

## Agenda – Finance Committee

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Meeting Venue:	For further information contact:
Video Conference via Zoom	Bethan Davies
Meeting date: 14 September 2020	Committee Clerk
Meeting time: 14.30	0300 200 6372
	<a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>

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In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on [www.senedd.tv](http://www.senedd.tv)

**1 Introductions, apologies, substitutions and declarations of interest (14.30)**

**2 Paper(s) to note (14.30)**

(Pages 1 – 3)

Minutes of the meeting held on 13 July 2020

**2.1 PTN 1 – Letter from the Counsel General and Minister for European Transition to the External Affairs and Additional Legislation Committee: Regional Investment after Brexit – 20 July 2020**

(Pages 4 – 9)

**2.2 PTN 2 – Letter from the Public Services Ombudsman for Wales to the First Minister: Public inquiry into the response to the Coronavirus pandemic in Wales – 30 July 2020**

(Pages 10 – 11)

**2.3 PTN 3 – Letter from the Minister for Local Government and Housing: Information relating to the Local Government and Elections (Wales) Bill – 27 July 2020**

(Pages 12 – 19)



- 2.4 PTN 4 – Welsh Government’s response to the Committee’s report: Scrutiny of the Welsh Government’s First Supplementary Budget 2020–21**  
(Pages 20 – 35)
- 2.5 PTN 5 – Letter from the Minister for Finance and Trefnydd: Information regarding the forward financial planning for directly funded bodies – 11 August 2020**  
(Pages 36 – 37)
- 2.6 PTN 6 – Letter from the Minister from Finance and Trefnydd: Update on the consequential Wales has received as result of COVID–19 – 19 August 2020**  
(Pages 38 – 41)
- 2.7 PTN 7 – Letter from the Secretary of State for Wales: Financial response to Covid–19 – 5 September 2020**  
(Pages 42 – 44)
- 2.8 PTN 8 – Letter from the Minister for Finance and Trefnydd: Update on Welsh Government's formal request to UK Government for devolution of further tax competence – 8 September 2020**  
(Page 45)
- 3 Renting Homes (Amendment) (Wales) Bill: Evidence session**  
(14.30–15.30) (Pages 46 – 82)
- Julie James MS, Minister for Housing and Local Government  
Emma Williams, Director of Housing and Regeneration, Bill – Senior Research Officer  
Simon White, Head of Housing Strategy and Legislation  
Rob Owen, Renting Homes Legislation Manager

**Supporting papers:**

[Renting Homes \(Amendment\) \(Wales\) Bill](#)

[Explanatory Memorandum](#)

FIN(5)–15–20 P1 – Letter from the Minister for Housing and Local Government – Response to questions on the Bill – 16 July 2020  
Research brief

**Break: 15.30–15.35**

**4 Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020:**

**Evidence session**

(15.35–16.15)

(Pages 83 – 90)

Rebecca Evans MS, Minister for Finance and Trefnydd

Andrew Hewitt, Head of Tax Legislation

Dr Tom Nicholls, Economic Adviser

**Supporting papers:**

[Land Transaction Tax \(Temporary Variation of Rates and Bands for Residential Property Transactions\) \(Wales\) Regulations 2020 Explanatory Memorandum](#)

FIN(5)–15–20 P2 – Legal Advice

Research Brief

**5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

(16.15)

**6 Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020:**

**Consideration of evidence**

(16.15–16.30)

**7 Renting Homes (Amendment) (Wales) Bill: Consideration of evidence**

(16.30–16.45)

**8 Consideration of the Forward Work Programme**

(16.45–16.55)

**Supporting papers:**

FIN(5)–15–20 P3 – Forward Work Programme

**9 Engagement on the inquiry into the implementation of the Wales  
Act 2014 and operation of the Fiscal Framework**

(16.55–17.00)

(Pages 91 – 101)

**Supporting papers:**

FIN(5)–15–20 P4 – Inquiry engagement

## Concise Minutes – Finance Committee

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Meeting Venue:

Video Conference via Zoom

Meeting date: Monday, 13 July 2020

Meeting time: 14.00 – 16.45

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/6419>

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### Attendance

Category	Names
Assembly Members:	Llyr Gruffydd MS (Chair) Alun Davies MS Siân Gwenllïan MS Mike Hedges MS Rhianon Passmore MS Nick Ramsay MS
Witnesses:	Simon Hart MP, Secretary of State for Wales Geth Williams, Wales Office
Committee Staff:	Bethan Davies (Clerk) Georgina Owen (Second Clerk) Martin Jennings (Researcher) Ben Harris (Legal Adviser)

### 1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.



1.2 Apologies were received from Mark Reckless MS.

## **2 Paper(s) to note**

2.1 The papers were noted.

**PTN1 – Letter from the Culture, Welsh Language and Communications Committee to the Minister for International Relations and the Welsh Language – First Supplementary Budget 2020–21 – 17 June 2020**

**PTN2 – Letter from the Minister for Finance and Trefnydd – Finance Ministers’ Quadrilateral meetings – 19 June 2020**

**PTN3 – Letter from the Minister for Finance and Trefnydd – First Supplementary Budget 2020–21: Action points from the meeting on 4 June 2020 – 22 June 2020**

**PTN4 – Letter from the Minister for Education – Additional ALN funding for the FE sector – 23 June 2020**

**PTN 5 – Letter from the External Affairs and Additional Legislation Committee to the Counsel General and Minister for European Transition– Regional investment policy in Wales after Brexit – 25 June 2020**

**PTN 6 – Letter from Minister for Finance and Trefnydd – UK Contingencies Fund – 3 July 2020**

**PTN 7 – Letter from the Minister for Finance and Trefnydd to the Chancellor of the Exchequer: Summer economic update – 3 July 2020**

**PTN 8 – Letter from the Minister for Economy, Transport and North Wales to the Chancellor of the Exchequer: Job Retention Scheme and Self-Employment Income Support Scheme – 4 June 2020**

**PTN9 – Letter from the Senedd Commission: Legislation Software Project Update – 7 July 2020**

## **3 Motion under Standing Order 17.42 to resolve to exclude the public from items 4, 5, 6, 7, 8 and 10**

3.1 The motion was agreed.

## **4 Inquiry into a legislative budget process: Consideration of draft report**

4.1 The Committee considered the draft report.

## **5 Appointment of Non-Executive Members and Chair of the Wales Audit Office Board: Consideration of draft report**

5.1 The Committee agreed the draft report.

## **6 Welsh Government Draft Budget 2021–22: Approach to scrutiny**

6.1 The Committee considered its approach to scrutiny of the Welsh Government's forthcoming draft budget 2021–22.

## **7 Consideration of the Committee's forward work programme**

7.1 The Committee considered its forward work programme for the Autumn term.

## **8 Consideration of responses from Directly Funded Bodies: Financial impact of COVID–19**

8.1 The Committee noted the correspondence from the directly funded bodies.

## **9 COVID–19: Evidence session with Rt. Hon Simon Hart MP, Secretary of State for Wales**

9.1 The Committee took evidence from the Rt Hon. Simon Hart MP, Secretary of State for Wales and Geth Williams, Deputy Director of Constitution, Wales Office on the financial response to COVID–19.

9.2 The Committee requested details of HM Treasury's calculations in relation to the £500 million COVID–19 funding for Wales, announced by the Chancellor in the Summer Economic Update.

## **10 COVID–19: Consideration of evidence**

10.1 The Committee considered the evidence received.

# Agenda Item 2/15

Cwmsler Cyffredinol a'r Gweinidog Pontio Ewropeaidd  
Counsel General and Minister for European Transition



Llywodraeth Cymru  
Welsh Government

David Rees MS  
Chair, External Affairs and Additional  
Legislation Committee

SeneddEAL@senedd.wales

20 July 2020

Dear David,

Thank you for your letter of 25 June requesting an update to the Committee on the current EU funding programmes in Wales and the future of regional investment funding in Wales.

Please see below the further information you have requested.

## Current EU funding programmes (2014-2020)

WEFO has committed 100% of the EU Structural Funds allocation for 2014-2020, investing over £2 billion, driving a total investment of over £3.9 billion (end of June figures) which also includes the repurposing of EU structural funds to support the COVID-19 response in Wales.

The European Union's Coronavirus Response Investment Initiative (CRII) has provided a package of flexibilities for the use of European Structural and Investment (ESI) Funds in response to the economic impacts of Covid-19. Measures to vary ESI Funds intervention rates, spending levels in Priority Axes and other flexibilities, provide a range of opportunities to address the different circumstances experienced by the UK and other EU Member States.

The new flexibility applies to what is eligible for EU support, to transfers between funds, to permitted intervention rates and to the timing of the approval process. There has been no significant change to the financial governance regime, so the usual requirements for clear objectives, measurable outputs and audit trails still apply.

WEFO is maximising the opportunities provided by CRII, earmarking up to £245m of EU funds to support the second wave of the Economic Resilience Fund, including investment loans made by the Development Bank of Wales, and health service costs connected to Covid-19, in particular to support the recruitment of additional medical staff and purchases of PPE.

It is also supporting the temporary redeployment of project staff to Covid-19 activity where appropriate and a specific Covid-19 call for proposals under the Welsh Council for Voluntary Action's Active Inclusion scheme.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



With regards to the current European Regional Development Fund (ERDF) programme, most projects are running well despite the disruption of the COVID-19 pandemic and subsequent lockdown measures. However, there are some concerns in respect of a number of strategic infrastructure projects that may not complete activity or spend before the summer of 2023. WEFO is liaising with appropriate project leads to work towards potential improved timetables and alternative delivery models.

In contrast to the ERDF, the current Covid-19 lockdown restrictions have had an impact on the delivery of most European Social Fund (ESF) operations as many activities supporting participants have been curtailed, and the recruitment of new participants and employers to projects is much reduced. Some projects are continuing to provide distance learning or other support for participants remotely, where the nature of the project allows for this. WEFO is allowing EU-funded projects which provide training to businesses to relax rules on co-investment, as a way of helping companies to access training from these EU-funded schemes during the recovery from Covid-19.

The programme commitment for the Ireland-Wales Cooperation Programme stands at €75.2m – 95% of ERDF allocation. WEFO and its delivery partners in Ireland are discussing the most effective means of utilising the remaining programme funding. Consideration will be given to potential Covid-19 recovery measures as part of this exercise including any new activities that could be more relevant to a post crisis situation.

In terms of the Rural Development Programme (RDP), as at February 2020, the project level commitment is £689.5m, representing 82.6% commitment in funds (the total value of the programme is £834,816,280). Officials are currently assessing the impact of Covid-19 on individual RDP projects, as a number of activities planned during March and July are known to have been cancelled or postponed. A re-planning exercise is being undertaken to fully commit the RDP, taking advantage of the opportunity provided to continue to commit to projects after the end of the year, providing those projects are delivered by June 2023.

Please see **Annex A** for a further breakdown for the 2014-20 programme period.

Despite the pandemic, WEFO has continued to maintain all key functions working remotely, re-allocating resources to ensure the top priority of processing claims and making payments to beneficiaries continues to be delivered effectively. This has also ensured that WEFO's own cash management function, including drawing down cash from the EC, has been maintained throughout the pandemic.

Due to the COVID-19 lockdown across Wales and the UK, some on-the-spot expenditure verifications have been deferred, causing an inevitable backlog. However, as this is a UK-wide issue, the UK Managing Authorities are writing a joint letter to the EC to consider ways of managing this issue.

### **European Investment Bank**

The European Investment Bank (EIB) has played a key role supporting long-term investment to improve social housing, education, energy infrastructure, transport, and water infrastructure across Wales.

This includes support for the second Severn Crossing and the A55 dual carriage way from Chester to Holyhead, as well as new roads in South and West Glamorgan, Dyfed and Gwent. Key investments by Ford at Bridgend, Norgine at Hengoed and by Welsh Water across the country have been supported, including at Stebonheath Primary School in Llanelli where the Rainscape project is helping to reduce sewage overflow into the Bristol Channel.

Recent EIB lending has supported education investment in Wales, including backing the new Swansea University Bay campus and cutting heating costs at Bangor University.

In terms of any impact to funded projects due to Brexit, the EIB Group made a [public commitment](#) on 31<sup>st</sup> January to honour the existing finance it has within the UK. Loans will continue to be governed by their respective finance contracts.

There have been additional benefits to being a subscribing partner of the EIB for Wales, through access to significant commercial expertise and best practice. The South Wales Metro project, for example, benefitted from the EIB's commercial expertise informing the procurement process.

Therefore in our White Paper, *Securing Wales' Future*, we argued that the UK should remain a subscribing partner as it brings direct benefits to our economy as well as improving economic capacity elsewhere, thus helping the global trading environment, which we support.

In 2018, we provided written evidence to the House of Lords Inquiry into the relationship between the UK and the EU following Brexit. We also wrote to UK Treasury Ministers, setting out concerns about the apparent lack of progress in developing policy options for our relationship with the EIB.

In February 2019 the House of Lords adopted a report where it noted that the UK's infrastructure had been the beneficiary of more than €118 billion of lending from the EIB. It noted the marked decline in funding from the EIB since the referendum and triggering of Article 50, and the fact that, despite our losing access to the EIB after Brexit, the Conservative Government had said little about any future relationship with the EIB or possible domestic alternatives.

We would have preferred the UK to remain a subscribing partner in the Bank. However, as that did not happen, we are seeking a mandate in place for continued EIB lending in the UK as soon as possible.

### **Future of regional investment in Wales**

Our consultation 'A framework for the future of regional investment in Wales' closed on 10 June, having run for just over 14 weeks. To support this, we ran four regionally-based engagement webinars in the north, mid, south west and south east Wales during May, which attracted around 430 attendees. We also participated in online webinars arranged by other key stakeholders including Further Education, Higher Education, Business, and the Third Sector.

We also engaged with citizens, providing a short Citizen survey that was promoted by social media and a short explanatory film. A young people's survey was also undertaken, with support from Children in Wales.

