Financial implications of the Local Government and Elections (Wales) Bill

March 2020
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Financial implications of the Local Government and Elections (Wales) Bill

March 2020
About the Committee

The Committee was established on 22 June 2016. Its remit can be found at: www.assembly.wales/SeneddFinance

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David Melding AM
Welsh Conservatives

Jenny Rathbone AM
Welsh Labour

The following Member was also a member of the Committee during this inquiry.

Rhun ap Iorwerth AM
Plaid Cymru
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**Conclusion 1.** The Committee believes that the provisions to extend the franchise to prisoners and young people in custody could have been more advanced prior to introduction of the Bill. The practice of introducing Bills with the intention of making substantial changes at a later stage by amending a Bill by-passes scrutiny, this is unsatisfactory and should not continue................. Page 16
1. Introduction

1. The Local Government and Elections (Wales) Bill (the Bill) and Explanatory Memorandum (EM), including Regulatory Impact Assessment (RIA) was introduced by Julie James AM, the Minister for Housing and Local Government (the Minister) on 18 November 2019.

2. On 19 November 2019, the Minister made a statement in Plenary introducing the Bill.

3. The Bill includes provisions for:

   - reform of electoral arrangements for local government, including:
     - extending the voting franchise to 16 and 17 year olds and foreign citizens legally resident in Wales;
     - changes to voter registration, and
     - enabling a principal council¹ to choose between the “first past the post” or the “single transferable vote” voting systems;
   - a general power of competence for principal councils and eligible community councils;
   - reforming public participation in local democracy;
   - the leadership of principal councils, including to encourage greater diversity amongst executive members and establishing a statutory position of chief executive;
   - the development of a framework and powers to facilitate more consistent and coherent regional working mechanisms;

¹ Section 167 (1) of the Bill defines a principal council as a council for a county in Wales or a council for a county borough (in Wales)
- a new system for performance and governance based on self-assessment and peer review, including the consolidation of the Welsh Ministers’ support and intervention powers;
- powers to facilitate voluntary mergers of principal councils and restructuring a principal area;
- local government finance including non-domestic rating and council tax;
- miscellaneous provisions relating to information sharing between regulators, community polls, fire and rescue authorities, the Local Democracy and Boundary Commission for Wales and Public Service Boards.2

4. The EM states that the Bill provides for:

   “the establishment of a new and reformed legislative framework for local government elections, democracy, performance and governance.”3

5. The Finance Committee (the Committee) took evidence on the financial implications of the Bill from:

   - Welsh Local Government Association (WLGA) (29 January 2020);
   - Minister for Housing and Local Government (6 February 2020).

6. The Committee also received written evidence from the Electoral Commission.

7. Policy scrutiny of the Bill was undertaken by the Equality, Local Government and Communities (ELGC).

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2 Explanatory Memorandum, page 5
3 Explanatory Memorandum, page 5
2. Financial implications of the Bill

Financial Summary

8. The net administrative cost of the Bill, considered over the ten-year appraisal period (2020-21 to 2029-30), is £17.2m. This includes:
   - recurrent costs totalling £13.3m;
   - transitional costs of £3.9m;
   - savings totalling £72,000.

9. The RIA describes many of the administrative costs to the Welsh Government and local government as “opportunity costs”, relating to the deployment of staff resources to implement the Bill.

10. The Bill also contains a number of areas that have not been costed, either on the basis that they relate to subordinate legislation or that the use of the power is unknown. The Committee has been critical of this approach in the past, conclusion 6 in its report on the financial implications of the Senedd and Elections Bill (Senedd Bill), said:

   “It is disappointing that a Commission Bill was introduced that contains subordinate legislation provisions that are not able to be fully costed and subject to scrutiny, particularly as Assembly Committees have previously criticised this approach.”

Proposed Stage 2 amendments

11. On introduction of the Bill, the Minister outlined in Plenary her intention to amend the Bill at a later stage to extend the franchise to prisoners and young

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4 Explanatory Memorandum, page 110  
5 Explanatory Memorandum, page 111  
6 Explanatory Memorandum, page 110  
7 Senedd and Elections (Wales) Bill  
8 Finance Committee Report: Financial Implications of the Senedd and Elections (Wales) Bill
people in custody. The Minister explained this provision would apply to people serving a custodial sentence of less than four years and that she intended the provisions would be implemented in time for the 2022 elections. She said there “simply has not been enough time to work through and test with the UK Government, HM Prison Service and Electoral Registration Officers (EROs) all the new legal and administrative requirements” for the provisions to have been ready for introduction.

12. The Minister noted that when the Senedd Bill was introduced, the Llywydd asked the ELGC Committee to undertake an inquiry into prisoner voting. The Minister outlined that she had given a commitment not implement changes “until we understood what the outcome of their piece of work was”. The Minister went on to say that the provisions would reflect what the Committee identified in its report as the “best outcome” and that the Welsh Government were effectively adhering to the Committee’s recommendations.

13. In terms of financial implications, the Minister said the effect of this change to the franchise was “not extensive” and that she would co-operate with the Committee to provide the “best information available”.

14. Subsequently, on 24 February 2020, the Minister wrote to the Committee and provided draft Stage 2 amendments relating to the extension of the franchise for local government elections to certain prisoners and young people in custody.

15. Further information was received from the Minister on 2 March 2020, which included some financial information. The letter stated:

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9 Plenary, Record of Proceedings (RoP), 19 November 2019, paragraph 187
10 Plenary, RoP, 19 November 2019, paragraph 188
11 The Member in charge of the Bill
12 Finance committee, RoP, 6 February 2020, paragraph 10
13 Finance committee, RoP, 6 February 2020, paragraph 12
14 Letter from the Minister for Housing and Local Government, 24 February 2020
The costs associated with Stage 2 amendments are not normally provided until after the amendment is passed, but on an exceptional basis and setting no precedent, the information is provided below.\(^{15}\)

16. The letter details that the proposed enfranchisement of certain prisoners and young people in custody will add approximately 1,900 voters to the electoral register at a cost of approximately £2,300 in total across Wales (based on £1.22 per elector). The administrative costs of eligible prisoners and young people being able to vote at the local government elections in May 2022 would be about £4,300 in total across Wales (£2.23 per elector).\(^{16}\)

17. In a letter to the ELGC Committee, the Minister also indicated other changes that may be introduced through amendments relating to executive governance arrangements.\(^{17}\)

18. The Minister said these were primarily focused on mayoral elections, which she considered to be a "corrective measure"\(^{18}\). The Minister’s official explained:

> “It’s a timing issue, because potentially, if you elected a full council in the May, then under legislation, you’d have to elect a leader and there’d have to be a cabinet, and then you could have the election for the mayor several months later, who would then come in, and then it would all change, so it’s quite potentially disruptive for the authority. And costly, for two elections.”\(^{19}\)

**Engagement with stakeholders**

19. In the Minister’s Plenary statement upon introduction of the Bill, she noted the extensive consultation to which the provisions of the Bill had been subject.\(^{20}\)

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\(^{15}\) Letter from the Minister for Housing and Local Government, 2 March 2020

\(^{16}\) Letter from the Minister for Housing and Local Government, 2 March 2020

\(^{17}\) Letter from the Minister to the ELGC and Finance Committees, 5 December 2019

\(^{18}\) Finance committee, RoP, 6 February 2020, paragraph 15

\(^{19}\) Finance Committee, RoP, 6 February 2020, paragraph 34

\(^{20}\) Plenary, RoP, 19 November 2019, paragraph 175
20. The WLGA agreed there has been “good engagement”21 and that “all four political group leaders on the WLGA have been involved in all aspects of the Bill”.22 It continued:

“...we know that there’s good engagement going on—as there has been in the past—with various workshops, through some established groups like the revenues and benefits group, for example, and we’re looking at anti-avoidance in terms of non-domestic rates. There’s an ongoing conversation there. So, if something hasn’t been costed up, we’d expect to see it costed up in the future, with our help. And then the question remains: does it get funded?”23

21. The WLGA also noted that some of the costings “have been tested; some perhaps haven’t been”, but went on to say the more costly elements of the Bill have “been tested” by the Wales Elections Co-ordination Board (WECB)24, which includes returning officers, electoral administrators and the Electoral Commission.25

22. The WLGA suggested the financial challenges for local authorities “remain”26 and would continue into the future. The WLGA noted:

“...it’s a really tall order to solve the problems caused by austerity through legislation, as opposed to funding, but this will help us, I think, to become more efficient and better at dealing with the implications of increasing demand and decreasing resources. So, to that extent, I think it’s a welcome part of the solution, if not the solution as a whole.”27
23. The WLGA emphasised that the Welsh Government should “fully fund any new national initiatives or the implications of any legislation on local authorities”\(^{28}\), and was “less concerned about the uncosted costs” in the Bill and more concerned about “whether they’re funded when they’re eventually quantified”.\(^{29}\)

24. The Minister agreed that the financial challenges for local government “are certainly still there” but also highlighted that the local government settlement 2020-21 was the “best settlement...in nine years or so”.\(^{30}\)

25. The Minister said the focus of the Bill has “switched” from structural reform to improving governance, performance and sharing good practice. The Minister suggested that it would take time, following a restructure, for “innovative good practice” to come “back out again”\(^{31}\). She also suggested that whilst the focus of the Bill was not financial savings, she would be “very surprised” if there weren’t savings for local authorities as a result.\(^{32}\)

Committee view

26. The Committee is pleased to hear that there has been good engagement between the Welsh Government and the WLGA and that this engagement is ongoing as the Bill progresses. Evidence from the WLGA suggested it was comfortable with the approach being taken to the Bill’s development. The Committee notes the engagement of stakeholders and specialist groups, for example, that some of the more costly elements of the Bill have been considered by the WECB.

