There are a whole range of projects that I can’t tell you about but we can certainly provide a note on good practice in England, where authorities have created new trading companies and are trading, essentially, but not just trading with their colleagues in the public sector, which we are sort of more familiar with, but trading with the private sector.

[256] **Nick Ramsay:** Are you done, Neil, on that?

[257] **Neil McEvoy:** Yes, it was, maybe, just a question just thrown at you now; it would be great if you could maybe come back in writing with such examples.

[258] **Mr Kilpatrick:** Yes, we would be very happy to.

[259] **Neil McEvoy:** Thank you.

[260] **Nick Ramsay:** Rhianon Passmore.

[261] **Rhianon Passmore:** Generally, is it your considered view that the general power of competence, regionalisation of the local government Bill will actively—to build on Lee Waters’s point—engender more innovation, more corporate capacity and more resilience in our local authorities? There must be a view on that.

[262] **Mr Kilpatrick:** Yes, I do believe that. I think it’s creating the right conditions to enable—. A regional organisation’s reach will be more resilient. They will be able to draw on resources from a much larger area than any single authority—and those can be resources from all sorts of different parts of local government—that will have an impact that will—I’m trying to think of the right word—enthuse authorities to begin to build on some of the really good practice that we’ve seen out there already.

[263] **Rhianon Passmore:** Okay, thank you.

[264] **Nick Ramsay:** Any further questions? Oscar.

[265] **Mohammad Asghar:** [*Inaudible.*] Should authorities have more discretion in terms of charges for services?

[266] **Mr Kilpatrick:** From the Welsh Government's point of view, I think they have fairly wide discretion. I can't speak for the range of fees and charges that are set on behalf of the UK Government, of which I understand there are many, but, as I said earlier on, from the discussions that we've had with Ministers and that Ministers have had with local government—the social care cap, planning fees—I don't detect any appetite to increase the range of fees and charges that we would want to regulate.

[267] **Mohammad Asghar:** The thing is—thanks for the answer—that certain areas where I think local councils in south-east Wales, and in Newport, where I am—. In certain areas, like playing fields, they generate some money, yes. That was only some £30 or £20 only two years ago. Now it was £70 the other day for a match. When you think health and sports go side by side, I think that there is no public consultation or anything when you raise charges. This is in certain areas—this is one, and the second one is taxi drivers. Why do they have to go twice for plating in a year for their cars? The local bodies make extraordinary money from them. There are thousands of taxi drivers there. Only one can do an MOT. That's another area. They have to go to a council-based MOT station. Why can they not go to any station that is registered for MOT? Because in aircraft, if there is any point that some service is needed, it can go to any airport in the world where they can get the part and job done. But our cars have got to go to a local council MOT base.

[268] **Nick Ramsay:** To be fair, they're not from the DVLA, so MOTs are probably a little beyond your remit.

[269] **Mohammad Asghar:** Chair, there is financing of these areas, which has to be considered. The public is not very happy. There are other areas—we can talk about that some other time—where you can raise money. But not on these. People are very unhappy with the way things are happening.

[270] **Mr Kilpatrick:** Picking your first point first, consultation is absolutely essential, and it would surprise me if local authorities are raising charges or

raising fees, like the playing fields example that you provided, without going through a process of formal consultation. As Welsh Government, we would very much encourage local authorities to do that.

[271] In terms of the specific point around taxis, that's [correction: that has been] a non-devolved matter, so I can't really comment.

[272] **Nick Ramsay:** Great. Any further questions for our witnesses? No. Okay. Well, can I thank—I was going to call you Sir Humphrey then, following your answer earlier about having a view not to have a view, or whatever it was. [*Laughter.*]

[273] **Mr Kilpatrick:** We do have a very clear view.

[274] **Nick Ramsay:** You have a clear view. Exactly. You have a clear view, but it's not your view. It's someone else's. Anyway—there we are. Thank you Reg Kilpatrick and Debra Carter from the Welsh Government. We will be finalising the transcript and we'll allow you to see that before it is published.

[275] **Mr Kilpatrick:** Okay. Excellent. Thank you very much.

[276] **Nick Ramsay:** Thank you. Thanks for being with us today. Before we go into private session, I should also in public thank Jennette Arnold and Katie Smith earlier for coming in and meeting with the committee to discuss new ways of working. In the private session, we'll be discussing the approach that they've suggested the London Assembly takes in private session.

15:52

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd ar gyfer eitemau exclude the public for items 6 and 7
6 a 7 yn unol â Rheol Sefydlog in accordance with Standing Order
17.42(vi). 17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[277] **Nick Ramsay:** With that, I move a motion under Standing Order 17.42 to close the public section of the meeting. All agree? Yes.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 15:52.

The public part of the meeting ended at 15:52.