Our engagement led to the submission of 134 responses from stakeholders and individuals to our main consultation questions, 285 citizen survey responses, and 42 young people survey responses. All of the feedback received is being analysed independently by a research company, but an initial analysis already shows that there is broad consensus on our proposals, while recognising the impact of COVID-19.

Our project with the OECD, which began in January 2019, to learn from international best practice, is also progressing well and has involved significant analysis and stakeholder engagement in order to produce a final report.

The OECD will be preparing its executive summary over the summer, while its remaining work involves the development of a flexible, self-assessment toolkit to help regional-level bodies assess their public investment and policy implementation capacity, and provide insight into areas for improvement, so that we can commit to having a mix of national, regional and local approaches in the delivery of future regional investment.

We plan to publish both reports in September, and I look forward to sharing and discussing the findings with your Committee in due course. In the meantime, Welsh Ministers will be considering the initial overview of consultation findings and the OECD's final report and will agree next steps for consideration by officials with partners over the summer and autumn months so that we remain on track to put in place new investment arrangements from early 2021.

In respect of your queries on the UK Shared Prosperity Fund, despite the UK Government noting that Wales will receive no less funding than current levels of EU funding (Conservative Party Manifesto 2019; March 2020 Budget), there has yet to be any confirmation on how the SPF will come to the Welsh Government. Here, the Welsh Government has always maintained that the UK Government should allocate a specific, clear and transparent allocation to the Welsh Government directly, badged as our share of the Shared Prosperity Fund, and for this to be devolved and allocated appropriately in line with the priorities to deliver inclusive growth agreed in consultation with our partners.

We have also called that replacement funding to Wales should continue to be allocated on a needs basis to reflect the structural challenges that Wales continues to face along with multi-annual SPF budgets as all of our conversations with partners and beneficiaries cite this as being essential for longer-term planning. Our positions have also been published as evidence to the UK Parliament Welsh Affairs Committee inquiry on Wales and the SPF, which ran between 11 February and 25 May.

I met with the Secretary of State for Wales on 10th February and we have since been building on that meeting to seek agreement on some key principles of how the UK and the Welsh Government might work together effectively in the immediate future.

In recent discussions with the UK Ministry for Housing, Communities and Local Government (MHCLG), officials are indicating that work on the SPF is now gathering pace as SPF discussions have recently been held with UK Cabinet Ministers. We understand, however, that there are a number of other factors impacting on this work including the White Paper on devolution in England and wider plans for COVID economic recovery. We do not expect an announcement on the SPF until the Comprehensive Spending Review in the autumn, making the delivery of new funding before the 2021/2022 financial year and a smooth transition between investment programmes for the benefit of businesses, communities and people across Wales unlikely.

Moving forward, we remain keen to work constructively with the UK Government so we can make contributions to the debate on a proposed future model of the SPF. Officials will also continue to work with the Regional Investment for Wales Steering Group, chaired by Huw Irranca-Davies MS, and technical sub groups over the coming months to help develop a long-term operating model based on the recommendations and views received from the OECD and our consultation, together with transitional arrangements for future investment that require COVID recovery consideration.

I hope this information provides a useful update on the latest situation of the current programmes and the future of regional investment in Wales. Should you require any further clarification on the issues addressed within this letter please let me know. I would also be happy to update members on developments, including the OECD and consultation reports, at a meeting of the Committee in the autumn term.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Miles', with a stylized, cursive flourish.

**Jeremy Miles AS/MS**

Cwnsler Cyffredinol a'r Gweinidog Pontio Ewropeaidd  
Counsel General and Minister for European Transition

cc. Llyr Gruffydd MS, Chair, Welsh Parliament Finance Committee

### Allocation of funding by region and type

We do not collect financial data by region or local authority area for the structural funds and rural development programmes (RDP). Most structural fund operations deliver benefits to more than one local authority area, including many that deliver across the programme area as a whole, as do many projects funded under the RDP, such as Farming Connect. It is not possible to identify the exact amount of funding a specific local authority area has 'received' because of the national/regional scope of so many of these projects and programmes.

We collect financial data for the lead beneficiary of operations and the table below is a summary of the amounts committed to local authorities, where local authorities are the lead beneficiary of those operations via the Structural Funds, European Territorial Co-operation (ETC) programme, the Wales Rural Development Programme (RDP) and the European Maritime and Fisheries Fund (EMFF). For the RDP and the EMFF the amount of money committed to Local Authorities is included but it is not possible to do this for each individual Local Authority.

**Table 1: Summary of EU funds committed to local authorities for the 2014-20 programme period**

Programme	Total
European Structural Funds (ESF & ERDF)	£230.8m
<i>of which:</i>	
Blaenau Gwent County Borough Council	£45.3m
Bridgend County Borough Council	£10.4m
Caerphilly County Borough Council	£3.6m
Carmarthenshire County Council	£4.3m
Ceredigion County Council	£0.6m
City and County of Swansea	£4.5m
Conwy County Borough Council	£7.0m
Cyngor Gwynedd Council	£11.8m
Denbighshire County Borough Council	£24.8m
Isle of Anglesey County Council	£8.8m
Neath Port Talbot County Borough Council	£29.2m
Newport City Council	£13.7m
Pembrokeshire County Council	£30.3m
Powys County Council	£2.1m
Rhondda Cynon Taf County Borough Council	£7.5m
Torfaen County Borough Council	£26.8m
European Maritime and Fisheries Fund	£0.5m
Welsh Rural Development Programme	£46.9m
European Territorial Co-operation Programme	€5.7m
<i>of which:</i>	
Carmarthenshire County Council	€1.6m
Pembrokeshire County Council	€4.1m

# Agenda Item 2.2



Our ref: NB/MM

Ask for: Marilyn Morgan



01656 641152

Date: 30 July 2020



Marilyn.morgan@ombudsman.wales

Rt Hon Mark Drakeford AM  
First Minister of Wales  
Welsh Government  
Cathays Park  
CARDIFF  
CF10 3NQ

**By email only**

[ps.firstminister@wales.gsi.gov.uk](mailto:ps.firstminister@wales.gsi.gov.uk)

Dear First Minister

I note the recent plenary debate and motion passed in the Senedd supporting a public inquiry into the response to the Coronavirus pandemic in Wales. During the course of the debate your Counsel General stated:

“This pandemic has affected all parts of the UK, and many decisions have been taken across the four nations. A great deal of the response to the pandemic has rightly been managed at a UK level and has involved many others alongside Governments, so it's important that there is a co-ordinated approach to the inquiry into the handling, by the UK Government, the devolved Governments and others. We would hope that could be achieved, but if not, then we would obviously accept an inquiry limited to events and actions in Wales.”

Whilst I do not doubt the challenge in ensuring a fully co-ordinated four nations approach, events and actions in Wales will inevitably include the full range of devolved functions impacted - not least health, social care, education, the Welsh language, economic development and local government services including homelessness.

As well as initial service failures any independent inquiry needs to capture positive innovations and cultural improvements as well.



An Inquiry in Wales could look at a range of issues which affect children, older people and affect justice, value for money, as well as the longer-term impacts on future generations – issues of relevance to the work plans of the Commissioners, PSOW, Audit Wales and other regulators.

Could I ask that key stakeholders are involved and consulted appropriately at an early stage in Wales about the devolved aspects of any inquiry, both its scope and terms of reference in order to provide a “framework” to allow other oversight bodies the ability to avoid duplication, and to also prioritise systemic and thematic investigations arising from the crisis?

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Bennett', with a stylized flourish at the end.

Nick Bennett  
Ombudsman

cc: Chair, Finance Committee  
Auditor General for Wales  
Children's Commissioner for Wales  
Future Generations Commissioner  
Older People's Commissioner for Wales  
Welsh Language Commissioner

# Agenda Item 2.3

Julie James AS/MS  
Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government



Llywodraeth Cymru  
Welsh Government

Clerk  
Finance Committee

27 July 20

Dear Clerk,

During my attendance at Finance Committee on 6 February to discuss the proposed Local Government and Elections Bill, I made a commitment to share the outcome of a review, commissioned by the Welsh Government, of the costs and benefits of establishing and operating regional collaboration bodies.

The purpose of the review was to inform discussions on the proposed joint working vehicles (Corporate Joint Committees) to be established as part of the Local Government and Elections (Wales) Bill. The report will also inform the development of the Regulatory Impact Assessment which would accompany any subsequent regulations establishing a Corporate Joint Committee.

The review undertaken by Richard Harbord is now concluded and the final report 'Collaboration between local authorities in Wales a report for the Welsh Government' is attached.

Yours sincerely

**Julie James AS/MS**  
Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



COLLABORATION BETWEEN LOCAL AUTHORITIES IN WALES  
A REPORT FOR THE WELSH GOVERNMENT

RICHARD HARBORD

M.Phil.,CPFA,FCCA,IRRV,FRSA,MBCS FCMI,FIBC

MRF UK LTD

PUBLIC FINANCE CONSULTANTS

FINAL REPORT MAY 2020

## **COLLABORATION BY LOCAL AUTHORITIES IN WALES**

### **1. Introduction**

- 1.1 The work being carried out is based on a brief provided to me. It is concerned with providing within the Local Government and Elections (Wales) Bill a mechanism for ensuring the creation of democratically accountable regional working - these have currently been referred to as Corporate Joint Committees.
- 1.2 The intention is to produce a model to enable the structures and mechanisms for joint working to be set out without the time consuming process of inventing them on an individual basis.
- 1.3 The brief sets out the following purpose for the establishment of Corporate Joint Committees;
- Providing a more consistent mechanism and governance model for collaboration
  - Providing a clear framework to underpin regional working approaches
  - Providing a model which would help simplify regional arrangements, reducing duplication and complexity in regional working and collaboration arrangements
  - Providing a more efficient and effective model for collaboration reducing the effort required in creating and recreating new collaborative working arrangements.

The new structure must maintain democratic accountability

- 1.4 These joint Committees will;
- be a body which has a legal personality and is therefore able to employ staff directly, and hold assets and funding
  - have functions vested in it (via regulations). It could have responsibility for functions within a single service area or as many service areas as is relevant in the specific circumstance
  - be able to establish subcommittees and task and finish groups (with the ability to co-opt non local authority members on to CJsCs (or their subcommittees), with or without voting rights)

- 1.5 They would be set up at the request of Local Government or directly by the Welsh Government in a limited number of specified areas. The intention is that Corporate Joint Committees would:
- be designed through a shared endeavour between local government and the Welsh Government, including the governance, membership, voting and other constitutional arrangements
  - be based on the principle of local democratic control and held to account through local and regional scrutiny.
- 1.6 The main areas of operation for such Committees, where established directly by the Welsh Government, would be strategic and in the areas of economic development, transport, strategic land use planning and education improvement.
- 1.7 The suggested approach for the final report was to start by drawing on evidence from similar collaborative arrangements within Wales and further afield.
- 1.8 Three examples were given of potential examples;
- Manchester Combined Authority
  - The North London Waste Authority
  - Cardiff Capital Regional City Deal Joint Committee

It was left to the author of this report to find and suggest other suitable examples.

- 1.9 Stage 1 is the gathering of evidence and the final report attempts to analyse the information gathered by way of face to face and telephone interviews and;
- Analyse the costs, benefits (direct and indirect) and risks associated with each approach, focusing on the additional costs and benefits incurred or generated from the collaborative model(s).
  - Consider both transition costs – typically one-off costs which relate to the implementation of the collaboration model – and recurrent costs – those which are incurred on a frequent (typically annual) basis and usually relate to the ongoing costs of delivering the approach. For example, initial costs/savings of setting up a joint working vehicle may relate to workforce matters, elected members and remuneration, the budgets and spending profile of new bodies, necessary ICT and change management, the

opportunities in relation to service transformation, and benefits in terms of performance and capability. It will also be necessary to consider the longer term costs and benefits associated with operating joint working vehicles, as well as the scope and scale of potential administrative savings for principal councils/delivery partners.

- Provide an explanation of how the costs and benefits have been estimated/calculated (including reference to primary data used), and the assumptions, if any, upon which they are based. It may be appropriate to give a range of estimates, depending on any inherent uncertainties in the analysis. Any sensitivity analysis identified in the review of evidence should be included to illustrate the impact of changing key assumptions.
- Evidence on the costs and benefits for UK society overall, and not just to the public sector, will need to be reviewed. The distribution of costs and benefits between different groups and/or sectors may cover businesses, households, individuals and the not-for-profit sector, for example.
- Present the findings of the research in such a way so as to be used to inform estimates of the potential costs and benefits of a CJC model, identifying any necessary limitations or qualifications.

1.10 Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government. The findings and conclusions in this report are the authors' own, based on their approach to data collection and analysis, and interpretation of the data collected. Case studies were selected based on consultation with the client about examples which would be of most relevance to inform the legislative development in Wales. However, caution should be used when applying the authors' findings and views from the case study examples to the Welsh context.

## **2. THE APPROACH**

- 2.1 The brief indicates that there should be an analysis of Collaborative arrangements in Wales and elsewhere and indicates that the Welsh Government has identified three such arrangements which may be suitable for the study.

These were;

- Greater Manchester Combined Authority
- The North London Waste Authority
- Cardiff Capital Regional City Deal Joint Committee,

The brief also stipulates that at least 5 such bodies should form the case studies for the study of comparative costs and benefits.

### **THE APPROACH TAKEN**

- 2.2 In order to be sure that there are 5 worthy of detailed analysis it was necessary to look at a larger population.