27. The Committee acknowledges that local authorities will receive a better financial settlement for 2020-21, which has been welcomed by the WLGA. The Committee also note the Minister’s view that this Bill could result in savings for local authorities, albeit this is not the main objective of the legislation. However,

\(^{28}\) Finance Committee: Paper 2 Written evidence from the WLGA

\(^{29}\) Finance Committee, RoP, 29 January 2020, paragraph 9

\(^{30}\) Finance Committee, RoP, 6 February 2020, paragraph 4

\(^{31}\) Finance Committee, RoP 6 February 2020, paragraph 4

\(^{32}\) Finance Committee, RoP, 6 February 2020, paragraph 6
this Bill represents a significant change for local government and the Committee believes the Bill should go further in supporting and enabling local government to manage the financial challenges it faces.

28. The Committee is concerned that the Bill contains a number of enabling powers for Welsh Ministers that may be brought forward through subordinate legislation. The Committee has raised on a number of occasions that the Welsh Government should include a best estimate of the costs associated with subordinate legislation alongside the relevant primary legislation. In the Committee’s report on its Inquiry into the financial estimates accompanying legislation, recommendation 13 stated:

“The Committee recommends that the Welsh Government commit to providing as full a picture of the costs of subordinate legislation as possible when proposing primary legislation.”

29. The Welsh Government’s response accepted this recommendation, stating:

“The revised guidance in the Legislation Handbook on Assembly Bills already makes it clear that the RIA for a Bill should, as far as is practicable, include the costs and benefits of any associated subordinate legislation.”

30. The Committee is concerned that the Minister announced, upon introduction of the Bill, her intention to bring forward amendments at Stage 2 to extend the franchise to prisoners and young people in custody and to executive governance arrangements. The Committee appreciates the Minister sharing the draft amendments and some financial information in relation to prisoners voting. However, the Committee is disappointed by the Minister’s comments that the costs associated with Stage 2 amendments are not normally provided until after the amendment is passed, but that she has provided this information “on an exceptional basis and setting no precedent”.

33 Finance Committee report: Inquiry into the financial estimates accompanying legislation
34 Letter from the Cabinet Secretary for Finance, 19 December 2017
35 Letter from the Minister for Housing and Local Government, 2 March 2020
31. Whilst the Committee recognises that the costs associated with amendments are not usually provided prior to amending stages of a Bill, on this occasion the proposed changes were announced on introduction and therefore it should be expected that scrutinising the proposals and the associated costs would form part of Stage 1 scrutiny. Additionally, the Committee would not expect the Member in Charge of any Bill to use the amending stages to introduce new, extensive, policy proposals which have not been subject to Stage 1 scrutiny.

32. Given the costs relating to extending the franchise to prisoners and young people in custody was provided less than two weeks before the Stage 1 reporting deadline, the Committee has been unable to comment on the costs of those provisions. Although it notes that the calculations use figures attributed to the general electorate in the RIA and the Committee is not fully convinced that the cost of prisoners registering and voting would be exactly the same as the general electorate.

33. The Committee has been critical of similar approaches in the past, such as that taken by the Assembly Commission during passage of the Senedd Bill, in relation to the financial oversight arrangements of the Electoral Commission. The Committee believes that on introduction Bills should be as complete as possible and contain all relevant financial information.

34. The Committee reiterates its view that inserting new provisions via amendments at Stage 2 reduces the Assembly’s ability to consider the overall costs of the legislation proposed, particularly as the opportunity for financial scrutiny of such changes is limited. The Assembly is asked to approve a financial resolution prior to Stage 2 proceedings and the Committee believes it is essential that the Assembly has the relevant financial information available to ensure it is able to make an informed decision in relation to committing resources. The Committee may consider taking further evidence from the Minister on the financial implications of extending the franchise to prisoners and young people in custody, once amendments have been tabled.

Conclusions 1. The Committee believes that the provisions to extend the franchise to prisoners and young people in custody could have been more advanced prior to introduction of the Bill. The practice of introducing Bills with
the intention of making substantial changes at a later stage by amending a Bill by-passes scrutiny, this is unsatisfactory and should not continue.

**Recommendation 1.** The Committee recommends that the Welsh Government commits to providing full and robust Regulatory Impact Assessments for any relevant subordinate legislation made as a result of this Bill.
3. Elections and voting

Registration of 16 and 17 year olds and foreign citizens

35. The Bill provides for the extension of the local government franchise to 16 and 17 year olds and to citizens of other countries, lawfully resident in Wales. The Bill uses the cost of electoral administration in Great Britain: Financial information surveys 2009-10 and 2010-11, to estimate the cost per elector of registration.37

36. Using data from the Office for National Statistics, the Welsh Government has estimated that, at the end of 2017, there were 33,000 legal foreign citizens that were not citizens of the Commonwealth, Republic of Ireland or EU residing in Wales.39

37. The RIA estimates the total annual cost to local government of registering the additional electorate – foreign citizens legally resident in Wales - at £40,000 annually.40 Whilst the increased cost of all newly enfranchised individuals voting (16 and 17 year olds and foreign citizens) is estimated at £227,000, overall, per election.41

38. There was a dependency between this Bill and the Senedd Bill, in terms of registration of 16 and 17 year olds. The RIA states:

“Subject to the Senedd Bill receiving Royal Assent in line with the anticipated timetable, there would be no additional costs for local government as a result of this Bill, as the registration of newly

36 Cost of electoral administration in Great Britain: Financial information surveys 2009-10 and 2010-11
37 Explanatory Memorandum, page 120
38 Office for National Statistics
39 Explanatory Memorandum, page 121
40 Explanatory Memorandum, page 121
41 Explanatory Memorandum, page 123
enfranchised 16 and 17 year olds would be completed pursuant to the provisions of the Senedd Bill.”


40. In December 2019, the Minister wrote to ELGC Committee, noting that the Welsh Government would make available “a minimum of £1m in the 2020/21 financial year to support electoral administration teams” in respect of registering new electors and promoting the right to vote to the extended franchise.

41. The WLGA welcomed the Minister’s commitment of £1m in the 2020/21 financial year and said it was a “fair reflection of the cost”.

42. The Minister said that all local authorities would have “the same expense, regardless of the size of the electorate, for some of the proposals, like changing the electoral registering systems”. However, she acknowledged that local authorities with larger electorates would have increased costs such as printing ballot papers and she “would make sure that the settlement reflects the cost to the local authority”.

43. Subsequently, the Minister announced an Electoral Reform Support Grant of £100,000 would be made available to all local authority Electoral Services teams over two years.

44. The Committee questioned the Minister as to the view of local authorities regarding this funding and whether it was sufficient to cover their costs, she said:

“I think they’re welcoming the additional money …, we’ll work with them as we know where the electorate falls to make sure that there aren’t any disproportionate costs falling on any large authorities, or authorities disproportionately affected by any of this.”

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42 Explanatory Memorandum, page 121
43 Letter from the Minister for Housing and Local Government, 19 December 2019
44 Finance Committee, RoP, 29 January 2019, paragraph 46
45 Finance Committee, RoP, 6 February 2020, paragraph 19
46 Written Statement: Launch of Electoral Reform Support Grant, 3 February 2020
47 Finance Committee, RoP, 6 February 2020, paragraph 37
Encouraging local people to participate in local government

45. Under the Bill, principal councils will also be required to promote awareness of electoral arrangements among young people. The RIA has assumed that principal councils will allocate 50 per cent of an officer at grade 43 (£30,000, including on costs) for this activity and £10,000 for events and materials (to be incurred in the first two years after the Bill is passed).48

46. Part of the Electoral Commission’s role is to carry out awareness raising activities, including campaigns that consider harder to reach groups. To provide costs associated with this activity the RIA uses evidence provided to the Expert Panel on Assembly Reform from the Electoral Commission.49 This noted that £120,000 was spent in Scotland on awareness raising activities focused on newly enfranchised younger voters. This has been uprated for both newly enfranchised younger voters and foreign citizens enfranchised, the total cost is estimated to be £112,000.50

47. The RIA notes that the Electoral Commission’s guidance would need to be reviewed and amended, but does not include costs for this, suggesting it would be undertaken as part of the standard review of that material. However, the RIA details the Electoral Commission would be required to re-design and test new invitation to vote forms (as well as potential minor changes to other forms) at a cost of £75,000.51

48. The Bill contains provisions to “encourage a more diverse range of members of the public to engage with local democracy” and requires principal councils to develop their public engagement activity and places a duty on them to produce a Public Participation Strategy.52

48 Explanatory Memorandum, page 124
49 Expert Panel on Assembly Reform from the Electoral Commission
50 Explanatory Memorandum, page 125
51 Explanatory Memorandum, page 126
52 Explanatory Memorandum, page 26
49. As part of this the Welsh Government would incur costs in establishing guidance for public participation strategies of £7,000 (in 2021-22).\textsuperscript{53}

50. Principal councils will be required to “pro-actively promote the ideals of democracy and public participation” within their areas.\textsuperscript{54} The RIA has assumed two principal officers (25 days each) would be nominated to work with colleagues and, potentially with members of the public, to encourage public participation at a cost of £254,000 for all principal councils.\textsuperscript{55}

