

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	11 FEBRUARY 2016
TITLE	DRAFT LOCAL GOVERNMENT (WALES) BILL – WELSH GOVERNMENT CONSULTATION
PURPOSE OF THE REPORT	TO GIVE THE AUDIT COMMITTEE AN OPPORTUNITY TO CONSIDER THE BILL
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	APPROVE THE DRAFT COMMENTS OR PROPOSE MODIFICATIONS

1. INTRODUCTION

- 1.1 In July 2014 the Welsh Government published a white paper *Devolution, Democracy and Delivery – Reforming Local Government* which stated the Government's intention to introduce legislation to provide for local government reform. Two further white papers, published in October 2014 and February 2015, develop these proposals further. The first Local Government (Wales) Bill was adopted by the Assembly on 20 October 2015 – i.e. the Local Government (Wales) Act 2015 – which will allow preparations to be made for a programme of unification and reform of local government.
- 1.2 The Welsh Government is now consulting on the second Local Government (Wales) Bill; it is expected that this will come into force in 2017, i.e. the Local Government (Wales) Act 2017. The Bill proposes fundamental reforms to local government in Wales, and although one of the key aspects of the Bill is the reorganisation of local authorities, it also includes a range of other statutory provisions regarding the governance of county and community councils. All documentation can be found on the Welsh Government's website:-
[http://gov.wales/consultations/localgovernment/draft-local-government-\(wales\)-bill-consultation/?skip=1&lang=en](http://gov.wales/consultations/localgovernment/draft-local-government-(wales)-bill-consultation/?skip=1&lang=en)
- 1.3 The aim of the consultation is to provide an opportunity to comment on the provisions that will be considered by the Welsh Government after the May 2016 elections. The deadline for responses is 15 February 2016.
- 1.4 Different elements of the Bill have been discussed by the Standards Committee on 20 January and the Corporate Scrutiny Committee on 4 February. The comments are expected to be formally approved in Cabinet on 16 February.
- 1.5 This is an opportunity for the Audit Committee to contribute to Gwynedd Council's response to the consultation on the draft Bill.

2. SPECIFIC MATTERS

2.1 The Bill has been set out in 7 parts:

Part 1 Local Government Areas and County Councils

Part 2 General Power of Competence

Part 3 Promoting Access to Local Government

Part 4 Functions of County Councils and their Members

Part 5 County Councils: Improvement of Governance

Part 6 Community Councils

Part 7 Workforce Matters

2.2 Comments on the Bill have been invited by a number of members and senior officers, as it is a very broad.

2.3 However, there are two parts in particular that would be of interest to the Audit Committee, namely:

- **Part 1** (Local Government Areas and County Councils), **Chapter 3** (Establishing the Councils for the New Counties), **Section 16 (and Schedule 3)** that deals with New councils: finance.
- **Part 5** (County Councils: Improvement of Governance), **Chapter 7** that deals with Corporate Governance and Audit Committees.

3. NEW COUNCILS: FINANCE

- 3.1 The consultation document contains four specific questions in the field of Local Government Finance:

Question 1.7: Do you have any general comments on the provisions in section 16 and Schedule 3 of the Draft Bill relating to Local Government finance?

Question 1.8: How could the Welsh Government measure the current level of avoidance of Non-Domestic Rates?

Question 1.9: Do you have any comments or suggestions on how future legislation could help to reduce instances of avoidance of Non-Domestic Rates?

Question 1.10: In what other ways could the Welsh Government enable Local Government to reduce the level of avoidance and fraud within the Non-Domestic Rates system?

- 3.2 It is worth noting that it seems strange that these questions about non-domestic rates have been included in this consultation, as it is a somewhat peripheral matter to the main issue of the consultation, namely Local Government Reform.
- 3.3 A draft response to these questions is included in **Appendix 1. The Committee is asked to consider these responses, confirms that it agrees with the comments in Appendix 1, add to them, or offer alternative views.**
- 3.4 Also, the Committee is asked to consider another issue in this area, which does not appear as a specific question, but which is a far more central concern to the main area of this consultation. This could be addressed under question 1.12: are there other issues of a technical nature should also be considered?
- 3.5 This issue is the need for the Government to put arrangements in place for the harmonization of Council Tax levels for the new authorities from 1 April 2020. The new counties include areas that would have had different levels of Council Tax before then. In order to ensure that everyone in the new areas are paying the same level of Council Tax, transitional arrangements must be introduced so that the new authorities do not suffer losses due to Council Tax in some parts of the County being "frozen" until other parts of the new counties (that paid lower Council tax under the old regime), catch up.
- 3.6 At the time of local government reorganisation in 1996, these arrangements were in place, with government grant compensating the authorities during the transitional period. It is important that the Council presses for this for the 2020 reorganisation also.
- 3.7 **The Committee is asked to agree for the Head of Finance to offer comments to this effect as part of the Council's response to the draft Bill.**

4. CORPORATE GOVERNANCE AND AUDIT COMMITTEES

- 4.1 The Government's intention, through this Bill, is to expand the statutory role of council's audit committees, making them Corporate Governance and Audit Committees.
- 4.2 The relevant part of the Bill has been included in **Appendix 2**.
- 4.3 In Gwynedd Council, the Audit Committee is "those charged with governance". The intention of the Bill is to make this statutory.
- 4.4 It is seen that there is a reference to the duties of the Committee to assess the authority's ability to comply with its duties under section 111 of the Local Government (Wales) Act 2017. These duties are to ensure that the authority has appropriate governance arrangements. That is, that the County Council, in relation to the exercise of its functions, makes, implements and complies with arrangements ("governance arrangements") for the purpose of ensuring good governance, accountability, and economy, efficiency and effectiveness in its use of resources.
- 4.5 If the Bill comes into force, all authorities must conduct a Self-assessment of its Governance Arrangements as well as a combination of peer assessment, a joint assessment and independent governance review. The proposal in the consultation document is that the onus should be on the Corporate Governance and Audit Committees to hold the local authority to account for taking action in response to these.
- 4.6 The draft Bill requires the Corporate Governance and Audit Committees to review the Authority's response to reports and recommendations made under these assessments and, if appropriate, to make recommendations to the Authority. That would not be a move away from what we have already established in this Council.
- 4.7 The Bill also insists that one third of the members of the Corporate Governance and Audit Committee are lay members, and that the Chair is a lay member.
- 4.8 The consultation document includes the following question:

Question 5.4: Do you have any comments on the proposed role for the Corporate Governance and Audit Committee in relation to the Local Authority's response to the self-assessment, peer assessment, combined assessment and governance review?

4.9 The Council's draft response to the Bill, as discussed by the Corporate Scrutiny Committee on 4 February, notes:

1. There is no problem on the duty for good governance – That should be a natural part of every council's work. One point that this council has made consistently is the need to reduce the external inspection burden. If the self-assessment and peer review facilitates this, it is to be welcomed subject to the requirements around them not being too onerous and bureaucratic. In addition the proposed system for considering complaints does raise a clear risk of the system being used for malicious intent

2. The idea of placing the responsibility for corporate governance clearly within the remit of a single committee is a good one but this Council would emphasise that more detailed issues such as where to discuss matters should be left to individual councils rather than being set out in statute.

4.10 The Committee is asked to confirm that it agrees with the comments in paragraph 4.9, add to them, or offer alternative views.