#### COMBINED AUTHORITIES

- 2.3 A Combined Authority is a type of local authority introduced in England outside Greater London by the Local Democracy, Economic Development and Construction Act 2009. They are therefore statutory authorities normally each one created by Order.
- 2.4 The first Combined Authority was Greater Manchester which came into being on 1<sup>st</sup> April 2011.
- 2.5 There are currently 10 such Authorities in place. The legislation allows for a group of 2 or more authorities to collaborate and take collective decisions across Council boundaries. It is a more stable type of organisation than a partnership or a Joint Committee. Whilst established by Parliament they are locally owned and have to be initiated and supported by the Councils involved.
- 2.6 They are strategic and their business plans normally concentrate on 4 or 5 project areas (almost universally including transport and economic development). They are able to take advantage of powers and funding devolved to them by Central Government.
- 2.7 In England, Government replaced the Regional Development Agencies with Local Enterprise Partnerships. These were voluntary groups drawn largely from the private sector with some local authority input. These were not in any

way democratic bodies and local authorities felt excluded in many areas. They have not universally been a success but a number of Combined Authorities have virtually merged with LEPS although the LEP finances have to be ring fenced.

- 2.8 A desk-based exercise was undertaken to look at all these and identify which may assist this study.

#### WASTE AUTHORITIES

- 2.9 The formation of these Authorities has allowed large volumes of waste to be dealt with which has made for more cost-efficient disposal and better recycling contracts. Waste Authorities are statutory single purpose authorities to deal with Waste Disposal. In London, for instance there are 4 statutory sub regional partnerships. These were formed 25 years ago and are financed by the authorities in membership.

- 2.10 Waste Authorities are voluntary inasmuch as Authorities individually have the duty to deal with this service and many do on an individual basis.

#### CITY DEALS

- 2.11 City Deals give local areas specific powers and freedoms to help the region support economic growth, create jobs and invest in local projects. The first wave of City Deals was in 2012.

### **CHOICE OF VEHICLES FOR THE FINAL REPORT**

#### COMBINED AUTHORITIES

- 2.12 I was initially very wary of using Manchester as a case study. Greater Manchester has had a long and successful history of working together. There are 10 Unitary Authorities in Greater Manchester and they are led by a high profile and active Mayor. On their website they show a 30 year time line of successful collaboration.
- 2.13 The area itself lends itself to collaboration. It is a seamless conurbation and for instance walking out of Manchester there is no discernible difference in entering Salford etc. They also have over 2200 directly employed staff but that is because the Greater Manchester Fire and Rescue Service is part of the Combined Authority and that counts for over 2000 employees. However, the fact that they are successful makes them an attractive authority for further study and I have left them in for further work.

- 2.14 The Council Meeting itself is made up of the 10 Leaders of the constituent Authorities Chaired by the Elected Mayor. Each of those Leaders is also a Portfolio Holder for one of the areas of responsibility of the Combined Authority. Although there are 2 Authorities with a different political representative from the others the Council Meetings are brief and largely consensual. The arguments around Business Plans and Policies being dealt with in the individual authorities. Council meets monthly and there are regular meetings of Leaders, Chief Executive and Elected Mayor.
- 2.15 The finances are complicated. The Fire and Rescue Service is financed by a Statutory levy on the 10 authorities and the Combined Authority expenditure is met on a pro rata population basis. The problem on finance for all Combined Authorities is that most of their finance is project based and obviously as such of the overhead of the Authority is charged to projects in line with audit guidelines. This means ascertaining the actual running costs is not straightforward.
- 2.16 I interviewed at some length and on several occasions a senior representative of the Authority and he was extremely helpful and supplied a great deal of information and documentation. It is however a very complicated Combined Authority with separate precepts or levies for Fire, Police, Transport the Mayor, and themselves. As I discuss later in this report I also spoke to the City Treasurer of Manchester to get an individual authorities view of the combined Authority and to try and unpick the finances.
- 2.17 However, I felt that the actual urban area of Greater Manchester did not fit with a Collaborative Authority in parts of Wales and so I have included two other Combined Authorities in my final list.
- 2.18 I visited the West of England combined Authority and met their Chief Executive. There are 3 authorities in this Combined Authority, Bath and North East Somerset, Bristol and South Gloucestershire. The Authority does therefore contain a fair amount of rural area. The Chief Executive is also Chief Executive of the Local Enterprise Partnership. The LEP has North Somerset as a member and they are not yet in the Combined Authority. The Authority is Chaired by the Elected Mayor.
- 2.19 The Combined Authority has project areas covering Adult Education, Infrastructure, Digital Skills, Transport and Supporting Business. The LEP and the CA meet separately although the Chair of the LEP is a non-voting member of the CA Council.

- 2.20 The constituent authorities do not pay a levy. The running expenses are met from Business rates Retention. The Council is made up of the Leaders of the 3 Authorities.
- 2.21 I have also visited Cambridgeshire and Peterborough Combined Authority and interviewed their Joint Chief Executives. The LEP was failing in this area and the Combined Authority has rescued it. One of the Chief executives is full time and is actually the LEP Chief Executive and the other is a part time secondment of a Chief Executive from one of the Constituent District councils.
- 2.22 The Combined Authority was set up in 2017. It is chaired by an elected Mayor. There are 75 directly employed staff. They use Service level agreements for various functions. To date they have not had to levy on constituent councils. They have £170m of project finance. Their main areas are Affordable Housing, Economic Growth and 16+skills provision. Apart from Peterborough and Cambridge City the other authorities are District Councils and are fairly rural.

#### WASTE AUTHORITIES.

- 2.23 I have included two Waste Authorities in my final list. This is partly because they were very difficult to arrange to meet. In the end I managed to meet and interview both Authorities. One Waste Authority was suggested in the brief but I have added a second because their method of working and governance structure was entirely different. One Authority operates largely with direct employees and the other has contracted out large elements of waste disposal to a stand alone but wholly owned Company converting waste into power.

#### CITY DEAL

- 2.24 I have obviously included Cardiff although they were very involved with a major meeting which meant they were the last Authority to be seen and the rest of the report was written by that time. However they supplied a great deal of information which I have incorporated. .
- 2.25 I have also added in Belfast. This is mainly because a colleague has been working on this and I have a considerable amount of information and also Belfast are a major client and I have excellent relationships with senior officers. It is an unusual City Deal. There are 11 local authorities in Northern Ireland and 8 are included in the City Deal. The other 3 are now trying to set up their own!!

#### OTHER



2.26 I have also included two Cremation Authorities. Mortlake which is a statutory Joint Board with 5 local authority members and South West Middlesex Crematorium Board which actually operates as a Joint Committee. Both are well known to me and there are interesting Democratic points to be made about them. They are single purpose but heavily revenue generating but with Precept powers.

## **SUMMARY**

2.27 The organisations I have carried out the detailed work on are;

- Greater Manchester Combined Authority
- West of England Combined Authority
- Cambridgeshire and Peterborough Combined Authority
- West London Waste Authority
- North London Waste Authority
- Mortlake Crematorium Board
- South West Middlesex Crematorium Board
- Cardiff Capital Regional City Deal Joint Committee
- Belfast City Deal Regional Joint Committee

This should produce at least 5 good case studies with Costs and benefits of different models.

### 3. Case Studies

#### Case study 1: WEST OF ENGLAND COMBINED AUTHORITY

- 3.1 The West of England Combined Authority is made up of 3 of the Councils in the area. Bath and North East Somerset, Bristol and South Gloucestershire. The Combined Authority also supports the Local Enterprise Partnership which includes the three authorities named above but also North Somerset Council.
- 3.2 The Combined authority is Chaired by the West of England Mayor, Tim Bowles (Conservative) who was elected in May 2017. The Combined Authority and Mayor have had devolved to them Central Government powers in respect of the regions Transport, Housing, Adult Education and Skills.
- 3.3 The Combined Authority meets 5 times a year. It is Chaired by the Elected Mayor and attended by the Leaders of the 3 Authorities and as a non-voting participant the Chair of the Local Enterprise Partnership. There is also a Joint Committee which has the same participants but in addition North Somerset who would like to join the Combined Authority but are in the LEP.
- 3.4 Interestingly the Authorities are all of different political control.
  - Bath - Liberal Democrat
  - Bristol - Labour
  - South Gloucestershire - Conservative
  - North Somerset - Independent
  - The elected Mayor is Conservative.
- 3.5 Democratic accountability is achieved through;
  - Audit Committee
  - Scrutiny
  - The Programmes are accountable to three Boards;
  - Transport
  - Housing
  - Adult Education and Skills.
- 3.6 There is also the LEP Board which is a separate entity. The Chief Executive is a joint Chief executive for the LEP and the Combined Authority. Although LEP is treated as part of the Combined Authority all funds are ring fenced.
- 3.7 The programmes are governed by long term strategies. Thus Transport and the Mayoral Spatial Plan are 20 years and there is a long term Industrial Strategy. Some functions have been transferred from the local authorities, these include some highway functions and concessionary fares. Staff have

transferred with these functions.

- 3.8 The funding is via the various Government Funds for the Programme areas and all the overheads etc have so far been met from Business Rates Retention. There is therefore no levy on constituent authorities. This is possible at the moment because they were granted pilot status on Business Rate Retention. The Authorities retain 50% and the Combined Authority the 50% under the pilot. This is temporary and there is no guarantee how long this will continue.
- 3.9 This option for financing is not available in Wales because a policy decision was taken not to proceed with Business Rates Retention and to continue to pool Business Rates. (The same decision was taken in Scotland). Although I note that last year a press release was released to say that in the case of the Swansea City deal the Finance secretary agreed that the 4 local authorities in the deal could keep 50% of growth in business rates in their area. This is not quite the same as in the Combined Authority which would in any case keep 50% but in fact is being allowed to keep 100% split between the Authorities and the Combined authority.
- 3.10 The first full year of operation was 2017-2018. The Annual report for 2018-19 shows the following programme funding:
- |                                |                              |
|--------------------------------|------------------------------|
| Skills innovation Pilot Scheme | £4.0m                        |
| Workforce Development          | £8.0m (starting August 2019) |
| Local Growth fund              | £45m                         |
- (This is a major investment starting by providing a food and drink innovation centre in North Somerset at junction 21 on the M5. The fund has also helped 5,634 businesses since 2015 with free and impartial support.)
- |                          |       |
|--------------------------|-------|
| Smart Tourism Initiative | £8.2m |
| High Street Regeneration | £10m  |
- Current plans are for capital expenditure of around £23m per annum.
- Work has started on a Local Industrial Strategy
- 3.11 The Budget Report for February 2019 is an interesting document. It is unusual as there is no attempt to separate Capital and Revenue Expenditure.
- 3.12 The total expenditure of £47.219m is split as follows;

	£m
<b>Running costs</b>	
Core Staff	1.390
Premises etc overheads	0.485
<b>TOTAL</b>	<b>1.875</b>
Met from:	
Business Rates Retention	1.212
Short Term Capacity Grant	0.663
<b>TOTAL</b>	<b>1.875</b>
Transport Functions	14.737
Met from; Levy on authorities	14.737
<b>Project Finance</b>	
Existing (including project staff)	26.679
New Projects approved	2.000
Transfer to Reserves	0.100
Mayoral budget	1.828
<b>Total expenditure</b>	<b>47.219</b>

#### Notes:

- The Mayoral Budget Contribution is to cover the costs of feasibility Studies etc carried out. It is therefore in reality Project Finance.
- The Transport Functions are largely concessionary fares previously run by constituent authorities and Real Time Bus information and Community Transport.
- The Project Finance elements are wholly funded by Government Grants or the Investment Fund. The Investment Fund is previous unused Government Grants.
- The total staffing budget is £3.332m including project staff. 15 employees earned more than £50,000 in the previous year. There were 84 staff in all.

### CONCLUSIONS

- 3.13 This must seem a very successful operation for the Constituent Authorities. At present they pay nothing towards the staffing and other core costs and the Combined Authority is investing £28m in grants for various agreed projects.
- 3.14 Once the current Business Rates regime changes that source of funding will go and a direct levy will be needed on the 3 authorities. However based on this budget the expenditure of £1.8 m in total will secure investment of £28m per annum. They are unlikely to find that burdensome.
- 3.15 Because of the way Combined Authorities are set up they get Capacity Funding from the start and therefore set up costs are met by Central

Government. The original set up costs were shown as £1.65m

- 3.16 In this case they have a Mayor to drive progress and there are only 3 authorities involved. Decision making is consensual. There are reportedly good relationships between the partners. There are 5 "Council "meetings a year but most of the arguments would be in the constituent authorities and not at these meetings.
- 3.17 Interestingly the accounts for year to 31st March 2019 showed Grants from various sources paid in advance of over £80m. These were split roughly 50:50 to Revenue and Capital Grants.

### **Case study 2: CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY**

- 3.18 I chose to include this Combined Authority because it is very different in structure from either Manchester or West of England. The Combined Authority was formed fairly recently. It was established on 3<sup>rd</sup> March 2017. The Combined Authority is led by a Directly Elected Mayor and 7 Local authorities and a Business Board.
- 3.19 The local authorities within the Combined Authority are;
- Cambridge City Council
  - Cambridgeshire County Council
  - East Cambridgeshire District Council
  - Fenland District Council
  - Huntingdonshire District Council
  - Peterborough City Council
  - South Cambridgeshire District Council

It is therefore quite different as having more local authorities and the majority of them being District Councils with a fairly rural nature.