51. In a written statement issued on 3 February 2020, the Minister outlined that she and the Minister for Education had committed £800,000 to support new and existing voters in understanding their democratic rights and engaging with the democratic processes.\textsuperscript{56}

52. The Electoral Commission said the resources included in the RIA were “approximately accurate”,\textsuperscript{57} but suggested that, in addition to its usual spend on awareness raising, it anticipates expenditure of between £100,000 and £150,000 on voter registration campaigns in 2021 and 2022, specifically for franchise change communications.\textsuperscript{58}

53. When asked about the calculations for the cost of raising awareness across local authorities, the Minister said she didn’t “expect it to be uneven” other than for foreign nationals as most of the changes “occur uniformly across Wales because they’re administrative”.\textsuperscript{59}

54. The Minister provided more detail on awareness raising plans:

   “A section for the 16 and 17-year-olds, which is being done via the curriculum in schools and FE colleges … because it’s more of a captive audience. … we know where they are and it’s easy to reach them. For

\textsuperscript{53} Explanatory Memorandum, page 156
\textsuperscript{54} Explanatory Memorandum, page 156
\textsuperscript{55} Explanatory Memorandum, page 157
\textsuperscript{56} Written Statement: Launch of Electoral Reform Support Grant, 3 February 2020
\textsuperscript{57} ELGC Committee, RoP, 15 January 2020, paragraph 20
\textsuperscript{58} Finance Committee: Written Evidence Electoral Commission
\textsuperscript{59} Finance Committee, RoP, 6 February 2020, paragraph 44
the population in general, obviously that’s much more difficult, and so we’ll be collaborating with the Commission about how to do a general awareness-raising exercise about the electoral arrangements for both the Senedd changes in franchise and then the mirrored changes in the franchise for local government immediately afterwards.”

55. The WLGA noted their support for the Welsh Government’s ambitions in relation to promoting access to local government. In terms of the costs of this element of the Bill, the WLGA noted that these seemed “proportionate and estimates reasonable”.

56. However, the WLGA also noted that a requirement existed to “involve” the public through the Wellbeing of Future Generations (Wales) Act 2015 and said it was “not clear what additional value a new ‘public participation duty’ on local authorities would achieve”.

57. Similarly to aspects of the RIA relating to elections and voting, the Welsh Government has taken a general approach to estimating the costs to local authorities on public participation duty and these are not detailed on an individual basis. The Minister suggested that:

“We expect local authorities to take a similar approach to meeting this duty regardless of their size, and we expect them to share knowledge, expertise, materials and experiences across Wales in order to do this. ... We don’t think size matters... we think that a small authority might have just as many expenses in putting their scheme together as a larger authority, because you’d still want to reach all the groups in that authority, regardless of the size.”

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60 Finance Committee, RoP, 6 February 2020, paragraph 47
61 Finance Committee: Paper 2 Written evidence from the WLGA
62 Finance Committee: Paper 2 Written evidence from the WLGA
63 Finance Committee: Paper 2 Written evidence from the WLGA
64 Finance Committee, RoP, 6 February 2020, paragraph 82
58. The Minister went on to say that “if it turns out that it’s very much more expensive in one particular authority, we’d be happy to look at that. But we really don’t anticipate that”.\(^{65}\)

Allowing principal councils to choose between two voting systems

59. The Bill provides for individual principal councils to choose between First Past The Post (FPTP) and the Single Transferable Vote (STV) voting systems for local government elections.\(^ {66} \)

60. The RIA notes that should a principal council choose to exercise the option of changing their voting system, there would be additional costs. However, it notes that “these costs are currently unknown”.\(^ {67} \)

61. The WLGA said “different political parties have different views” regarding STV and that currently “there’s no support for that option within local elections going forward”. As such, the WLGA said that it hadn’t undertaken any costings “of what STV might cost if an authority decided itself to implement it”.\(^ {68} \)

62. The WLGA added that if an authority did choose to use STV, there would need to be discussion with the Welsh Government around any costs\(^ {69} \) and “there would be costs in terms of information campaigns, communication campaigns with the local electorate, and, obviously, working with parties locally”.\(^ {70} \)

63. The WLGA said the Electoral Commission would need to be involved and suggested the Electoral Commission had concerns:

    “... about variation of systems and risk of confusion, because they would want a more straightforward, national information

\(^{65}\) Finance Committee, RoP, 6 February 2020, paragraph 84

\(^{66}\) Explanatory Memorandum, page 13

\(^{67}\) Explanatory Memorandum, page 131

\(^{68}\) Finance Committee, RoP, 29 January 2020, paragraph 30

\(^{69}\) Finance Committee, RoP, 29 January 2020, paragraph 31

\(^{70}\) Finance Committee, RoP, 29 January 2020, paragraph 31
communication campaign. And, obviously, there would be significant training implications for electoral staff in that particular authority.”

64. The Electoral Commission suggests that if local elections in Wales operated two separate electoral systems it would “potentially need to produce additional guidance and public awareness material”. The Electoral Commission said it had not yet estimated the cost of this work as the “provision will not come into force for the 2022 elections”.

Improving voter registration arrangements

65. The Bill makes changes to the electoral registration system, making it “easier” for individuals to be included on the electoral register through improved data-sharing and other measures and provides EROs with the power to add individuals to the register without the need for them to apply.

66. The Bill also includes a regulation making power to establish an all-Wales database of electoral registration information, which the EM notes as necessary to enable mobile polling stations and remote voting.

67. The RIA states it “does not define any costs to the Welsh Government for making regulations to establish an all-Wales database of electoral registration information as this option would provide the Welsh Ministers with an enabling power only”.

68. The EM notes:

“The creation of workable proposals to bring about a Database of Electoral Registration Information will be extended and complex, and will need developing in collaboration with other stakeholders. For this reason, the Bill provides a power for the Welsh Ministers, by

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71 Finance Committee, RoP, 29 January 2020, paragraph 31
72 Finance Committee Written Evidence: Electoral Commission
73 Explanatory Memorandum, page 15
74 Explanatory Memorandum, pages 131 - 132
75 Explanatory Memorandum, page 132
regulations, to establish and maintain a database of electoral registration.”

69. The Minister said there is “quite a lot of things to do” before developing the all-Wales database, adding:

“So, we don’t want to run before we can walk, so we’re going to do all the original changes first, so, all of the other things that the electoral registration officers want to do, while we develop the database afterwards. Then when we put the regulatory impact assessment in place for that, obviously we’ll be putting the costs for that. But we haven’t even started it yet, so trying to estimate the costs before you’ve even started is quite difficult.”

70. During evidence to the ELGC Committee, the Local Democracy and Boundary Commission for Wales felt that whilst there is a “great benefit” for an all-Wales database, it would be resource intensive. It highlighted:

“it would require a lot of planning, particularly around the information and communications technology element and security, because you will be holding very, very sensitive information. It would require, possibly, even a move of premises for us and building up our ICT capacity to be able to do that, and that would require quite intensive initial capital investment and then the ongoing cost of maintaining the register.”

71. The Minister suggested that work in this area would start “after the first lot of elections under the new system”.

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76 Explanatory Memorandum, page 17
77 Finance Committee, RoP, 6 February 2020, paragraph 49
78 ELGC Committee, RoP, 9 January 2020, paragraph 391
79 ELGC Committee, RoP, 9 January 2020, paragraph 393
80 Finance Committee, RoP, 6 February 2020, paragraph 51
Electoral Pilots

72. The Bill enables Welsh Ministers to direct Returning Officers and EROs to conduct a specific electoral pilot at a local government election. The RIA notes that the Electoral Commission are under an existing duty to evaluate any pilot.81

73. The RIA states that the pilots are likely to take place gradually between 2022 and 2027. A detailed analysis of the likely costs will be produced prior to Welsh Ministers making a direction requiring a principal council or EROs to pilot an alternative system.82

74. The Electoral Commission said it welcomed the initiative being taken by the Welsh Government to provide for election pilot schemes. However, it believes the Bill should include a duty for the Electoral Commission to evaluate any pilot scheme run at a local government election in Wales, in line with the equivalent duty for pilot schemes at local elections in England or Scotland.83

75. The Electoral Commission said this would enable an independent and evidence based assessment of the success or otherwise of the scheme in facilitating and encouraging voting. The Electoral Commission said it had not yet estimated the cost of this work as the provision will not come into force for the 2022 elections.84

76. When asked whether there was any indication of what type of pilots could be undertaken and their potential costs, the Minister said “the answer to that is quite simply 'no'”. She said she would be working with the Association of Electoral Administrators (AEA) and the Wales Electoral Co-ordination Board WECO to “work out a programme of pilots” across Wales to test various systems, rather than allowing individual authorities “to come forward with pilots that don’t necessarily form a programme”.85

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81 Explanatory Memorandum, page 21
82 Explanatory Memorandum, page 135
83 Finance Committee Written Evidence: The Electoral Commission
84 Finance Committee Written Evidence: The Electoral Commission
85 Finance Committee, RoP, 6 February 2020, paragraph 59
77. However, the Minister later added:

“There might be one or two pilots around slightly different voting methods because of the young people, so I’m very keen on looking at whether we can do something around voting where they study, for example, but we’re not in a position to take that forward at the moment.”

78. The Minister explained that the Bill includes a power to direct local authorities to undertake a pilot “because if the Electoral Commission wants to do something, then it may be that we have to do it on a regional basis”. She added:

“We’re not anticipating having any problem with this, and I emphasise we’ve never had any problem with any local authority not doing it, but we wouldn’t want to be not able to conduct a regional pilot because one authority didn’t want to do it. So, we are giving ourselves a power to direct them, although I don’t anticipate it would ever be necessary.”