- 3.20 The Business Board is, in fact, the Local Enterprise Partnership which has been given new life by the Combined Authority, having been in some difficulty. Although the LEP is integrated into the Combined Authority, its funds are ring fenced as if it were a separate body. The Statutory basis was the Cambridgeshire and Peterborough Combined Authority Order 2017.
- 3.21 The Authority has statutory powers under a Devolution Deal for;
- Transport
  - Affordable Housing
  - Skills
  - Economic Development

- 3.22 The Funds for these areas are devolved from Central Government although the Mayor does have tax raising powers which have not as yet been used.
- 3.23 The Board of the Combined Authority meets 6 times a year and is chaired by the Mayor. It consists of the Leaders of each of the constituent authorities and is attended in a non-voting capacity by the Chair of the Business Board, Police and Crime Commissioner, Chairman of the Fire Authority and a representative of the NHS.
- 3.24 The Authority is run on a joint basis by Joint Chief Executives. This is an interim arrangement until the Combined authority is established. One is full time and was the Chief Executive of the Local Enterprise Partnership and the other is a part time secondment of a serving Chief Executive from one of the District Councils. It is intended to replace this arrangement with a single Chief Executive in 2021. The Chief Executives meet on a weekly basis with the Mayor.
- 3.25 The Governance Structure is that there is an Audit and Governance Committee and a Scrutiny Committee. These have as members Councillors from the Constituent Authorities but not the Leaders. The authorities are all Conservative except for 1 Liberal Democrat and 1 Labour member. Scrutiny Committee can be quite political and challenging. There is also a Public Service Board made up of the Chief Executives of the constituent authorities.
- 3.26 The key ambitions for the authority are;
- Doubling the size of the local economy
  - Accelerating house building rates
  - Delivering connectivity in terms of transport and digital links
  - Providing the UKs most technically skilled workforce
  - Transforming public service delivery to be much more seamless and responsive.
- 3.27 To date the devolved funding includes £170M for new homes over a 5 year period. This includes affordable housing, shared ownership and rented housing and £20m a year for 30 years to boost growth in the Region. This includes Chairing a review of all 16+skills provision.

## **STAFFING**

- 3.28 There are 85 directly employed employees although some of these will be funded by LEP funds.

## **FINANCES**

- 3.29 At the moment the Constituent Authorities have not been in receipt of a levy. Some financing is provided by Business rate retention and the rest has come from devolved funds.
- 3.30 The draft budget for 2020-21 and the Medium Term Business Plan were approved for Consultation at the end of November 2019. The Corporate Services Budget shows a total spend after some recharges to Grant Funded Projects of £6.882m.
- 3.31 The staffing budget is £4.919m, externally commissioned services such as legal, democratic services etc are £0.489m, corporate overheads such as accommodation £0.560m and governance costs of £0.164.
- 3.32 The budget merely states that these costs and those taken from them for the medium term plan until 2023-24 are affordable within current funding available. No levy on authorities is therefore necessary for this period.

## **CONCLUSIONS**

- 3.33 This is obviously early days for this Combined Authority. They are still in planning and feasibility mode. The entire revenue budget shows for 2020-21 Income from all sources of £22.065m and expenditure of £24.061M. The deficit is met from reserves. At 31<sup>st</sup> March 2020 reserves are forecast to be £8.985m. The plan to 2022-23 shows a continued reliance on reserves so that by the end of that period only £1.469m remains. Clearly as their programmes develop they will be looking for further grants and subventions.
- 3.34 Governance and Democratic Accountability is strong and to be commended. The current dual Chief Executive roles seem very expensive at £0.274m next year and staffing costs moved from under £2.0m in 2018-19 to £4.702m in 2020-21. Including financing costs and revenue feasibility costs the Corporate Services Budget is 30% of the total expenditure. This is on a different scale to the West of England. This Combined Authority has huge ambition.
- 3.35 Combined authorities have immense benefits as they can directly tailor devolved Government Funding to meet the needs and wishes of their population and because they operate over a large area they have the ability to see the bigger picture. Clearly for Transport, Infrastructure and Housing this is a huge benefit.

### **Case study 3: WEST LONDON WASTE AUTHORITY**

- 3.36 The Local Government Act 1985, provided for the abolition of the Greater London Council and the Metropolitan County Councils. In this Act the duty of collection and disposal of waste is transferred to the London Boroughs. In Section 10 of the Act it allows for the formation of Joint Waste Authorities.
- 3.37 In all, 6 Joint Waste Authorities have been formed although one has since been wound up. There are 4 Joint Waste Authorities in London and one in Greater Manchester. In London 12 Authorities are responsible for their own Waste Disposal and the other 21 are in one of the 4 Joint Waste Authorities. The 4 are East London Waste Authority, West London Waste Authority, North London Waste Authority and Western Riverside Waste Authority. Of the remaining 12 4 are in a voluntary arrangement for South London.
- 3.38 West London Waste Authority (WLWA) is a Statutory joint waste disposal authority It was established on 21<sup>st</sup> January 1986 by the Waste Regulation and Disposal (Authorities) Order 1985 made under the 1985 Act. WLWA undertakes the disposal of waste function for 6 London Boroughs (Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond-on-Thames). It has statutory responsibility for.
- facilities for the receipt, recycling and disposal of waste which is collected by the six constituent boroughs;
  - transport and disposal of waste which the constituent boroughs receive at their household reuse and recycling centres;
  - household reuse and recycling centres; and
  - the storage and disposal of abandoned vehicles which are removed by the constituent boroughs.
- 3.39 The Authority is governed by six Councillors, one from each of the six constituent boroughs. The Chair is elected annually. The current political balance is 4 Labour, 1 Liberal Democrat and 1 Conservative member. The members of the Authority usually meet four times each year. All reports go to the full Authority meetings. The meetings of the Authority are generally consensual. There is little controversy and the Constituent Authorities seem very pleased with the service they receive.
- 3.40 The Authority is supported by an Audit Committee that meets regularly during the year to consider matters of risk, control and governance. Normally there are 2 meetings a year. Perhaps strangely from a Governance viewpoint the same members represent their Boroughs on the Audit Committee as on the Authority with the addition of one independent member. The Chair is however



one of the Councillors. The elected members are the Environmental Portfolio Holders for the Authorities.

- 3.41 Because there are only 6 members there has been problems at meetings of achieving a quorum, which is set at 3. Substitutes are not allowed under the Order. At the end of the year, 2019 WLWA employed 34 staff (previous year: 36). There are 16 operational staff, 12 back office staff and 6 in an education team. WLWA is headed by the Managing Director and three part-time chief officers – The Clerk, Treasurer and Chief Technical Adviser, who are also full-time chief officers employed in the constituent boroughs.
- 3.42 Having close working relationships with the boroughs has enabled the Authority to receive support in specialised areas from borough staff as follows:
- London Borough of Hounslow – human resources and health and safety advice
  - London Borough of Ealing – treasury, payroll, ICT, finance systems
  - London Borough of Harrow – legal, insurance, procurement and committee services
  - London Borough of Hillingdon – internal audit
- 3.43 These arrangements have not only provided relevant expertise but have also helped deliver value for money in back office functions. These services are generally subject to Service Level Agreements although some are by specific contracts.
- 3.44 In recent years the focus has been on how waste is disposed of – increasing reuse, recycling, composting and recovery of energy and materials. The Authority has taken on the role of coordinating waste minimisation, that is, the prevention of waste arising. This work requires close WLWA co-operation with the constituent boroughs, achieved through an agreed Joint Waste Management Strategy.
- 3.45 A key objective of this strategy is to improve the recycling rate which is reflected in a target of 50% agreed by boroughs. In west London, working in partnership with constituent boroughs, the Authority has procured cost effective and long-term contracts that see most of the constituent boroughs' waste that cannot be recycled or composted used to produce energy. A key part of this are long term arrangements providing for 390,000 tonnes of waste per year to be treated at energy from waste recovery centres.

- 3.46 These arrangements deliver one of the key objectives of the Joint Waste Management Strategy and means that only a very small percentage of waste goes to landfill. The statistics show a 0.7% rise in volume of borough collected waste being received by the Authority to 562,000 tonnes for the year. During the year, 98.9% of waste was recycled, reused, composted or converted to energy.
- 3.47 The Authority is run on a very commercial basis. The Authority operates by a Levy on Constituent Authorities and is treated as a Local Authority as far as is necessary under the Order. This means access to Capital Funding from the Public Works Loans Board etc. The original order provides a default basis for the Levy which base it on 1985 populations. However, the Authority uses a mixture of Tonnage (Pay as you throw) and Council Tax base. The objective is to keep the levy as near as possible the same each year.

## **FINANCES**

### Income

- 3.48 Apart from miscellaneous income (trade waste etc) of £2.401m the income comes solely from the Levy. In 2018-19 the levy totalled £59.166m an increase of £3.3m over the previous year. This was largely due to increased activity. Cost of disposal per tonne rose by only 1.5%.

### Gross expenditure

- 3.49 The total for the year was £49.588m. Of this;
- Running costs were £2.138m for employees and £3.647m for premises. These are the operating facilities and a Head Office.
  - Waste Disposal cost £34.496m
  - In addition there were financing costs of £9.106m
- 3.50 Four of the constituent authorities have lent over £16m each for capital expenditure rather than the Authority borrow direct.
- 3.51 Overall the Authority made a surplus on provision of services of around £2.873m but there were below the line costs for pensions and valuations of assets leading to a call on reserves of £3.015m. At the year-end usable reserves were over £11m.

## **CONCLUSIONS**

- 3.52 This sort of collaboration, as will be shown by other examples works extremely well. The volume of waste generated allows for competitive disposal costs and there is little controversy from constituent authorities. The Authority can afford an education team and publicity on a very cost effective

basis.

- 3.53 Although obviously individual authorities would debate and feed in issues it is a very cost effective type of collaboration. Time for the Portfolio Holders in Authorities is formally limited to 6 meetings a year. The running costs are approximately 10% of the gross costs and employees within that 3.64%. There is a Local Code of Corporate Governance which is based on the CIPFA/SOILACE April 2016 guidelines.

#### **Case study 4: NORTH LONDON WASTE AUTHORITY**

- 3.54 North London Waste is another of the 4 Waste Disposal Authorities in London. It was formed on the abolition of the Greater London Council and commenced operations on 1<sup>st</sup> April 1986. It is a Statutory Authority established by the Waste Regulation and Disposal (Authorities) Order 1985 made under the Local Government Act 1985 which abolished the Greater London Council and Metropolitan County Councils.
- 3.55 North London Waste undertakes the disposal of waste function for 7 London Boroughs; Barnet, Enfield, Haringey, Waltham Forest, Camden, Hackney and Islington. The Authority deals with the disposal of waste collected by the 7 Boroughs. It also arranges for the recycling and composting of the waste collected by 6 of the 7 authorities and for the provision of reuse and recycling centres.
- 3.56 A major priority for the Authority has been waste minimisation and the Authority works with its constituent authorities to change public behaviour. In 2018-19 a range of events were delivered which reached 17,000 residents promoting food waste prevention and also developed low plastic zones across North London.
- 3.57 In 2018-19 the Authority treated 582,779 tonnes of residual waste a small amount less than in 2017-18 (583,316 tonnes). However there was a 11.1% reduction in recycling and composting waste in 2018-19 (51,842 to 46,104 tonnes). The Authority is the sole shareholder in London Energy Ltd which owns an energy from waste plant which treated 768,201 tonnes of waste in 2018-19. The energy from waste plant is now 50 years old and the Authority is developing a new state of the art facility which will become operational in 2025.

## **GOVERNANCE**

- 3.58 Each of the 7 constituent authorities has two elected members on the Authority itself. They are generally the Portfolio Holder for the Environment for their Authority and either a deputy or a Finance Portfolio Holder. There are 6 Labour Controlled Authorities and 1 Conservative. There are 7 meetings a year and the Authority is currently Chaired by the London Borough of Waltham Forest.
- 3.59 In addition there are Programme Committee meetings between Authority Meetings to progress the new Heat from Waste plant. There is also an Audit Committee. This meets 2 or 3 times a year and has one representative from each Authority all being main Authority members.

## **STAFFING**

- 3.60 North London Waste Authority does not employ any staff directly. The Structure Chart shows 33 staff working for the Authority of which 8 are operational staff. The London Borough of Camden is the lead Borough and provides the Clerk, Financial Adviser and Legal Adviser and also employs the staff working for the Waste Authority. The London Borough of Enfield provides the Environmental Adviser.

## **STRATEGY**

- 3.61 There is an agreed Joint Waste Strategy setting out targets from 2004 to 2020. All targets have been met except re-cycling where in line with most of London recycling rates remain in the 30s per cent. The target was 50% and will clearly be missed.
- 3.62 There is a great deal of engagement with members of the public particularly on Waste Prevention and minimisation. In 2018-19 a total of 114 outreach events were delivered, directly engaging with 13,510 residents. There were also 55 recycling events and stalls at summer fairs and fetes and presentations to Community Groups.

## **LONDONENERGY LTD**

- 3.63 As stated, this is a wholly owned Company. The turnover in 2018-19 was £65.696m. This came from contracts with the North London Waste Authority for waste disposal, sales of electricity, some contracts external to North London Waste Authority for disposal of waste and operating recycling centres under contract to North London Waste Authority.

- 3.64 The new North London Heat and Power Project will replace the current facility which will reach the end of its operational life around 2025. The new facility will deal with 700,000 tonnes of waste each year and generate around 78 megawatts of energy which will either be sold to the National Grid or delivered as heat through pipes to a local heat network.

## FINANCES

Year ended 31<sup>st</sup> March 2019

<b>Expenditure</b>	<b>£m</b>
Waste Disposal and recycling including Landfill tax	46.053
Recycling Centres	4.661
Corporate and Support Services	2.662
Community Engagement	0.938
Heat and Power Project	2.675
Financing Costs	6.789
<b>TOTAL EXPENDITURE</b>	<b>63.778</b>
<b>Income</b>	
Sale of Recyclables etc	1.602
<b>NET EXPENDITURE</b>	<b>62.176</b>

- 3.65 This was the outturn for the year. The original budget had been set at £66.752m with a levy of £48.511m. Thus there was a revenue surplus as a result of the underspend and balances were £2.844m better than expected. The 2019-20 Budget was set at £69.504m. This was finance by;

	<b>£m</b>
Use of balances	5.377
Charges to Boroughs for Trade Waste etc	10.945
Levy	53.182
<b>TOTAL</b>	<b>69.504</b>

- 3.66 The Apportionment of The Levy has to be agreed unanimously by the 7 Authorities or a default method set out in the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 is used. In the case of this Authority inter Authority Agreement has been reached and the Levy is based on menu pricing i.e. it varies depending on the type of waste. Borough Levies range from £5.986m to £10.371m.