Returning Officers’ expenses

79. The Bill clarifies that Returning Officers can only claim expenses properly incurred in the running of a local government election in Wales. Personal fees in respect of services rendered during the conduct of a local government election cannot be claimed as they are not “expenses”. The RIA does not expand on the implications of this change.

80. During scrutiny of the Senedd Bill, the Committee’s recommendation 8 to the Welsh Government said:

“The Committee recommends the Welsh Government reviews the fees paid to Returning Officers as part of the Maximum Recoverable Allowance with a view to considering whether there are cost savings

References:
86 Finance Committee, RoP, 6 February 2020, paragraph 64
87 Finance Committee, RoP, 6 February 2020, paragraph 61
88 Finance Committee, RoP, 6 February 2020, paragraph 61
89 Explanatory Memorandum, page 22
that could be made. The Committee expects to see this covered in the forthcoming Regulatory Impact Assessment for the proposed Local Government Bill.”

81. The Minister said:

“When you look into this, it gets more and more complex because individual authorities set different fee levels and have different schemes, and have different reclaimable expenses, and so on. So, there’s no pattern across Wales. It’s completely different authority to authority, so we haven’t been able to say, ‘This is a good scheme, this isn’t a good scheme’, so that’s quite difficult.”

82. The Minister went on to outline an estimate of the potential savings, and also why these were not included in the RIA:

“We think that the estimate of savings for not paying these fees is about £9,000 per authority, so just under £200,000 across Wales, but that is an estimate because it’s not clear at all how every local authority does this, and some of them declare it in different ways, and so on; it’s quite complicated. So, we haven’t included those savings as we don’t think they’re realisable because, actually, the different contracts work in different ways and different claiming systems, and so on. We want to work with the local authorities and the Welsh Local Government Association to work up a scheme that’s national for Wales, but we’re not in a position to do that at the moment.”

Committee view

83. The Committee is concerned that some costs in the RIA in relation to voting, elections and awareness raising have been averaged across principal councils and do not account for variances in local authority areas. Whilst the Committee notes the Minister’s view that some costs will be the same for all local authorities,
such as changing the electoral registration systems, other costs are likely to fall more heavily in certain areas.

84. Understanding the costs for different principal councils in implementing changes relating to voting, elections and awareness raising will be crucial for the fair allocation of any funding the Welsh Government provides and the Committee would welcome clarification as to what formula will be used to determine how this funding will be allocated.

85. The Committee believes there will be variation in costs between local authorities and notes the Minister’s intention to work with local authorities to identify where the “electorate falls”. However, the Committee would have expected this work to have been undertaken during preparation of the RIA.

86. The Committee notes the provisions in the Bill aimed at pro-actively promoting the ideals of democracy and public participation across Wales and welcomes the £800,000 allocated by the Minister to support new and existing voters in understanding their democratic rights and engaging with the democratic processes. The Committee welcomes the provisions to promote access to local government, however, it also notes the potential level of resources required to implement these changes.

87. The Committee is disappointed that the Welsh Government has not provided any cost assessment for local authorities that may decide to implement a STV system. Whilst local authorities may not change their voting system, it is reasonable to expect the RIA to include an indication of what resources might be required should a change be implemented and the potential extent of costs involved.

88. The Committee is concerned that if two separate electoral voting systems are in operation across local authorities in Wales this could lead to confusion for the electorate. The Committee believes there will need to be additional guidance and a public awareness campaign to mitigate risks if there is a change of voting system. This should have been detailed in the RIA.

89. The Committee is disappointed that the RIA does not define any costs for making regulations to establish an all-Wales database of electoral registration information. The Committee notes the Minister’s intention that the financial
Information will be brought forward as part of the RIA that accompanies the relevant regulations. The Committee therefore expects the regulations to have full and properly costed RIA and expects to be advised when this information is available.

90. The Committee is unclear as to what electoral pilots may be undertaken and would welcome clarity from the Minister on this point. The Committee acknowledges the Welsh Ministers could use the power if they want to conduct a regional pilot and one authority did not want to participate but notes the Minister did not anticipate having to use the power. It would have been helpful for the RIA to have provided more of a context in terms of how this power would be used and the implications of its use.

91. The Committee welcomes the clarification in the Bill that Returning Officers can only claim expenses properly incurred in the running of a local government election in Wales and that personal fees in respect of services rendered during the conduct of a local government election cannot be claimed as they are not “expenses”.

92. The Minister noted that there were potentially savings for not paying these fees of approximately £9,000 per authority or £200,000 across Wales. However, she suggested the savings were not reliable enough to be included in the RIA. While the Committee accepts that it would be potentially misleading to include information in an RIA that has a significant degree of uncertainty, the Committee expects to see information included that may support scrutiny and understanding of the extent of the change. The Committee welcomes the Minister’s commitment to work with the WLGA and local authorities in the future on a national scheme and requests an update on this when available.

**Recommendation 2.** The Committee recommends that the Welsh Government undertakes further work to identify the distribution of the electorate across Wales and clarifies the approach it intends to take to any funding allocated to support the provisions in the Bill relating to elections and voting.

**Recommendation 3.** The Committee recommends that the Welsh Government explores with stakeholders the costs involved in a local authority
deciding to implement a Single Transferable Voting system and includes any relevant information in an updated Regulatory Impact Assessment.

**Recommendation 4.** The Committee recommends that the Welsh Government undertakes further work to identify the costs associated with establishing an all-Wales database of electoral registration information and provides as much information as possible in a revised Regulatory Impact Assessment.

**Recommendation 5.** The Committee recommends that the Welsh Government commits to providing a full and robust Regulatory Impact Assessment to accompany the relevant subordinate legislation required to implement the all-Wales database of electoral registration information.

**Recommendation 6.** The Committee recommends that the Welsh Government provides further information on the types of pilot schemes it may wish to trial and the potential resources required for such activity.

**Recommendation 7.** The Committee recommends that the Welsh Government undertakes further analysis of the likely savings of provisions associated with Returning Officers expenses and include any relevant detail in an updated Regulatory Impact Assessment.
4. Promoting Access to Local Government

Require principal authorities to make a petition scheme and abolish Community Polls

93. The RIA notes that the current system of community polls is “expensive and restrictive”, citing recent polls on Flint Community Hospital and Rhiwbina Library that cost £3,000 and £5,000 respectively. The RIA note turnout for polls has ranged from 9 per cent to 37 per cent.93

94. The Bill repeals the Local Government Act 1972 relating to community polls and replaces it with the requirement for principal councils to establish a petition scheme.94

95. The Welsh Government will be required to produce guidance to support principal councils in preparing schemes, at a transition cost of £9,000.95

96. Principal councils will incur costs in terms of the preparation, management and review of their scheme. The costs of producing the initial scheme (in 2022-23) across all 22 principal councils is estimated at £67,000.96

97. The RIA notes that, at present, principal councils receive between three and 17 petitions per year, it uses a figure of 11 petitions per year and officer time in managing and monitoring the petitions website and collating petitions (one hour a day and an additional hour per week) to reach a cost of £176,000, per year (from 2022-23), for all 22 principal councils.97

98. The RIA assumes that the majority of principal councils will establish an e-petitions system. It notes that currently most principal councils operate an electronic management system for petitions (with 21 using the same provider whose package can activate an e-petition programme at no additional cost).

93 Explanatory Memorandum, pages 160 - 161
94 Explanatory Memorandum, page 161
95 Explanatory Memorandum, page 162
96 Explanatory Memorandum, page 162
97 Explanatory Memorandum, page 163
Establishing a standalone system is estimated to cost £12,500 initially and £4,000 per annum in maintenance for each principal council (or a transitional cost of £275,000 and ongoing cost of £88,000 per annum for all 22 principal councils). 98

99. The WLGA said it was “broadly supportive of the approach to petitions” noting that a number of councils already accept them and that the process was “well-recognised, particularly by the public”. 99

100. The Minister said the “bulk of the cost” would be establishing and maintaining an electronic petitions scheme and that with an e-petition scheme “it doesn’t matter how many petitions you have, the cost is the same”. 100

101. The Minister said:

“…we’ve put a managing and monitoring scheme in place, which is just under £8,000 per annum per council, which is based on 11 petitions a year per council.”

102. The WLGA said that community polls were onerous and “costly, for authorities”. It said the petitions process was a far more cost-effective and public-friendly approach “to getting a public view on a particular issue within an authority area”. 101

103. The Minister agreed that community polls are not effective and “very expensive” 102

104. When asked why savings for removing the use of community polls were not included in the RIA, the Minister explained:

“…at the moment, community polls are very rare. Almost nobody’s used them—less than once a year. So, actual costs are pretty low; potential costs are pretty high. So, the authority has to hold the potential to have a community poll, but the actual expenditure is

98 Explanatory Memorandum, page 163
99 Finance Committee, RoP, 29 January 2020, paragraph 87
100 Finance Committee, RoP, 6 February 2020, paragraph 100
101 Finance Committee, RoP, 29 January 2020, paragraph 88
102 Finance Committee, RoP, 6 February 2020, paragraph 103
pretty low. So, it’s really difficult. We have tried really hard to think about it, but, again, it is pretty difficult to do that. It’s got to be a best educated guesstimate, because we don’t have any actual figures.…. What we’re hoping is to have a system that generates much more engagement, but is actually much more certain for the authority in terms of what it might cost and what they might expect.”