## BUDGET 2019-20

- 3.67 The budget for 2019-20 shows a Levy requirement of £53.182m an increase of £4.671 m. this is largely due to increased Disposal Contract costs and the

Financing of the new Plant. The Corporate costs are forecast to fall to £2.651 a decrease of £0.185m.

## **CONCLUSIONS**

- 3.68 The finances are broadly comparable with West London waste. The administration is slightly higher but there are 7 Authorities involved in North London Waste.
- 3.69 This is again a very efficient collaboration. The Corporate costs are kept to a minimum by being controlled directly by a Constituent Authority. Corporate costs are around 4% of total gross expenditure. Setting up individual arrangements for each Borough would be expensive and this allows for Community Engagement and education.
- 3.70 The Constituent Authorities are satisfied with the service and the costs. It is a voluntary arrangement and they could leave if they wished but the set up costs would be very large. North London Waste inherited the Waste to energy plant from the GLC by geographical accident but that makes this an even more cost efficient collaboration. The benefits to the Authorities clearly outweigh the costs.

## **Case study 5: MORTLAKE CREMATORIUM BOARD**

- 3.71 Mortlake Crematorium Board is a Joint Board set up by the Mortlake Crematorium Board Act 1936. It was the first Crematorium set up in this way. The original Authorities in the Joint Board changed at London Reorganization and amending legislation was passed at the time. The Board has 4 local authorities in it. The London Boroughs of Ealing, Hammersmith and Fulham, Hounslow and Richmond-on Thames.
- 3.72 Three of the authorities are also involved in other Crematoria. There are a number of privately run Crematoria in the wider area although a recent report by the Competition Markets Authority found none within 30 minute hearse driving time and therefore felt the Board had little competition.
- 3.73 The Board is constituted of 12 members. There are three from each Authority. This makes for a large Board but because the business is largely uncontroversial and costs constituent authorities nothing there is a difficulty in getting a quorum of 4 at the meetings. The Board has found that generally members volunteer to represent their authorities and that means those who come to meetings are committed and enthusiastic. The Crematorium is

situated in the Borough of Richmond and they are the one Authority which show little interest and rarely come to meetings.

## **STAFFING**

- 3.74 There are 3 Chief Officers. A Part time Clerk and a part time Treasurer who between them receive an Honoraria of around £15000 per annum and a full time Superintendent and Registrar who is responsible for running the Crematorium on a day to day basis. There are currently 9 full time equivalents employed by the Board. These are administrative (3) and operational staff (3), and gardeners (3). There are staff who fulfil both operational and administrative duties.
- 3.75 The total staffing budget including Medical Referees etc is £467,000 in the current financial year.

## **BACKGROUND**

- 3.76 The Crematorium is a listed Art Deco building and it stands in a very large expanse of grounds stretching down to the river Thames. The Superintendent lives on site in a tied house with gardens down to the Thames. The House itself is valued in excess of £1M.
- 3.77 A key element in the success of the Crematorium are the grounds. These had been left to fall into a state of untidiness but £180,000 has been spent over the last 2 years restoring these to be a real feature. The crematorium carries out around 2300 cremations per annum. Customer Service is key and at a cost services can be held Saturdays or Sundays and for any length of time.

## **FINANCES**

- 3.78 Under the Act the Board has Precepting powers over its' constituent authorities. These have not been used for over 20 years. The Board operates a 15 year financial plan. Surpluses are invested with the constituent authorities, but they do not get to share in the surplus. Instead the 15 year plan allows for complete cremator replacement from the Board's own funds without borrowing or precepts. Major works such as restoration of the grounds and currently re-roofing the Gatehouse are also met from this fund.
- 3.79 The Cremation Fee is towards the lower end of fees (£620) in England and the Competition and Markets Authority singled out the Board for doing so much on such a modest fee. Dignity the Private Sector competitor charge £990 at present. The fees and charges bring in around £1.4m. The major expenses after employees are the upkeep of the premises, particularly rates

and insurance and gas. In 2019-20 the surplus generated is estimated at £404,000.

- 3.80 They are very proud of the contract they have with Chelsea and Westminster hospitals for the Cremation of Still born babies for which they make no charge.

## **CONCLUSION**

- 3.81 Although this is obviously a single service model it is operated on behalf of 4 London Boroughs all of whom are proud to include it as a service they provide to the Community. It is a trading concern and over time pays for itself and costs the Borough's nothing. There is no lead Borough but various services are tendered for and provided by the Boroughs themselves. Internal audit and the Accounting System are examples of this.
- 3.82 The overheads are relatively small, mainly staffing, administrative costs are around £520,000 and the benefits of the Board model are clearly considerable. Although democratically accountable to the constituent Authorities via Board Members the costs are minimal. There are 3 or 4 Board Meetings a year and they are held at the Crematorium premises.
- 3.83 The Board are also the Audit Committee and discuss the budget and Risk Register at each meeting as the organisation is too small to warrant a separate Committee. Decisions are usually consensual although there can be considerable differences of opinion on some issues. As a model of collaboration, it is extremely successful

## **Case study 6: SOUTH WEST MIDDLESEX CREMATORIUM BOARD**

- 3.84 The South West Middlesex Crematorium Board (SWMCB) is a joint board set up by the South West Middlesex Crematorium Board Act of 1947. However it operates in a very different way to Mortlake Crematorium Board and is in many ways more in the style of a Joint Committee.
- 3.85 The Crematorium is situated in the London Borough of Hounslow on the western edge of London. The constituent Authorities are The London Boroughs of Hounslow, Hillingdon, Ealing and Richmond -on -Thames and Spelthorne Borough Council, part of which is adjacent to the Crematorium.
- 3.86 Unusually the elected membership of the Board is based on population. 1 member for 30,000 population. In the case of Spelthorne this is limited to 1 member. The London Boroughs normally have 2 or a maximum of 3 elected members on the board. The quorum for Board meetings is 4 and that is



normally achieved. The Board has precepting powers but these have not been necessary for some years. Meetings are held 4 times a year at the Crematorium.

- 3.87 The Board does not involve its constituent authorities in its day to day running. There is no competitive tendering for corporate services but instead it operates with a Service Level Agreement with the London Borough of Richmond-on-Thames. This has been so for as long as anyone can remember. The Service Level Agreement is renegotiated every year at Budget time. Under this agreement all the accounts are completed, bills paid and a range of Corporate Services supplied.
- 3.88 The Clerk to the Board is an independent appointment and is paid an honorarium of £7200 per annum. There are 14 employees. The Manager, 3 administrative staff, 4 gardeners and 5 Cremator operatives. There are also 2 part time parking attendants.
- 3.89 The Crematorium is unusual because it has two chapels although one is quite small. This does increase the capacity. Although there has been no necessity for a precept for some time there have been occasions when the Authorities have received a "dividend" from the surplus made. When cremators are replaced, they are leased or money is borrowed to pay for them.

## **BUDGET**

- 3.90 The total income forecast for 2020-21 is £1.448m. The total expenditure for 2020/21 is forecast as £0.952m. The staffing budget is £0.510m and the Service Level Agreement is £38,000.

## **CONCLUSIONS**

- 3.91 The Board is financially successful. It runs a single service which local authorities are pleased to offer. It costs the constituent authorities nothing. The Board is too small to have an Audit Committee or any Scrutiny. There is no challenge to the management of the Crematorium. The service provided is straightforward and uncontroversial. The constituent authorities are kept together by it being a statutory body.
- 3.92 However it is interesting that in the case of Mortlake Crematorium Board elected member interest is very high and apologies for absence from meetings or events are rare, South West Middlesex crematorium Board is often inquorate and member involvement is relatively low. I conclude that this may have something to do with the different organisational styles. South West Middlesex uses one Authority under a Service level Agreement for all

back office services whereas at Mortlake the contracts for this support is spread amongst the constituent Authorities.

### **Case study 7: BELFAST CITY DEAL**

- 3.93 A City deal for Belfast was first mooted in 2016 when Consultants were employed to put together a convincing case for a City deal. Progress has been difficult without a Northern Ireland Assembly to agree the strategy and detail with but in a document dated March 2019 a draft agreement was signed by the U K Government and 6 Local Authorities and 2 universities.
- 3.94 Local government is different in Northern Ireland to the rest of the United Kingdom. Following a recent re-organisation there are 11 local authorities in Northern Ireland but many of the functions found elsewhere in local authorities some are carried out by the Northern Ireland Assembly. Thus although local government is financed by General Rates all local Taxation is collected centrally. Similarly functions such as Housing and Social Care are dealt with centrally.

#### **BELFAST REGION CITY DEAL**

- 3.95 In the agreement dated March 2019 the signatories were;
- Belfast City Council
  - Antrim and Newtownabbey Council
  - Ards and North Down Council
  - Lisburn and Castlereagh Council
  - Mid and East Antrim Council
  - Newry Mourne and Down Council
  - Queens University Belfast
  - Ulster University
  - U.K Secretary of State
  - A senior Official on behalf of Northern Ireland Departments.
- 3.96 The document agreed sets out the commitments of the UK Government and City Deal Partners to invest up to £500m in the City Deal. The projects would cut across the duties of local authorities, the UK Government and the Northern Ireland Government. To reach its full potential £350m is needed from the Northern Ireland Government. In the absence of an Assembly it has not been possible to secure this commitment.
- 3.97 The local government scene is dominated by Belfast City Council who are a very ambitious and relatively well-off Authority and they have taken the lead on the City deal. Over 57% of business in Northern Ireland is contained within

this region. There are 550,000 people aged under 40 in the Region and 45000 students at the two Universities. Tourism is an important industry and most people come to or pass through Belfast. It has also developed as a cruise destination.

#### THE DEAL

3.98 An investment plan across four key investment areas.

- Infrastructure
- Tourism and Regeneration
- Innovation and Digital
- Employability and Skills

#### Infrastructure, tourism and Regeneration

3.99 This area requires a commitment of £350m from the Northern Ireland Government and £1900m from City Deal Partners. There are various infrastructure projects to ease accessibility to the City centre and provide a Southern relief road. In Tourism there are plans to develop a tourist route throughout the region. In outline these plans would create 2800 permanent jobs.

#### Innovation and Digital

3.100 The deal envisages the creation of global centres of innovation. The proposal is that these will be;

- Global Innovation Institute based at Queens University, a cross - disciplinary digital innovation hub
- The Centre for Digital Healthcare Technology
- The Institute for Research Excellence in Advanced Clinical Healthcare
- The Advanced Manufacturing Innovation Centre
- The Screen and Media Innovation Lab.

3.101 An Infrastructure Enabling Fund will deliver the next generation of digital connectivity. As yet there has been no Business Cases to support these projects but the commitment is to provide £350m to assist in this area.

#### Employability and Skills

3.102 The City Deal will invest £30m to develop the skills needed to support growth in the Region.

#### **GOVERNANCE**

3.103 In Phase 1 there has been developed a Joint Council Forum and a Programme Board. These have been supported by Steering Groups as necessary. In

Phase 2 as the plans are supported by Business Cases there is a recognised need for governance structures providing clear lines of accountability for the expenditure of public money. Robust frameworks are being developed for the Business Cases. Each project must show value for money and how they will contribute to the City Deal vision.

### **CURRENT POSITION**

- 3.104 Progress is reported to a Belfast City Deal Council Panel. All the local authority partners are represented on this Panel and currently to increase buy in and commitment politically and geographically it has been necessary to have 4 representatives from each authority. The Panel is serviced by the Chief Executive and Director of Finance of Belfast City Council.
- 3.105 It is a very large Group and going forward there is a need to ensure easier decision making groups. This will be difficult to achieve. In the meantime, this Panel continues to meet and to concentrate on the specific areas of investment. The Panel meets on a quarterly basis.

### **CONCLUSIONS**

- 3.106 Although a great deal has been achieved the absence of a Northern Ireland Assembly has made it difficult to move forward as fast as would be liked. Consultants are engaged to produce specifics around the Business Cases and their approval. The current Governance Structures will not be suitable for phase 2.
- 3.107 A Programme Director has been appointed and his vision for Governance in phase 2 has been shared with partners. At the top would remain the Joint Council Forum and they would keep individual Council's informed and secure agreement democratically from them. The Universities would also need to make their decisions. This would all feed into the UK and NI Governments.
- 3.108 Beneath that would be an Executive Board. This would be a decision making body. It would involve 6 Chief Executives, 2 Vice Chancellors and NI Government Officials and the Programme Director. They would be responsible for Decision Making, Strategic Direction, Issue Resolution, Political and Stakeholder negotiations. Financial Planning and Governance and Assurance Framework would feed in here. Beneath them would be 5 Boards responsible for the detail of each programme area.

3.109 Heads of Terms have been signed and £2.5m has been allocated to fund programme development. A Programme Manager and Directors have been appointed and Advisory Boards are being set up to provide challenge.

### **Case study 8: MANCHESTER COMBINED AUTHORITY**

3.110 Manchester Combined Authority is not in the same position as the other two Combined authorities considered in this report. It is made up of 10 Local authorities, all of them Metropolitan Boroughs and all of them significant Authorities in their own right. They are.

- Bolton
- Bury
- Manchester City
- Oldham
- Rochdale
- Salford
- Stockport
- Tameside
- Trafford
- Wigan

3.111 The Greater Manchester Combined Authority is therefore a vast conurbation of like Authorities. It is led by an elected Mayor who is a well-known politician and has a great deal of drive and influence.

3.112 In 1986 the Greater Manchester Metropolitan County council was abolished but ever since that time there has been a substantial amount of collaboration between the Authorities in the Greater Manchester area. They are therefore very used to working together. The Greater Manchester Combined Authority has devolved powers for;

- Transport
- Economic Development, Regeneration and Housing
- Policing
- Fire and rescue
- Health
- Waste

This makes the Authority a very complicated one.

3.113 There are 2200 direct employees but 2000 of them are employed in the Fire and Rescue Service. The responsibility for Policing is the involvement of the Police and Crime Commissioner. The Police Force is an independent force. Thus there are separate statutory Precepts or Levies for Fire and Rescue,

Police and Waste. Greater Manchester is now the only Joint Waste Authority outside London.

- 3.114 The remaining 200 employees of the Combined Authority and their projects under the devolution from Central Government are also funded by a levy on constituent authorities.
- 3.115 There is a Health and Social Care Partnership which is aligned to the Combined Authority. They are funded by the NHS, CCG, and the Local Authorities.

### **GOVERNANCE**

- 3.116 The elected Mayor Chairs the meetings of the Combined Authority. The Council of the Combined Authority meets on a monthly basis. The members are the Leaders of the 10 Authorities. Chief Executives also attend.
- 3.117 The Council Meetings are quite formal and there is not normally much debate. The problems and differences will have been ironed out in the variety of meetings between the parties between Council Meetings. There is a good working relationship between the Authorities but that does not mean constant agreement.
- 3.118 Each Leader has a portfolio responsibility as if in a Cabinet in their own authority. Similarly, each Chief Executive has a Portfolio Responsibility but that need not be the same as their own Leader. The Minutes of the Combined Authority go to the Cabinet meetings of each Authority ensuring openness and transparency. The Leaders and Chief Executives of the Authorities meet separately every week.
- 3.119 The Budget is subject to Scrutiny. There are three separate Scrutiny panels each with 3 Leaders serving on them. They are for the budget generally, Fire and Rescue and Waste.
- 3.120 I interviewed a Director of Finance for one of the Constituent Authorities to get an independent view of the workings of the Combined Authority. They told me that it works very well mainly because of the long-term arrangements there have been. However there are tensions now appearing. The Mayor tried to get involved in homelessness and that caused considerable friction as Leaders saw that as being their responsibility.

## **FINANCES**

- 3.121 The Greater Manchester Combined Authority budget is financed from contributions from Constituent Authorities and Business Rates Retention. There is a levy from the Combined Authority and from the Mayor. This adds around £90 to a Band D Council Tax each year. For 20-21 there is a £14 rise. The Authority is a pilot for Business Rate Retention and the extra 50% goes to the Combined Authority. The Combined Authority levy is basically for transport and apportioned between the 10. They also pay the statutory Precepts for Fire and Waste.
- 3.122 The total precept is for £69.3m although this includes some exclusively for the Mayor rather than the Combined Authority. This is a Band D equivalent of £91.02 in 20-21. A forecast for 2024-25 shows it will rise to £133.50 or £101.5m by then.
- 3.123 Support costs for 19-20 were £0.820m. These have increased in 20-21 to £1.230m. This is the result of pay increases of £16000 and increased recharges of £0.400m.

## **CONCLUSIONS**

- 3.124 The figures are confusing as there are so many different levies. The Combined Authority has around 200-250 direct employees working on the Strategy and the Programme Areas. As the existence of the Combined Authority gives access to large amounts of devolved finance there seems to be general satisfaction about value for money.
- 3.125 The total Capital Expenditure for 2018-19 was £276m. Roughly half of this was funded by Capital Grants under Devolved Funds. The net revenue expenditure for 2018-19 was £1.2bn. The Authority compares with no other.

## **Case Study 9: CARDIFF CAPITAL REGION CITY DEAL**

- 3.126 This is a fairly recent City Deal Partnership. The original agreement was signed in March 2016 and the deal was adopted in March 2017. It has 10 partner local authorities;
- Blaenau Gwent
  - Bridgend
  - Caerphilly
  - Cardiff
  - Merthyr Tydfil
  - Monmouthshire
  - Newport

- Rhondda Cynon Taf
- Torfaen
- Vale of Glamorgan

3.127 Together with the Welsh Government and the UK Government it also has the support and involvement of three Universities in the Region although these are not formally part of the partnership.

3.128 The City Deal Agreement speaks of additional investment of £1.2bn over 20 years. The actual Governance divides the 20 years into 4 x 5-year periods each one needing further approvals. The funding intention is £120m from the 10 Local Authorities, £375m from the UK Government and £734m from the Welsh Government to provide the Metro which will give great connectivity within the Region and on which much of the rest of the City Deal is based.

### **GOVERNANCE**

3.129 The City Deal is a Joint Committee and not a Statutory Stand-alone Authority. This sets City Deals apart from for instance Combined Authorities. It means that there is an accountable body for the City deal. That role is undertaken by Cardiff Council. This means that all administrative and “overhead” functions are undertaken by Cardiff under a Service Level Agreement.

3.130 The works and projects under the City Deal Agreement are narrowly delegated to a Regional Cabinet. This is made up of the 10 Council Leaders. The Regional Cabinet meets around 10 times a year. Around half of these are informal Cabinets and half formal where the decisions are made. This mirrors the practice generally found in local authorities. The informal meetings allow officers to give confidential briefings and for differences of opinion to be aired which can then be worked on before formal approval. The Regional Cabinet elects its own Chair. The Governance has changed fairly recently with the appointment of a Programme Director. This post is the senior adviser to the Regional Cabinet.

3.131 There is a Programme Board which has in its membership the 10 Chief Executives. There are also regular meetings of the 10 Section 151 Officers and also of people at Chief Accountant level to ensure uniform technical accounting treatment. Alongside the Programme Board is an Investment Panel which has 5 Business Representatives and 5 Chief Executives and there are also Advisory Boards such as the one for Economic Growth which involves Leaders of Authorities, Business Leaders and Universities. Politically there is a



Labour majority, but other parties are represented.

- 3.132 There is a Regional Scrutiny Committee which is Chaired by an opposition Councillor. This Committee has membership nominated by the Authorities. This is a challenging Scrutiny Committee and meets 4 times a year.
- 3.133 After some thought it was decided that an Audit Committee was not necessary, this is left to individual Authorities as in their normal course of business their financial involvement would be subject to examination by their own audit committees. External audit is provided by the Welsh Audit Office.
- 3.134 Programme investment is not intended to benefit all Authorities equally. Inclusivity is a major objective. Thus, as an example in the Housing Programme the intention is that 50% of the investment will take place outside Cardiff, Vale of Glamorgan or Newport and in places where housebuilders might not normally consider investment. This is part of the whole because Housebuilding will depend on Metro connectivity and although the Metro itself is funded by the Welsh Government there is a Metro plus programme within City Deal which is looking at for instance Park and Ride facilities to enhance Metro availability to the Region.

## **STAFFING**

- 3.135 There is a City Deal Office in Cardiff. It has an establishment of 15 full time equivalents although there has never been that number employed. The Programme Director leads this Office. As Cardiff are an accountable body anyone employed in the City Deal Office must be legally a Cardiff employee. Initially the staffing has been with secondments from the constituent authorities with the employment remaining in those Authorities but fully reimbursed by the City Deal. Cardiff has a Service Level Agreement with the other 9 authorities. The City Deal Office is entirely reliant on Cardiff systems.
- 3.136 The total revenue costs are around £1.5m (see Budget section of report) and this is reimbursed by the 10 authorities on a population basis. Of this currently £0.250m is actually the Service Level Agreement. To date the administrative budget has always been underspent but that will not be so as more and more projects come online. The continuation to the second 5 year period is currently being discussed and is expected to be approved.
- 3.137 The City Deal agreement has been fairly slow starting It is however important to get Governance properly resolved and that Authorities have all signed up to that. There is a current deal flow of around £40m but the programmes for Housing (£45m) and Metro Plus (£30m) are now being actioned. The

Investment Framework is now being developed and 14 activities considered. The decision has been taken that Grants should be a last resort and that deals normally would involve debt/equity investment.

### **CITY DEAL AGREEMENT**

3.138 The signed agreement states that investment will provide 25,000 extra jobs and generate around £4bn of additional investment. The key priority is the development of the South East Wales Metro and the delivery of the Valley Lines Electrification programme. The other aims of the Agreement are broadly expressed at present. These are in;

- Innovation and the Digital Network
- Developing a skilled workforce and tackling unemployment.
- Supporting Enterprise and Business Growth
- Housing development and Regeneration.

3.139 The Agreement states that financing the Capital Investment Programme is the responsibility of the constituent Authorities and provided under current Prudential guidelines. This would cover any differences between investment needed and capital grants received.

3.140 Under the Agreement the local authorities are to seek some additional flexibilities. These are;

- Devolution of growth in Business Rates
- An ability to levy an infrastructure supplement
- Allowing Local Authorities access to alternative investment funds.
- Flexibility on conditions imposed with some Welsh Government Grants to allow Regional Pooling of Funds for instance.

### **BUDGET 2020/21**

3.141 The budget report presented to Regional Cabinet in December 2019 shows a total Joint Committee budget of £1.690m, an increase of £3,249 over the 2019/20 budget. Partner contributions will provide £1.104m of this, an increase of £15,500 over the previous year. The remainder will be met from a top slice of the Investment Fund (£0.586m). This split reflects the split between administrative expenses and project work carried out by the City Deal Office.

3.142 In 2020/21 the Service Level Agreement for Accountable Body Costs is put at £0.294 and the costs of the City Deal Office at ££0.810m. Looking forward to 2024/25 shows a small increase from £1.690m to £1.830m and an increase in authority contributions of 2% per annum.

## **INVESTMENT PLAN 2020/21**

- 3.143 The Investment Plan shows a total capital expectation of £15.490m from authorities in the year. Individual contributions range from £0.610m to Cardiff at £3.675m and the revenue implications from £49,000 to £294,000.

## **CONCLUSIONS**

- 3.144 This City Deal is in the early stages but commitment from Partners and from Business is very high. Much depends on the key capital project of the South East Wales Metro providing connectivity through the Region and the City Deal partners will build on that by their various investment programmes.
- 3.145 Governance is very strong. The Appointment of Programme Director has brought focus and the plans are now being put in place for future years. It is a 20 year programme but split into 4 5 year agreement periods. This is both a plus and a minus but providing targets are met and benefits become visible all partners should see the sense in continuation.
- 3.146 The model of having an Accountable Body is a little old fashioned. It means that the constituent authorities have to use their own borrowing powers within the Prudential framework and may lead to conflicts between their own capital schemes and City Deal schemes and possibly a lack of borrowing power. The additional flexibilities sought by the Partnership seem to be vital in this context.
- 3.147 However, the benefits of the Accountable Body model is that the Service Level Agreement seems to be on a cost recharge basis and means that the actual administrative costs are very small and tightly defined. For instance, a major overhead for most Combined Authorities is accommodation. Accommodation for the City Deal Office is in Cardiff Council accommodation and is £20,000 per annum.
- 3.148 On the other hand, Statutory Authorities rather than Joint Committees have their own powers whereas Joint Committees are confined to the existing powers of the local authorities. However, if the benefits set out are achieved the Local authorities are receiving a large investment for a very small outlay. There is no doubt therefore that the perceived benefits will clearly outweigh costs and achievements should be way beyond the stand-alone achievements of constituent authorities.
- 3.149 Tensions may occur further down the line. I am told there is a very collegiate approach at present but that will become strained if benefits are greater in

one Authority than another. The Programme Office will have to ensure their programmes have some benefit to all constituent authorities to keep the unity of the partnership.

#### 4. BUDGETS AND FINAL ACCOUNTS OF CASE STUDIES

WASTE AUTHORITIES		£m	%			%
		NLWA		WLWA		
		2019/20		2019/20		
TOTAL EXPENDITURE		71.884			62.3	
TOTAL INCOME						
CHARGES AND SALES	13.166		18.32	2.605		4.18
GRANTS						
LEVIES	53.182		73.99	59.99		96.29
USE OF BALANCES	5.377		7.48	-0.295		-0.47
RENTS	0.119		0.17			
INTEREST	0.04					
		71.884			62.3	
EXPENDITURE						
OPERATIONAL						
CONTRACTS	36.961		51.42	41.367		66.4
IN HOUSE	14.173		19.72			
TAX	1.695		2.36			
SITE MANAGEMENT	1.681		2.35	2.627		4.22
ADMINISTRATIVE	2.651		3.69	2.929		4.7
STRATEGY	0.621		0.86			
EDUCATION AND COMMS	0.822		1.14			
REVENUE FUNDING OF						
CAPITAL	10.545		14.66	15.376		24.68
CONTINGENCY	2.735		3.8			
TO BALANCES						
		71.884			62.3	
LEVIES RANGE FROM /TO		5.554m	10.372m			7.658m
7 authorities						
AVERAGE LEVY		7.597m				10.379
CAPITAL SPEND						
18/20-21/22		107m				2.1m
REVENUE FUNDING OF						
CAPITAL RISES TO			18.25%	BY 2021/22		24.70%
		NOTE 1				NOTE 2

CREMATION AUTHORITIES						
			%			%
	MCB			SWMCB		
	2020/21			20/21		
TOTAL EXPENDITURE		1.02			0.952	
TOTAL INCOME						
CHARGES AND SALES	1.373		98.92	1.448		100
GRANTS						
LEVIES						
USE OF BALANCES						
RENTS						
INTEREST	0.015		1.08	0		
INVESTMENT FUND/START UP		1.388			1.448	
EXPENDITURE						
OPERATIONAL /PROJECT	0.303		21.83	0.42		29
CONTRACTS	0.067		4.83	0.075		5.2
IN HOUSE						
TAX	0.069		4.97			
PREMISES	0.267		19.24	0.157		10.84
ADMINISTRATIVE	0.251		18.08	0.286		19.75
STRATEGY						
EDUCATION AND COMMS						
REVENUE FUNDING OF						
CAPITAL	0.065		4.68	0.295		20.37
CONTINGENCY						
TO BALANCES	0.366		26.37	0.215		14.84
		1.388			1.448	
LEVIES RANGE FROM /TO		NIL	NIL		NIL	NIL
10 authorities						
AVERAGE LEVY		NIL			NIL	
CAPITAL SPEND						
FOR EACH AUTHORITY 20/21		NIL			NIL	
RANGE						
AVERAGE	by 2020/21					
			NOTE 3			NOTE 4