105. The WLGA highlighted that moving to a more inclusive petitions scheme, particularly electronic petitions could increase demand, however, this could be managed in terms of the specific criteria “around what types of issues can be considered through petitions”. The WLGA acknowledged “we don’t really know yet how much additional work there would be”.

Electronic broadcasts of meetings

106. The Bill requires all principal councils to make arrangements to broadcast their meetings (including meetings of committees and sub-committees) and to make those broadcasts available for a “reasonable” period after the meeting.

107. The RIA notes that 18 out of 22 principal councils either regularly broadcast or have broadcast meetings in the past.

108. In 2012-13, a £40,000 grant was made available to support principal councils to broadcast council meetings and to enable remote attendance at council meetings.

109. The RIA notes that discussions held with principal councils, the company providing the broadcasting service and the WLGA have identified that a single
broadcasting contract for Wales would result in costs to a principal council for an average broadcasting package of circa £12,000 per annum”.108

110. The WLGA suggest that the costs in the RIA are likely to be a “significant underestimate”. The WLGA questioned whether developing an all-Wales contract is feasible, but also noted it was difficult to provide an accurate estimate.109

111. The WLGA outlined that local authorities are “starting from different starting points”. It said there could be an initial capital outlay for some local authorities as well as recurring administrative costs such as “staff who are monitoring the broadcast, the stream, ensuring it’s still going out live without any technical issues, and people to manage the cameras”.110

112. The WLGA detailed that:

“...the RIA assumes that there would be an all-Wales contract let and there would be savings as a result of that, which may potentially be the case in the future, but feedback from authorities suggests—. I think the RIA says that the cost is around £12,000 extra per authority; the feedback we’re having from authorities at the moment is that it’s averaging at around £24,000 in addition. It really depends on what authorities currently do. Some have very extensive and expensive systems that are all-singing and all-dancing, very similar to Senedd.tv, where members of the public can tune in and click on particular items on the agenda and particular speakers, while others have a lower cost option that is essentially YouTube, but it’s just one long three-hour or four-hour meeting, so it’s not particularly intuitive for members of the public. So it really depends on where authorities are at currently.”111

108 Explanatory Memorandum, page 173
109 Finance Committee: Paper 2 Written evidence from the WLGA
110 Finance Committee, RoP, 29 January 2020, paragraph 92
111 Finance Committee, RoP, 29 January 2020, paragraph 92
113. The Minister said she would work with local authorities to consider whether having an all-Wales broadcasting contract was the “most cost-effective way” of proceeding.112

114. The Minister has also been discussing with the WLGA what is meant by broadcasting “all meetings”, adding:

“What we do want to be sure is that the principal council meetings, the principal cabinet meetings and the ones where the big decisions are made are definitely broadcast all the time, with good broadcasting material that can be accessed by people.”

115. The Minister suggested that the Welsh Government would be preparing guidance on this issue,113 adding:

“... we will have a set of guidance around proportionate and practical ways of ensuring that as many meetings as possible go ahead, but that the validity of the meeting is not affected by the failure of broadcasting equipment.”114

Committee view

116. The Committee welcomes the proposals around implementing a system of petitions across local authorities, especially in light of the evidence received that suggests community polls are onerous and costly. The Committee believes a petitions system is a more effective and efficient way for the public to engage with the democratic process. However, the Committee would have liked the RIA to have explored the likely savings of abolishing community polls in more detail and considered whether this could offset any costs of the new petitions system.

117. The Committee notes there would be initial costs to local authorities to establish an e-petitions scheme, with ongoing cost for managing the scheme and monitoring the petitions subsequently received. The Committee is concerned with the Minister’s view that once an e-petition system is in place “it

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112 Finance Committee, RoP, 6 February 2020, paragraph 112
113 Finance Committee, RoP, 6 February 2020, paragraph 108
114 Finance Committee, RoP, 6 February 2020, paragraph 111
doesn’t matter how many petitions you have, the cost is the same”. The Committee believes that costs such as staff time could vary significantly depending on the number of petitions received.

118. The Committee is concerned that the RIA estimate of 11 petitions per year, it relatively low. While we accept that it is difficult to accurately assess the number of petitions that will be submitted, it may have been more appropriate to include a range of costs to show uncertainty in the analysis. It is also surprising that a historic level of petitions has been used to gauge this figure as the purpose of the legislation is to increase participation.

119. The Committee notes the Bill requires local authorities to make arrangements to broadcast their meetings in the interests of transparency in decision-making. The Committee is pleased to hear the Minister intends to take a pragmatic approach to the guidance around broadcasting and intends to ensure the validity of a meeting is not affected by the failure of broadcasting equipment. The Committee believes that the Welsh Government needs to fully consider the implementation of this requirement, including what “all meetings” means. Guidance will need to be prepared as soon as possible and be clear on the Welsh Government’s expectations to allow local authorities sufficient notice to make effective and compliant arrangements.

120. The Committee notes the Minister’s intention to work with local authorities to consider whether an all-Wales broadcasting contract is the most cost effective solution. However, the Committee is concerned the WLGA’s has questioned the feasibility of an all-Wales contract and that this aspect of the RIA was likely to be a “significant underestimate”. The Committee believes the RIA should have explored the costs associated with local authorities procuring individual broadcasting contracts to provide a full picture of the potential costs.

**Recommendation 8.** The Committee recommends that the Welsh Government explore further the likely savings of abolishing community polls and whether it is reasonable to offset any costs of a new petitions system against these. Relevant information should be included in a revised Regulatory Impact Assessment.

**Recommendation 9.** The Committee recommends that the Welsh Government prepare a sensitivity analysis of the impact the number of
petitions may have on staff time and the cost of monitoring and reviewing the petitions received. This information should be included in a revised Regulatory Impact Assessment.

**Recommendation 10.** The Committee recommends that the Welsh Government undertakes further work with stakeholders to consider whether an all-Wales broadcasting contract is feasible and whether this would be the most cost effective solution, including the potential costs of local authorities procuring individual broadcasting contracts.

**Recommendation 11.** The Committee recommends that the Welsh Government publish its guidance (or even draft guidance) on broadcasting of meetings, including where it might not be appropriate to broadcast, as soon as possible.
5. General power of competence

Replace the well-being power with a general power of competence

121. The EM states that the role of local government is not set out in any single piece of legislation, but is defined by the powers and duties (“functions”) conferred upon it over time. Local government functions are set out in, and limited by, legislation. Acting outside of these powers would be deemed “ultra vires” (unlawful).115

122. Section 2 of the Local Government Act 2000 (LGA 2000)116 introduced well-being powers, which enabled local authorities to act in a way which they consider would improve the economic, social or environmental well-being of their area or people in their area. The EM notes that “there is a perception that the well-being power is too limited”. The Bill introduces a general power of competence to allow:117

“...qualifying local authorities to act in their communities’ best interests, generate efficiencies and secure value for money outcomes. They will also be able to raise money by charging for discretionary services and to trade in line with existing powers.”118

123. In addition, the general power will allow qualifying local authorities to engage in activities potentially judged to be outside the remit of well-being power within LGA 2000. It is considered the general power will allow qualifying local authorities to be more innovative, and move away from a position where they have to identify a specific power in order to undertake a particular activity, to one in which it is assumed they can do something unless there is a statutory restriction preventing it”.119

115 Explanatory Memorandum, page 23
116 Section 2 of the Local Government Act 2000
117 Explanatory Memorandum, page 24
118 Explanatory Memorandum, page 25
119 Explanatory Memorandum, page 25
124. The RIA only provides transitional costs of £10,000 that will be incurred by the Welsh Government in preparing regulations to give full effect to the provisions “enabling qualifying authorities to establish a company to do things for a commercial purpose”.

125. The Minister advised the ELGC Committee that she did not expect councils to use the power “to be doing risky commercial ventures with a view to getting a revenue stream”. She confirmed her intention to make regulations that will require a local authority to prepare and approve a business case, which includes:

“the investment and the resources required, the risks associated with delivering it and the expected financial outcome. It interacts with the prudential code for borrowing as well, so we’ll make sure that the guidance for the prudential code also reflects that.”

126. The Welsh Government recently updated its guidance to local authorities regarding investments. The guidance references investment powers local authorities currently have under section 12 of the Local Government Act 2003.

127. The WLGA suggested it is almost impossible to quantify any cost/benefit associated with the general power of competence, but also suggests the possibility that it may lead to less legal resource being spent on considering whether an action is “vires”.

128. The WLGA said there has been “good and bad” examples of the use of the general power of competence elsewhere in the UK. The WLGA was concerned about the “economic powers to exacerbate socioeconomic divisions between council areas”. Expanding on this point:

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120 Explanatory Memorandum, page 145
121 ELGC Committee, RoP, 27 November 2019, paragraph 123
122 Finance Committee, RoP, 6 February 2020, paragraph 74
123 Local government investments: guidance, 18 November 2019
124 Local Government Act 2003
125 Finance Committee: Paper 2, Written evidence from the WLGA
126 Finance Committee, RoP, 29 January 2020, paragraph 74
“My council area or your council area, for example, has less capacity to generate income than, perhaps, some other more affluent authorities in Wales, and that needs to be recognised, not because it’s a bad thing that other councils can raise more money, but because there needs to be, like with business rates, some form of equalisation there.”