			£M	%
			CARDIFF	
			2020/21	
TOTAL EXPENDITURE			1.691	
TOTAL INCOME				
CHARGES AND SALES				
GRANTS				
LEVIES		1.105		65.350
USE OF BALANCES				
RENTS				
INTEREST				
INVESTMENT FUND/START UP		0.586		34.650
			1.691	
EXPENDITURE				
OPERATIONAL /PROJECT		1.070		63.276
CONTRACTS				
IN HOUSE		0.084		4.967
TAX				
PREMISES		0.021		1.241
ADMINISTRATIVE		0.435		25.724
STRATEGY				
EDUCATION AND COMMS				
REVENUE FUNDING OF				
CAPITAL				
CONTINGENCY		0.081		4.967
TO BALANCES				
			1.691	
LEVIES RANGE FROM /TO				
10 authorities				
AVERAGE LEVY		0.110		
CAPITAL SPEND				
FOR EACH AUTHORITY 20/21				
RANGE		0.610	3.675	
AVERAGE		1.549		
			NOTE 5	

COMBINED AUTHORITIES				
		WEST OF ENGLAND		
		2019/20		
		£m	£m	%
TOTAL EXPENDITURE			47.219	
TOTAL INCOME				
CHARGES AND SALES				
GRANTS		15.501		32.828
LEVIES		14.737		31.210
USE OF BALANCES				
BUSINESS RATE RETENTION		1.212		2.567
INTEREST		0.820		1.736
INVESTMENT FUND/START UP		14.949		31.659
			47219	
EXPENDITURE				
PROJECTS STAFF		1.942		4.113
TRANSPORT		14.737		31.21
IN HOUSE				
TAX				
PREMISES		0.215		0.456
ADMINISTRATIVE		1.660		3.515
CONTRIBUTION TO MAYOR		1.828		3.871
EDUCATION AND COMMS				
PROJECT SPEND		26.837		56.835
CONTINGENCY				
TO BALANCES				
			47219	
LEVIES RANGE FROM /TO		2.566	7912	
3 authorities				
AVERAGE LEVY		4.912		
		NOTE 7		



COMBINED AUTHORITIES					
		CAMBRIDGESHIRE AND PETERBOROUGH			
EXPENDITURE		2020/21			
		£m	£m	%	
CORPORATE COSTS-DIRECT			1.787	7.428	
PROJECT STAFFING		3.133			
RECHARGED TO GRANT					
FUNDED PROJECTS		-1.721	1.412	5.868	
SUPPORT SERVICES					
CONTRACTED OUT			0.489	2.032	
ACCOMODATION			0.34	1.413	
OTHER CORPORATE COSTS			0.22	0.914	
GOVERNANCE			0.164	0.682	
CAPACITY FUND			0.125	0.519	
COST OF BORROWING		2.555			10.618
INTEREST EARNED		-1.02	1.535	6.379	-4.239
FEASIBILITY STUDIES			0.811	3.371	
			6.883		
PROJECT COSTS			17.178	71.394	
TOTAL EXPENDITURE			24.061		
TOTAL INCOME			-22.065		
DEFICIT			1.996		
LEVY ON 7 AUTHORITIES			NIL		
DEFICIT MET FROM RESERVES					
INCOME INCLUDES BUSINESS					
RARE RETENTION.					
RESERVES CURRENTLY FORECAST			8.985		
			note 8		

COMBINED AUTHORITIES					
		GREATER MANCHESTER COMBINED AUTHORITY			
			3020/21		
			£m	£m	%
	INCOME	LEVIES	8.848		6.642
		GRANTS	94.603		71.023
		BUSINESS RATES	8.112		6.090
		FROM RESERVES	14.856		11.153
		OTHER INCOME	6.783		5.092
			133.202		
	EXPENDITURE	PROJECTS	115.874		86.991
		CORPORATE COSTS	17.328		13.009
			133.202		
	LEVY		8848.000		
	RANGE -10 LAS		0.634	1.671	
	AVERAGE		0.885		
		OTHER THAN 1.950m THE LEVY			
		IS ON A POPULATION BASIS			
	THIS BUDGET IS FOR THE COMBINED AUTHORITY SERVICES ONLY				
	AND NOT THE MAYORAL SERVICES OF TRANSPORT, WASTE, FIRE AND POLICE.				
	RESERVES	AT 31ST MARCH 2020	87.818		
		AT 31ST MARCH 2019	111.075		
		split;			
		COMBINED AUTHORITY	14.856		
		APPLIED TO PROJECTS	8.401		
			NOTE 9		

#### NOTE 1 - NORTH LONDON WASTE

- Unusually they budget for a contingency. As they have balances this seems strange
- 73.99% of their expenditure is met by levy.
- Back Office Staff account for 5.69% of their gross expenditure.

#### Note 2 - WEST LONDON WASTE

- They have an entirely different approach. Nearly everything operationally is contracted out. The levy covers nearly all expenditure. Income from charges goes to the Contractor.
- Thus 96.29% of their expenditure is met by the levy.
- Back office staff account for 3.7% of their gross expenditure
- Their approach to Capital Expenditure is entirely different and no meaningful comparison can be made.

#### NOTE 3 - MORTLAKE CREMATORIUM BOARD

- This is a small single purpose Joint Committee. It is run commercially.
- The surplus in 2020/21 is forecast at £0.366m. There is no reverse levy. There is no borrowing for Capital Expenditure. Around £0.100 m is spent from revenue each year and the Cremators replaced every 12 years from the reserves. By 2028/29 £6.231m will be in reserves.
- Administrative Staff account for 18.08% of expenditure but this includes staff dealing with the public and funeral directors etc.

#### NOTE 4 - SOUTH WEST MIDDLESEX CREMATORIUM BOARD

- The Board carries out more cremations than Mortlake and has higher fees.
- The surplus before loan repayment in 2020/21 is forecast at £0.496m. A three-year loan was taken out in 2019/20 and the repayments are £0.280 per annum.
- The Board has in the past borrowed for Capital although the Cremators recently replaced have been leased.
- Until recently a reverse levy policy was in place but recently the decision has been made to retain surpluses to finance capital.
- Administrative staff account for 19.75% of gross expenditure broadly in line with Mortlake.

#### NOTE 5 - CARDIFF CITY DEAL

- It is difficult to draw conclusions as the City Deal is relatively new and the Programme Director has not been in post long.
- There is a Wider Investment fund which in 2020/21 will fund the growth in the City Deal Office. This is because that office is working on the projects for

which the Capital will be spent on. The Wider investment Fund is made up of £95m from H.M Treasury over 20 years and £120m from constituent authorities.

- Administrative expenses at 25% of the budget includes preparation for the 5-year Gateway Review and without those costs would be around 20%. This is probably high because the project work is in its infancy and as time goes on the administrative costs which are largely the service level agreement costs from Cardiff will remain much the same but become a lower proportion of total costs.

#### NOTE 6 - BELFAST CITY DEAL

- This was included only for Governance as no budgets have yet been set mainly due to the absence of a Northern Ireland Assembly

#### NOTE 7 - WEST OF ENGLAND COMBINED AUTHORITY.

- Combined authorities do not conform to the accounting norms of local authorities inasmuch as they tend to treat Capital and Revenue expenditure the same. Thus this budget contains both. This is because the project expenditure is largely met by grants.
- In this Authority there is a Transport Levy but that is because they have taken over some transport functions from the Constituent Authorities but have not yet taken over the staff. This is temporary levy which merely passes back the expenditure to the constituent authorities albeit not necessarily in the proportions of the local authorities spend.
- There is at present no other levy. The bulk of overheads being met by Retention of Business Rates as a pilot under the scheme. Presumably the rest of the overheads are charged to projects. The contribution to the Mayoral Budget is to cover money expended on feasibility studies for projects.
- Administrative costs amount to 3.515% of total expenditure. Many staff are shared with the Local Enterprise partnership and therefore would charge their time on an allocated basis.
- The Chief Executive is Chief Executive of the Local Enterprise Partnership as well and therefore given that normally a Combined Authority would have its own Chief Executive the administrative cost may not be representative. However even estimating for this would leave administrative costs under 4%.
- The Investment fund is part of the Devolution Deal and gives £30m to the Combined Authority per year for 30 years.
- Current Government Grant Streams are;

○ Housing Capacity Fund	£1m
○ Mayoral Capacity Fund	£1m
○ Adult Education	£11.9m

- Future Bright £1.6m

This is the £15.5m shown in the spread sheet.

- Interest on balances was £0.3m more than forecast and this has been put in the project spend budget.
- Total Reserves are currently £0.568m

#### NOTE 8 - CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

- There is no levy at present in this Authority. The budget deficits are met from Reserves although that is forecast to have to change in 2023/24 when reserves run out. As in West of England they have a Pilot Business Rates Retention scheme which helps with the budget.
- The Corporate Staffing costs for direct staff are 7.427% but adding together these with corporate contracts and other administrative expenses still only gives around 11%. Although higher than West of England this is more in line with expectations.

#### NOTE 9 - GREATER MANCHESTER COMBINED AUTHORITY

- As noted elsewhere this is a very large organisation and out of scale with the other case studies. The figures I have enclosed are for Combined Authority Services only and do not include the Mayors responsibilities for Transport, Waste, Fire and Rescue and Police.
- The levy on the 10 constituent authorities only accounts for 6.642% of the total expenditure. 6.09% comes from retained Business Rates.
- Corporate Costs account for 13%.

## **SPREADSHEET CONCLUSIONS**

### **LIMITATIONS**

4.1 Collaboration between local authorities is achieved in a variety of ways and the case studies in this report give a snapshot of a number of ways that collaboration can be achieved. In all the cases used it would seem that the model used has proved successful and has worked.

4.2 It is very difficult to draw conclusions from all that would indicate that one model was better than another but there are pointers to the factors that make some models of collaboration better than others. The further limitation is the maturity of the collaboration. No authority is keen to quote starting up costs mainly because they are not exceptional but equate merely to year one costs. That is to say there are few things needed at the start which do not continue.

In most cases of Combined Authorities, for instance, the start up costs are found by top slicing investment programme grants. There is no bar to doing this and authorities argue that the necessity to work on feasibility studies for example is a legitimate part of the investment objective. In the same way it is argued that the objectives cannot be met by proper governance.

In addition to meet certain administrative or transitional costs the mayoral precept could be used. This has not been used generally and where the mayoral precept has been used it has been to meet the feasibility costs of a mayoral scheme.

### **WASTE AUTHORITIES**

4.3 These are single purpose authorities. They are created by statute, but authorities are free to join or do their own thing. Looking at the financial data it is clear that they are created for the single purpose of waste disposal. Their contact with the public is very limited. That mostly is to do with communications and education. The accounting is fairly simple and straightforward. It therefore follows that they have low overheads. Their backoffice staff and limited committee and other meetings mean that the running costs are kept to a minimum.

4.4 The democratic element is normally drawn from Environment Portfolio holders and that means a high level of member input. This increases the likelihood of low overheads. The decision making is more likely to be on technical aspects than on cost.

- 4.5 The low level of administrative cost found in Waste Authorities is unlikely to occur in other areas of collaboration.

#### CREMATION AUTHORITIES

- 4.6 Again, they are single purpose authorities. They are entirely commercially run and are in competition with one another. However, a recent Competition and Markets Report clearly indicates that competition is not on price. The simple fact is that the price of a funeral means that the portion due to the Cremation Fee is not a decision-making factor. Either people are recommended to a Crematorium by an undertaker or they have family connections.
- 4.7 However, the customer experience is a clear factor in repeat business and making things as easy as possible for undertakers increases the likelihood of business.
- 4.8 For these reasons the cost of administrative staff is relatively high. Also, unlike Waste Authorities the member input tends to be from members with a personal interest rather than a technical knowledge.
- 4.9 The two examples used were managed differently, one having a Lead Borough and a Service Level Agreement and the other contracting for all corporate services separately. The outcome however was broadly similar in cost terms.

#### COMBINED AUTHORITIES AND CITY DEALS.

- 4.10 This is the other end of collaboration. Created by statute and joined by choice these Authorities exist to spend capital sums devolved from Central Government. Large sums are involved and generally they can raise money from private sector partners as well as through Government Grants. High standards of probity and integrity are essential, and this means a higher level of democratic and officer input from partners.
- 4.11 It follows then that their administrative costs will be higher and levels of around 10% of budgets seem to be the norm. The West of England seems out of step but they have only just started and the job shares with the Local Enterprise Partnership will change as they get further advanced with their programmes and I would expect administrative costs to rise.
- 4.12 The higher proportion for overheads at Cardiff is because they have just created the programme office and are preparing for a Gateway Review but have been slow getting programmes started. As Programmes grow the

percentage will drop.

- 4.13 Manchester is the furthest advanced but is a very large organisation. The Combined Authority is just a part of the services run by the Mayor. The figure of 13% for overheads for the Combined Authorities will fit with Cambridgeshire.
- 4.14 Collaboration between neighbouring authorities for specific well-defined purposes is likely from these examples to be cost effective. The expertise will come from the Authorities themselves, staff can be seconded thus minimising risks, Elected members will be keenly watching costs as they will not want increased costs via levies without visible improvements for their residents. Those improvements need to be things that could not be achieved without a wider area (transport for instance) or a wider population (education and skills).
- 4.15 As I said in the main conclusions, a statutory framework is important but so is the fact of choice on whether to be involved or not as this increases commitment to the objectives.