129. The WLGA highlighted that in England there had been “some fairly high-profile, high-risk commercial case studies”. However, it also acknowledged the benefits of its use:

“...there are good and logical financial examples of things that councils across the border can do that we can’t that have necessitated councils getting the private sector in to manage developments and therefore take some of the profit out of them that could have been kept within councils, had the general power of competence been available.”

Committee view

130. The Committee accepts that it is difficult to quantify how and to what extent the general power of competence will change the way qualifying authorities work and notes the Minister’s intention to introduce regulations that require a qualifying authority to prepare a business case prior to using the general power of competence. The Committee would have expected this to be costed in the RIA and suggests the Minister provides further information as to the extent of these regulations and how this would differ to current processes at qualifying authorities.

Recommendation 12. The Committee recommends that the Welsh Government provides details of the cost implications of any regulations that require qualifying authorities to prepare a business case prior to using the general power of competence.

127 Finance Committee, RoP, 29 January 2020, paragraph 74
128 Finance Committee, RoP, 29 January 2020, paragraph 81
6. Committees and performance

Joint Overview and Scrutiny Committees

131. The RIA notes that Joint Overview and Scrutiny Committees, enabled by the Local Government (Wales) Measure 2011\(^{129}\), are rarely used in shared or common services. The Bill empowers Welsh Ministers to make regulations prescribing the circumstances when Joint Overview and Scrutiny Committees must be established.\(^{130}\) The RIA notes:

> “If the Welsh Minister chose to exercise this power, the cost of doing so would depend on the size and scope of the regulations being made, which is unknown at this time. The cost is therefore unknown.”\(^{131}\)

132. The RIA does not include costs for local government and suggests that any costs would be offset by the current costs of scrutinising a joint service by two or more councils separately.\(^{132}\)

133. The Minister said the power to make regulations prescribing the circumstances when joint overview and scrutiny committees must be established is a “backstop power” and that she would “expect never to use it”.\(^{133}\)

134. The Minister said she wanted local authorities to work together “to find what suits them best” but that she didn’t expect authorities to have “endless repetitive meetings because they all want to have a scrutiny committee in each individual council, plus a joint overview one”.\(^{134}\) She added:

> “… for some things, a joint overview and scrutiny committee for the whole of a regional transport strategy will be an appropriate thing to do, but in other cases each individual authority might need to

\(^{129}\) Local Government (Wales) Measure 2011

\(^{130}\) Explanatory Memorandum, page 205

\(^{131}\) Explanatory Memorandum, page 206

\(^{132}\) Explanatory Memorandum, page 206

\(^{133}\) Finance Committee, RoP, 6 February 2020, paragraph 118

\(^{134}\) Finance Committee, RoP, 6 February 2020, paragraph 115
scrutinise particular aspects of a regional plan because they impact separately on that council than—. In the Cardiff city deal area, you can well imagine that some things will impact Cardiff itself in a different way than they might Blaenau Gwent, for example.

So, what we’ll do is we’ll agree with the councils what the overview and scrutiny arrangements look like, and then we’ll have a monitoring regime in place to make sure that that scrutiny is effective and works, and then, we’ll work with the councils to rearrange that if necessary.”\(^{135}\)

135. While the Minister suggested that the powers would only be used as a last resort she noted that:

“... one of the reasons that we’re insisting on regional arrangements with some things is because we do think that local authorities, although they could have come together to do regional working, they haven’t.”\(^ {136}\)

136. However, the WLGA felt there was “too much detail” around the duty to establish joint committees and said:

“We feel that would be best left to local discretion, and if authorities want to scrutinise a joint service jointly, then fine; if they want to scrutinise it individually to ensure that that authority or that community is getting the benefits, then fine. There’s not a huge cost implication, but on a point of principle we don’t think that should be in the Bill.”\(^ {137}\)
Community Council Training Plans

137. The Bill requires that community councils consider and address the training needs of members and staff. This includes preparation and publication of a training plan, but it does not require training to be undertaken.\(^\text{138}\)

138. Community councils would continue to meet training costs themselves, although the RIA notes that the Welsh Government has bursary schemes in place for members and clerks.\(^\text{139}\)

139. There would be costs to community councils of considering their training needs to inform the training plan. The RIA notes that “it is difficult to estimate how long it would take a clerk to prepare a training plan as there are a range of factors which could impact on this”.\(^\text{140}\)

140. The RIA uses the size of a community council (based on an estimate of the population of its civic area) to estimate the time required. The initial cost of the exercise is estimated to be £135,000, ranging from £30 per community council with a population under 250 to £500 per community council with a population over 10,000.\(^\text{141}\)

141. The RIA estimates that annual update and review of the plan will cost 20 per cent of the original cost (£27,000 total across Wales).\(^\text{142}\)

142. The RIA does not reflect the cost of undertaking the training as “this is out of scope”, it goes on to say:

“However, there is an expectation that producing a plan will result in training being undertaken, including certain core areas such as basic induction, code of conduct, finance and planning.”\(^\text{143}\)

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\(^{138}\) Explanatory Memorandum, page 207
\(^{139}\) Explanatory Memorandum, page 208
\(^{140}\) Explanatory Memorandum, page 209
\(^{141}\) Explanatory Memorandum, page 209
\(^{142}\) Explanatory Memorandum, page 210
\(^{143}\) Explanatory Memorandum, paragraph 209
143. The Committee asked the Minister what the likely resource implications would be for community councils as a result of extra training being undertaken. The Minister said that as there are 735 community councils in Wales, ranging from small community councils overseeing a small local resource, to larger community councils with “millions of pounds of budget” it was impossible to find “a one-size-fits-all scheme”.144

144. The Minister said that community councils should be responsible for paying for their own training costs.145 However, she confirmed:

“...in order to support the start-up for this, we’re going to put about £0.5 million into the start-up process, but I don’t expect that to be recurring. This is just to help them get started. And all councils, once they identify an ongoing training need, should be budgeting for that training need inside their budgets.”146

145. The Minister added that “some of the training has no cost anyway because we already fund the WLGA, or One Voice Wales, or whatever, to do that training”. She continued:

“...I’m saying there are not any additional, ongoing costs for community councils. They should be training now. All we’re doing is asking them to put a training plan in place. We do expect that will lead to more training, but they should be budgeting for that.”147

Performance and governance of principal councils

146. Current improvement arrangements are driven through the Local Government (Wales) Measure 2009 (2009 Measure)148. The Bill requires that

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144 Finance Committee, RoP, 6 February 2020, paragraph 128
145 Finance Committee, RoP, 6 February 2020, paragraph 132
146 Finance Committee, RoP, 6 February 2020, paragraph 132
147 Finance Committee, RoP, 6 February 2020, paragraph 144
148 Local Government (Wales) Measure 2009
principal councils keep their performance under review and removes them from the existing improvement regime in Part 1 of the 2009 Measure.149

147. The Bill requires each local authority to keep under review the extent to which it is fulfilling the “performance requirements”. It includes a formal system of self and panel assessments.150

148. The RIA suggests that the proposals around self-assessments would not incur any new costs for principal councils.151 As principal councils may undertake panel reviews at different times the RIA estimates the overall average annual cost as £116,000.152 The Welsh Government will also incur costs in terms of guidance of £26,000.153

149. The RIA notes that “it is not considered that the requirements to review performance will impose any significant new costs on principal councils, but rather codifies what all councils should already be doing”.154

150. The Minister confirmed the Bill sets out a minimum of one complete peer review assessment for each principal council in every electoral cycle. She said she was “aware from the WLGA” that self-assessment arrangements and panel assessments are common practice for the majority of councils across Wales already, but it was not consistent.155

151. The WLGA noted that the 2009 Measure was “widely regarded” as no longer fit for purposes.156 The WLGA went on to say that “all authorities and all organisations self-assess their performance and their direction of travel, where they’re going, what they’re doing well, what they need to improve on and what they need to prioritise…”.157 However, the WLGA questioned whether panel

149 Explanatory Memorandum, page 222 - 223
150 Explanatory Memorandum, page 223
151 Explanatory Memorandum, page 224
152 Explanatory Memorandum, page 227
153 Explanatory Memorandum, page 226
154 Explanatory Memorandum, page 226
155 Finance Committee, RoP, 6 February 2020, paragraph 159
156 Finance Committee, RoP, 29 January 2020, paragraph 132
157 Finance Committee, RoP, 29 January 2020, paragraph 133
assessments will add value and whether they should be “mandated or voluntary”\textsuperscript{158}.

\textbf{152.} The Minister said the approach “moves away from the old audit and compliance target-driven approach from the 2009 Measure, which we know has had almost no impact at all”.\textsuperscript{159} She added:

“This is a completely different focus on meaningful assessment of whether a council as a whole needs to be looking beyond the basic requirements of its functions and duties and become self-improving and innovative on the basis of a peer review. So, a panel will be set up, including external experts and so on, drawn from the new improvement and support function that we’re also putting back into the WLGA, and that panel might include people who are specifically asked to serve because of particular issues in a particular area, and then that panel will assist the council to do its review and its peer assessment and report back.”\textsuperscript{160}

\textbf{Committee view}

\textbf{153.} The Committee notes the provisions around joint scrutiny committees and will be keen to see how and whether this power is used. Whilst the RIA suggests that any costs would be offset by the current costs of scrutinising a joint service by two or more councils, the Committee would hope to see efficiencies from joint scrutiny committees, but recognises that this should not be the sole basis for establishing such committees.

\textbf{154.} The Committee is concerned that the RIA has not assessed the financial impact for community and town councils in relation to them preparing a training plan. The Committee believes it is fundamental that an RIA assesses the impact of legislation on both the Welsh Government and other bodies.

\textsuperscript{158} Finance Committee, RoP, 29 January 2020, paragraph 135
\textsuperscript{159} Finance Committee, RoP, 6 February 2020, paragraph 159
\textsuperscript{160} Finance Committee, RoP, 6 February 2020, paragraph 160
155. The Committee is concerned that the RIA considers it to be “out of scope” to reflect the cost for community and town councils undertaking additional training as a result of the requirement to produce a training plan. The Committee considers it highly likely there will be an increase in training undertaken. This would therefore result in additional costs, which should have been explored in the RIA.

156. The Committee is also concerned about the Minister’s view that some training has “no cost”. Even if training is fully funded, there will be a cost to individuals attending training courses, rather than carrying out their day job.

157. The Committee notes the WLGA’s evidence that the provision in the 2009 Measure in relation to governance arrangements are widely regarded as no longer fit for purpose and notes information in the RIA that suggests changes codify “what all councils should already be doing”. The Minister noted that evidence around self and panel assessments suggested they were commonly undertaken by councils across Wales but not undertaken consistently. On that basis the changes to the governance arrangements will have a different impact on different principal councils. The Committee believes the RIA should have provided more analysis of what councils are already doing to put the extent of this change into context.

**Recommendation 13.** The Committee recommends that the Welsh Government reassesses the costs associated with Community and Town Council training plans, including the additional training that may be undertaken as a result of those plans, and ensures that the financial implications are detailed in a revised Regulatory Impact Assessment.

**Recommendation 14.** The Committee recommends that the Welsh Government work closely with the Welsh Local Government Association to understand how significant the change in performance arrangements will be for individual principal authorities.
7. Collaboration

Voluntary mergers

158. The Bill makes provisions for the voluntary merger of principal councils through regulation. Powers in the Local Government (Wales) Act 2015 relating to voluntary mergers were time limited and can no longer be used.162

159. The Bill includes provisions around the transitional arrangements for a merger, including around: shadow councils, elections, transition committees and restraints on transactions and recruitment etc by merging councils. The RIA notes:

“The opportunity for principal councils to merge voluntarily would provide local government with an additional potential solution within a toolkit of options to address the ongoing fiscal challenges and delivery of sustainable services.”163

160. Without this Bill mergers could only happen if a specific Bill were brought forward for the merger in question “a much more lengthy and costly procedure”.164

161. The RIA states it has not provided costs of voluntary mergers as this is an enabling power. Costs to the Welsh Government would “depend on the scale and scope of any application”. For local government the RIA states “it is not possible to predict whether any merger applications are likely to come forward”, and so no costs are included.165

161 Local Government (Wales) Act 2015
162 Explanatory Memorandum, page 39
163 Explanatory Memorandum, page 236
164 Explanatory Memorandum, page 236
165 Explanatory Memorandum, page 237
162. The WLGA said that in the past “a lot of work” had been undertaken to consider the costs and benefits of mergers\textsuperscript{166} and that it was “massively complex”\textsuperscript{167}, adding:

“we commissioned the Chartered Institute of Public Finance and Accountancy to do it and the Welsh Government had done their own work based on work that was commissioned, I think, from KPMG. It was finger-in-the-air stuff, to be perfectly honest. We did it on an all-Wales basis. Some of the work that I saw individually—. Our work was based on local authorities. It depended where the mergers were actually going to take place, where those pairings happen. The costs and benefits could vary quite widely, depending on how harmonised, let’s say, certain things were. If your council tax was quite harmonised, then it wasn’t going to be a problem. I think it was the south-east that there was a problem: Caerphilly, Newport and the Blaenau Gwent area—. These are the types of things that have to be quantified when the pairings actually happen.”\textsuperscript{168}

Corporate Joint Committees

163. The Bill allows for the establishment of corporate joint committees as part of the Welsh Government’s framework for regional collaboration. This establishes those committees as “bodies corporate” allowing them to have functions vested within them, directly employ staff, hold assets and manage finances.\textsuperscript{169}

164. These committees may be established by regulation through either the instigation of two or more local authorities or at the instigation of Welsh Ministers.\textsuperscript{170}

\textsuperscript{166} Finance Committee, ROP, 29 January 2020, paragraph 141
\textsuperscript{167} Finance Committee, ROP, 29 January 2020, paragraph 143
\textsuperscript{168} Finance Committee, ROP, 29 January 2020, paragraph 143
\textsuperscript{169} Explanatory Memorandum, page 35
\textsuperscript{170} Explanatory Memorandum, page 36
165. The RIA notes that, currently, there are significant areas of joint working and collaboration but that there is “no consistency of approach”.\textsuperscript{171}

166. The areas where Welsh Ministers will be able to instigate the establishment of a corporate joint committee are transport, economic development, strategic planning for the development and use of land and improving education.\textsuperscript{172} The RIA notes:

“The cost therefore of making regulations establishing corporate joint committees will depend on the scale and scope (relevant functions and number of principal councils involved) of any proposed corporate joint committee(s). This cannot be stated at this time as the constituent principal councils and scope of functions are still being agreed in partnership with local government.”\textsuperscript{173}

167. The RIA does not provide estimates of costs to Welsh Ministers making regulations to establish corporate joint committees following a request from local authorities as it is “not possible to predict whether any applications to Welsh Minister to create a corporate joint committee are likely to come forward”.\textsuperscript{174}

168. The RIA suggests that the proposed corporate joint committee mechanism would “simplify and streamline existing collaboration arrangements; thus providing the clarity and consistency they are seeking and reducing the complexity and duplication of effort and resource”.\textsuperscript{175}

169. The RIA also does not provide costs or an indication of where costs might arise, should two or more principal councils request to form a joint committee.\textsuperscript{176} The RIA notes:

\begin{small}
\begin{itemize}
\item \textsuperscript{171} Explanatory Memorandum, page 214
\item \textsuperscript{172} Explanatory Memorandum, page 37
\item \textsuperscript{173} Explanatory Memorandum, page 216
\item \textsuperscript{174} Explanatory Memorandum, page 216
\item \textsuperscript{175} Explanatory Memorandum, page 219
\item \textsuperscript{176} Explanatory Memorandum, page 217
\end{itemize}
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“Any proposal will be required to explore the economic and efficiency case for utilising the corporate joint committee mechanism for collaboration and these will be subject to the individual circumstances of the relevant councils at the time.”

170. In terms of the organisation of corporate joint committees, the Minister outlined:

“We will commence the transport and strategic planning arrangements immediately because they are much needed and we’re in a position to go ahead with that. We will commence the other two mandatory arrangements ASAP, once we’ve sorted ourselves out with various regulations and lists of things that are included and not included.”

171. The Minister also noted that the Welsh Government had formally asked the WLGA to propose which local authorities wanted to develop corporate joint committees and are awaiting a response.

172. The WLGA were generally supportive of the proposal for corporate joint committees as a vehicle for collaboration and said “there’s a benefit in trying to standardise that system”.

173. However, the WLGA were concerned about the Welsh Government “prescribing and insisting that authorities adopt a certain approach” and said that it should “evolve organically”. It added:

“The Minister has suggested that strategic planning and transport would come in first, and there are potentially two different models that the Welsh Government might impose on authorities....
I think there’s general support for the adoption of corporate joint committees on a voluntary basis as another model for joint working, whether it’s a joint committee, a joint company, a partnership or a lead-authority model, but there is still some discussion around mandation.”182

174. The WLGA said “there hasn’t been any discussion” around the cost implications of setting up and maintaining such committees because “essentially, they would replace existing models”.183 It continued:

“Depending on how integrated systems are as a result of those joint committees—so, for joint committees, obviously you would need some administration, and there’s certainly an impact on members’ time in participating in a range of different meetings—. If, as a result of joint committees, there was a joint service, for example, across the six north Wales authorities for a transport service across north Wales, there may be transition costs in terms of moving staff in and recruiting, and so on. But until the shape and scope of those models exist, we don’t have the full details.”184

175. The Minister noted:

“...So, all the way through this Bill, we’ve worked in conjunction with the WLGA and its various committees and through the partnership council and regional sub-group to co-produce all of the guidance and the regulations that go with it. We’re still agreeing the scope of the core functions. So, although we’ve put broad headlines—transport, strategic planning. I mean, transport is everything from closing a road for a street party to designing a monorail system for north-south transport. So, we’re still agreeing what the core functions are underneath the big headlines. And we’re working in partnership with local government and the WLGA to define those core functions, which

182 Finance Committee, RoP, 29 January 2019, paragraph 116
183 Finance Committee, RoP, 29 January 2019, paragraph 118
184 Finance Committee, RoP, 29 January 2019, paragraph 118
will then be transferred automatically into the corporate joint committees.”

176. The Minister added that the costs would depend on the scope and scale of the corporate joint committees. She continued:

“So, these are existing functions already carried out by local authorities that will simply be transferred to a regional arrangement to be carried out. So, they are not duplicates, so we are not expecting an increase in cost. We do expect there to be start-up costs of one sort or another, but we don’t expect that to be on any ongoing basis. Indeed, although this is—I emphasise—not in any way a finance-saving expedition, we would expect the costs to go down over time, as more things are done regionally, rather than in each individual local authority. But, at the moment, until we know the full scope of the function to be transferred and what the co-produced guidance and rights look like, it’s very hard to put a cost on that.”

177. The Minister confirmed that each corporate joint committee will have a set of regulations that establish it, which will be accompanied by a regulatory impact assessment, detailing the costs. She said:

“So, the costs at that point will be known, because we will know what the regulations say, we will know what the functions are that are being transferred, and we will know what the initial set-up looks like for that. I do not anticipate that the costs will encompass anything other than the initial set-up of the transferring of that function, but until we know exactly what that is, we can’t say.”

178. The Minister said that she had commissioned a review that is concluding in February 2020, on the costs and benefits of setting up regional corporate joint committees.

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185 Finance Committee, RoP, 6 February 2020, paragraph 147
186 Finance Committee, RoP, 6 February 2020, paragraph 148
187 Finance Committee, RoP, 6 February 2020, paragraph 150
Committee view

179. The Committee notes that it is difficult to quantify the costs of voluntary mergers and recognises there are many variables associated with voluntary mergers which would impact on the costs. However, work on the costs and benefits of mergers has been previously undertaken on the Draft Local Government (Wales) Bill and costs are available from previous local government mergers in 1996\(^{188}\) which could have been utilised. The Committee would expect to see information as to whether these costs are still relevant (in any way) in the RIA.

180. As the provision for a voluntary merger of principal councils will be made through secondary legislation, the Committee would expect the regulations to be accompanied by a full and robust RIA.

181. The Committee notes the general support of the WLGA of the proposal for corporate joint committees as a vehicle for collaboration, but also notes its concern that the Welsh Government could prescribe a certain approach.

182. The Committee believes there are potential start-up costs to establishing corporate joint committees and also acknowledges that there could be savings over time. The Committee is disappointed that the Welsh Government did not commission its analysis of this element of the Bill earlier, so that it may have been incorporated into the RIA and been available to inform scrutiny. However, the Committee hopes that this exercise will allow the Welsh Government to incorporate any relevant updates in a future version of the RIA.

183. The Committee notes that each corporate joint committee will have a set of regulations to establish it. As has been previously highlighted in this report, the Committee expects regulations arising from the Bill to be accompanied by a detailed and robust RIA. However, while the Committee accepts regulations may be required to establish future corporate joint committees, evidence from the Minister suggested the Welsh Government were aware of certain Committees it wished to establish “immediately”. The Committee therefore sees no reason why

\(^{188}\) Local Government (Wales) Act 1994
a more substantial analysis was not provided, at least in these areas, at the time of the Bill’s introduction.

184. The Committee notes that the guidance for corporate joint committees is being co-produced with local authorities and that the core functions are still to be agreed. The Committee would welcome further information when this is available.

**Recommendation 15.** The Committee recommends that should the Welsh Ministers use the enabling power to take forward a voluntary merger, any secondary legislation should be accompanied by a full and robust Regulatory Impact Assessment.

**Recommendation 16.** The Committee recommends that the Welsh Government share its analysis of the costs and benefits of establishing corporate joint committees once its review concludes. If relevant, the Welsh Government should consider how this information could be accounted for in a revised Regulatory Impact Assessment.

**Recommendation 17.** The Committee recommends where regulations are made to establish corporate joint committees, that they are accompanied by a full and robust Regulatory Impact Assessment.
8. Local Government Finance

Tackling non-domestic rates avoidance

185. The Bill includes provisions aimed at reducing opportunities for avoidance behaviour relating to non-domestic rates (NDR) and provides billing authorities with the powers to request information from ratepayers and third parties and to inspect properties. It also establishes provisions requiring ratepayers to notify the billing authority of changes in circumstances that could affect rates liability. The Bill provides a power for Welsh Ministers to specify the nature of this duty in more detail in regulations.189

186. Welsh Government research suggests between 1 – 2 per cent of NDR revenue (approx. £10m-£20m) is lost each year due to fraud and avoidance activity.190

187. The Welsh Government will incur costs in making regulations requiring persons to notify a billing authority of a change in circumstances that would affect a rates liability. This is estimated to cost £13,000 of staff time and be undertaken in 2020-21.191

188. The RIA estimates that “if billing authorities chose to make full use of their new powers”, they would incur £12,000 in costs per billing authority per year (or £257,000 for all billing authorities annually). This is based on a 25 per cent (maximum) increase in the workload of a billing authority officer working in its revenues and benefits departments.192

189. The WLGA welcomed the NDR proposals in the Bill believing they will “help tackle avoidance” but suggested there may be issues around “share-gain” of

189 Explanatory Memorandum, page 246 - 247
190 Explanatory Memorandum, page 245
191 Explanatory Memorandum, page 247
192 Explanatory Memorandum, page 247
business rates income generated by an improved approach around avoidance activity.193

190. The WLGA said there would be broadly “enough resource” to “tackle the avoidance issue”.194

191. The Minister said that in the early stages of the policy development, the Welsh Government undertook a “manual data collection” which estimated around £10 to £20 million is lost to rates avoidance each year. She said:

“If we want to repeat the exercise now that the new practices are established and then, once we’ve done that, we’ll have a better estimate of whether the new practices have made any real impact on that.

...The Bill provisions form part of a wider package of measures to tackle avoidance, and then we’ve got to do a whole series of secondary legislation to go with the enabling provisions, which will be implemented in April 2020. So, we’ll need to do another exercise before we can say what the impact will be.”195

Committee view

192. The Committee welcomes the provisions to try and minimise the amount of NDR that is lost due to fraud and avoidance activity and hopes that this will have a positive impact on the amount of rates collected.

193. The Committee notes the Minister’s intention to repeat the exercise to estimate the NDR revenue lost each year once the new provisions aimed at reducing opportunities for avoidance behaviour are in force. The Committee would welcome an update once the outcome of this exercise is complete.

Recommendation 18. The Committee recommends that the Welsh Government provides an update on the review of non-domestic rates revenue

195 Finance Committee, RoP, 6 February 2020, paragraphs 164 - 165
that is lost each year, once the new provisions aimed at reducing opportunities for avoidance behaviour are in force.
9. Post-implementation review

194. The RIA states the Welsh Government will work with stakeholders across Wales to monitor and evaluate the impact of electoral reform. It continued:

“We will identify whether the proposed extension of the franchise will result in an increase in the number of people who actually vote. It is also important that we support councils to achieve the goal of seeing an increase in the number and diversity of individuals standing for election to principal councils.”

195. The RIA notes that the success of the proposals to extend the franchise will be measured in terms of the number of newly enfranchised voters. The Welsh Government is working with the Wales Institute of Social and Economic Research, the interdisciplinary social science research centre and its own Knowledge and Analytic Services to determine the right combination of evaluation factors going forward.

196. In terms of the general power of competence, the Welsh Government intends to work closely with local government and stakeholders to identify where additional power or flexibility have been helpful. There will also be a survey of the number of community councils that declare themselves eligible at the next local government election. Uptake of training will be monitored and the Society of Local Council Clerks will report progress on the number of qualified clerks to the National Training Advisory Group.

197. Welsh Government will also monitor community council training plans by sampling 10 per cent of community council websites at random.

198. In terms of self-assessments and panel performance, the Welsh Government will review reports to ensure that provisions are being implemented. The costs and benefits of any corporate joint committees will be

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196 Explanatory Memorandum, page 282
197 Explanatory Memorandum, page 282
198 Explanatory Memorandum, page 282
199 Explanatory Memorandum, page 282
assessed as part of the preparation of the regulation establishing each committee. For voluntary mergers, the Welsh Government says it will work with principal councils on its guidance and that costs and benefits will be monitored on a case by case basis.200

199. The post-implementation review goes on to say that "stakeholders will continue to be involved in post implementation review", and notes that the additional powers, their costs and benefits will be assessed against the baseline in the RIA, which will be monitored by Welsh Government officials.201

200. The Minister said she was planning "entirely to use existing resources inside the local government department and the current resource available to the research budgets in the Welsh Government" to undertake the post implementation review. She said the Welsh Government has a rolling programme of research and it is intended the post implementation review will form part of that programme.202

Committee view

201. The Committee is pleased that a post implementation review is included in the RIA and considers the methodology outlined a reasonable approach to monitoring the outcomes of the legislation. However, the Committee is concerned that the review contains activities that will require resourcing and yet they do not appear to be costed in the RIA. While the Minister suggested existing resources would be used, there is still an opportunity cost to undertaking these new tasks.

202. The Committee has highlighted on several occasions that the inclusion of a robust post-implementation review is good practice and helps to ensure the objectives of legislation are being delivered in line with expectations and that value for money has been achieved. However, post-implementation reviews

200 Explanatory Memorandum, page 283
201 Explanatory Memorandum, page 283
202 Finance Committee, RoP, 6 February 2020, paragraph 167
need to be properly costed, even if the activities are considered an opportunity cost.

**Recommendation 19.** The Committee recommends that the Welsh Government analyses its post implementation review strategy, with consideration given to the resourcing of the activities it intends to undertake and includes this information in a revised Regulatory Impact Assessment.
Annex A: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's website.

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<tr>
<th>Date</th>
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<td>29 January 2020</td>
<td>Councillor Anthony Hunt, Spokesperson for Finance and Resources</td>
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<td>Welsh Local Government Association</td>
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<td>Jon Rae, Director of Resources</td>
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<td>Daniel Hurford, Head of Policy</td>
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<td>Welsh Local Government Association</td>
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<td>6 February 2020</td>
<td>Julie James AM, Minister for Housing and Local Government</td>
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<td>Lisa James, Deputy Director, Local Government Democracy</td>
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