## **5. FINAL CONCLUSIONS**

- 5.1 The report has documented some very successful examples of collaboration between individual local Authorities. There are some common principles behind these which have made such collaboration either attractive or sensible. They have all got some form of statutory backing. This gives local authorities the confidence to move ahead and the ability to have some sort of framework to assist them. The Collaboration is something within their own control. It is not mandatory but it offers the opportunity, should local authorities wish to collaborate, to do so in a structured way. It also means that Authorities can build on guidance and not necessarily re-invent the wheel.
- 5.2 Collaboration allows an Authority to achieve something which is too ambitious to have been contemplated on their own. It allows a synergy of expertise that would be expensive or difficult to assemble otherwise. It enables spatial or comprehensive planning over a much wider area. It gives the ability to provide a service or services to their residents which they otherwise could not do. Collaboration works best for services with a high entry cost.
- 5.3 The research has shown that there is significant cost variation amongst the collaboration arrangements considered in this report, including for example the Combined Authorities - which have the same statutory basis. Much of this variation would appear to depend on; the scale, scope and ambition of the collaboration arrangement; the individual decisions made within each collaboration on governance, management and staffing structures; and the functions they deliver and how they chose to implement those functions.
- 5.4 There is also some correlation between the cost of administration as a proportion of the overall costs and the maturity of the collaboration, particularly where there is a focus on developing longer term capital projects. It is not possible therefore to provide a single cost estimate / basis for collaboration concluding that a range of costs based on some of the above variables is more likely. One of the important issues which directly affects this difficulty is that the Combined Authorities are set up based on a submitted business case which includes very different programmes of work. In cases of single purpose authorities and authorities formed with similar objectives I would expect there to be a far greater correlation.
- 5.5 In the cases where Central Government wishes local authorities to achieve something it offers the chance to use Central Government Funds on a local basis. That is to say ensuring local people are more involved in the decision making and that the outcome is tailored to their needs. In the case of some

services such as Transport there is a sense in looking at a wider area and connectivity.

- 5.6 If Collaboration is considered important by Central Government then some kind of capacity grant will be necessary to meet set up costs. It is my view that Capacity Grants should be bid for. I have said in paragraph 4.2 that the start-up costs have been met universally and quite legitimately from Investment Grant monies but in my view it would aid transparency and concentrate minds if a business case were to be made for a capacity grant covering start-up costs but excluding legitimate investment expenditure. I am thinking of such expenditure as back office staff, accounting, governance costs including the necessity for audit and audit committees and scrutiny. They should be sufficient to encourage participation and give a real chance of success but small enough to encourage thinking of new ways of doing things and to ensure cost effectiveness. My view is that staffing levels expand to meet the resources made available
- 5.7 Collaboration has to bring the opportunity to achieve something not otherwise possible and using devolved funds works well. The statutory framework should insist on high standards of governance, openness and transparency. The basis of future funding should be set out clearly. The best examples allow collaborating authorities to agree themselves on apportionment of costs but set out a default basis if agreement cannot be reached.
- 5.8 Collaboration should allow bidding for grants and funds from the wider world and sponsorship from business if that is applicable. In the cases of simple collaboration secondment from existing authorities should be considered and using existing Chief Officer expertise. Collaboration must be based on involvement of Leaders and Chief Executives to show the commitment of the Authority.

## Agenda Item 2.4

### **WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:**

#### **SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2020-21**

**JUNE 2020**

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#### **Recommendation 1**

**The Committee recommends that the Welsh Government continues to monitor and explore whether consequentials received through the Barnett formula are reflective of the needs of Wales, particularly in light of COVID-19.**

#### **Response:** Accept

The Welsh Government's long term aim is for a needs based funding system that operates consistently across the UK. Since the Fiscal Framework Agreement in 2016, the Barnett formula does at least include a needs-based element for Wales. The additional 5% that the Welsh Government receives on top of its population share of new allocations has resulted in £130m of extra funding in relation to the measures introduced to deal with the coronavirus pandemic. While the Barnett formula is far from ideal, it has delivered significant additional resources to deal with the crisis in a timely fashion.

In the current situation, our focus is on ensuring we receive the correct funding in relation to the many and frequent announcements from the UK Government. We are pressing the UK Government for clarity over the level of funding available to the Welsh Government this year, to enable effective budget management and the prompt allocation of resources to support the economy and public services in Wales.

The Welsh Government is monitoring the cost pressures arising from COVID-19 closely. If elements arise which cannot be managed within the current framework, we will make the case for separate arrangements to the UK Government. The additional flexibilities referred to in Recommendation 6 are also relevant in this context.

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## **Recommendation 2**

**Should consequentials not adequately reflect the needs of Wales in light of COVID-19 the Committee recommends that the Welsh Government confirm with UK Government alternative funding options as a matter of urgency.**

**Response:** Accept

As noted in response to Recommendation 1, the Welsh Government is carefully monitoring the cost pressures this year. It has introduced a range of innovative measures at pace in response to the pandemic, repurposing existing funding and utilising additional resources.

The budgetary situation is dynamic, with both cost pressures and funding levels shifting rapidly over time. If the existing arrangements are not sufficient to deal effectively with the impacts of COVID-19, the Welsh Government will make the case for alternative options. Along with the other devolved administrations, we are already pressing the UK Government for additional flexibilities this year to help manage the budgetary impact of COVID-19.

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## **Recommendation 3**

**The Committee recommends that the Welsh Government insists that the UK Government provides as much information as promptly as possible, on any UK Government announcement that affects Wales, its residents and/or the businesses that operate here.**

**Response:** Accept

We have consistently called on the UK Government for early and meaningful engagement on spending measures and policy changes that will impact on devolved responsibilities before they are made. It is important that these arrangements are formalised and put in place to meet the challenges and opportunities presented by EU Exit and the wider economic and social uncertainties resulting from COVID-19. This approach aligns with wider developments, supported by all UK Governments to establish effective inter-governmental machinery.

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#### **Recommendation 4**

**The Committee recommends that an update is provided on the role of the Counsel General and how the Counsel General's work on COVID-19 recovery dovetails with the Minister's planning for the rest of this financial year and 2021-22.**

**Response:** Accept

The Minister for Finance and Trefnydd and Counsel General issued a joint statement on 14 July on *Stabilisation and Reconstruction in the Wake of the Coronavirus Pandemic* which provided an update on how the work on COVID-19 recovery is aligned with our 2021-22 budget preparations.

This outlined-how we intend to prioritise and innovate as we prepare for 2021-22, with the way forward defined by two phases. An initial phase where we stabilise our economy and our public services, followed by an intense effort to reconstruct our society on a new basis. We have already started to work towards reconstruction, developing a strategy which will run alongside the budget process. A further update on our progress will be provided in the autumn.

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#### **Recommendation 5**

**The Committee would welcome details of the discussions undertaken with public sector organisations facing significant reductions in income this year, and recommends that the Committee is provided with details of how the Welsh Government has worked with these organisations to mitigate the impact of the reductions.**

**Response:** Accept

The Welsh Government has, and continues, to extensively engage with public sector organisations during the COVID-19 pandemic. Frequent discussions take place at both Ministerial and official level to keep fully updated of the impact of the pandemic on those organisations, including the financial impacts.

The impacts across the sector vary and Ministers have met with many of the organisations within their remit, working closely to understand the specific needs and the most effective way of mitigating the financial impacts.

Early into the crisis, it was recognised that some public sector organisations rely on income generated from commercial sources to finance their operating costs and these commercial activities would no longer operate as a result of COVID-19.

Guidance was provided on how the Job Retention Scheme would apply. Where necessary, this has allowed those organisations to furlough staff who, otherwise, were at risk of redundancy.

Clearly, Welsh local authorities have suffered a loss of income and we have worked closely with them and the WLGA throughout the pandemic to understand and support local government in Wales. We allocated £78m to local government in the first supplementary budget for this purpose. We also recognise that a number of our sponsored bodies will have lost income due to the pandemic. Ministers meet regularly with these bodies to discuss the overall financial impact of COVID-19. We have made a number of allocations in respect of the various pressures faced by these bodies and the sectors they support.

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#### **Recommendation 6**

**The Committee agrees with the Minister's view on needing flexibility regarding increasing annual limits relating to Welsh Government borrowing and reserves. The Committee recommends that the Welsh Government provides an update to the Committee on its discussions with HM Treasury regarding flexibilities in borrowing and reserves.**

#### **Recommendation 7**

**The Committee recommends that an update is provided on the Welsh Government's discussions with HM Treasury regarding the ability to switch capital to revenue when discussions have been finalised.**

**Response:** Accept

Discussions are ongoing with the UK Government regarding additional budgetary flexibilities. We will write to the Committee with an update on the outcomes of those discussions when they conclude.

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#### **Recommendation 8**

**The Committee recommends that the basis on which funding is reallocated from capital to revenue projects should be clear, and accompanied by the relevant impact assessments.**

**Response:** Accept

The consideration of which capital budgets could be released to support a switch to revenue if needed is being undertaken by Ministers. As part of this consideration, an assessment of the potential impacts will be undertaken. Whilst the initial approach is to identify slippage that has occurred as a result of the pandemic, we have been clear that identifying these budgets will necessarily require difficult choices that may impact on our ability to deliver on our capital plans. In doing so, we are seeking to protect as far as possible those budgets which are necessary to deliver either existing contractual commitments or to protect our citizens, and those budgets which support this Government's key priorities.

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#### **Recommendation 9**

**When providing information on the projects that have been delayed/deferred in order to switch capital to revenue, the Committee recommends that the Welsh Government provides details on the workstreams and the value of funding being released.**

**Response:** Accept

The work to identify potential capital budgets for release to support a switch from capital to revenue is currently ongoing, and no decisions have yet been taken as to which projects may need to be delayed or deferred. Once any decisions have been

taken, the Minister for Finance and Trefnydd will write to the Committee, setting out the detail and value of any funding released.

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#### **Recommendation 10**

**The Committee recommends that the Welsh Government provides further information about the actual and projected additional costs for local health boards as a result of COVID-19 measures and the allocations to be made to them as a result of the increase in funding reflected in the Supplementary Budget.**

#### **Response:** Accept

£573m has been allocated to the Health and Social Services MEG in this budget to support the COVID-19 response. This includes over £113m that the Minister for Health and Social Services was able to repurpose within his MEG to direct towards the immediate COVID-19 response.

More than £490m is being directed to supporting Health Boards and Trusts. Allocations include funding for personal protective equipment, field hospitals, additional staffing, testing and additional medical equipment and consumables. £288m has been allocated to NHS organisations during June with the remaining funding due to be allocated when costs have been confirmed.

Throughout the early part of the pandemic we were able to ensure that funding approvals were made swiftly and cash support for the NHS response was in place at the right time. NHS organisations are now submitting regular monthly monitoring information which is identifying the cost impact of COVID-19 both through the early months of the year and forecasts for the rest of 2020-21.

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#### **Recommendation 11**

**The Committee recommends that, once the estimates have been derived, the Welsh Government provides information in respect of the costs of decommissioning all field hospitals.**



**Response:** Accept

Work is continuing on the level of decommissioning costs as estimates are being developed by NHS bodies in conjunction with site owners and contractors. Updated estimates will be available by September 2020. However, a more detailed understanding of the final outturn costs of decommissioning will be dependent on the timescales for occupation, taking into account the condition of the properties at the time of handback and the exact scope of works required to reinstate to the previous standards.

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**Recommendation 12**

**The Committee agrees that additional funding is required to support the Welsh Government's 'Test Trace Protect' Strategy and recommends that additional information is provided in respect of the strategy. This should include information about what the funding will deliver and the key performance indicators against which the effectiveness of related expenditure will be measured, both in terms of the capital required to establish the programme and its running costs over the coming months.**

**Response:** Accept

The key aims of the Test, Trace, Protect (TTP) [strategy](#) published on the 14<sup>th</sup> May are to:

- Identify those who have symptoms consistent with COVID-19, enabling them to be tested while isolating from wider family, friends and their community;
- Trace those individuals who have been in close contact with the person who has tested positive on any occasion during a period beginning up to two days before they started experiencing symptoms, and requiring them to take precautions and self-isolate (for 14 days);
- Provide advice and guidance, particularly where the individual who has tested positive or their contacts are vulnerable or at greater risk; and
- Ensure that when an individual tests negative and the symptoms are not due to coronavirus, individuals and their contacts can get back to their normal routines as soon as possible.

The current speed of research enables us to continually improve and refine our response in keeping with the core tenets of the strategy. Funding distributed to health boards, local authorities and Public Health Wales enables these organisations to deliver against these key aims.

## Testing

Welsh Government's new testing [strategy](#) sets out why, where and how we will test. Our four testing priorities for the coming weeks and months will be:

1. **Protecting our NHS** to keep our staff and patients safe;
2. **Contact tracing** to prevent the spread of the virus and understand how it spreads from one person to the next;
3. **Protecting vulnerable groups** and those at greatest risk; and
4. **Future delivery** - using new technologies to improve our understanding of the virus.

This strategy builds upon the latest evidence which has been submitted from our Technical Advisory Group and the work of SAGE and its' subgroups. However, we know that data and evidence is still evolving, where questions remain about the virus and our individual immune response. The testing strategy will be iterative and continue to evolve as evidence emerges. These over-arching objectives will be supported by initial measures to review the efficacy of our response.

## Testing KPIs

- Number of Antigen Tests completed
- Number of Antibody Tests completed
- Turnaround Times (from point of sample to result)
  - NHS Wales Labs
  - Non-NHS Wales Labs

Testing at scale with rapid turnaround enables action to be taken by individuals and organisations to minimise the risk of spread of the virus. Rapid testing is also crucial for both our economy and businesses, in order to get individuals with symptoms but who do not have COVID-19 back into employment and to identify where there is the

potential to spot any emergent trends or potential outbreaks. Work is continually underway to refine these measures and ensure that data is available and easy to interrogate at a local, regional and national level.

## **Contact Tracing**

Welsh Government has made £45m available this financial year to health boards and local authorities to cover the cost of the contract tracing operation. This is sufficient to support a total workforce of 1,800 with capacity to contact trace some 11,000 new positive test cases per week.

This means we are very well placed to be able to deal with a potentially large second wave of the virus. However, the position will be kept under constant review and expanded if necessary.

There are currently some 700 contact tracers in place – this is more than sufficient to cope with the current low level of people testing positive in Wales - and regional plans are in place to rapidly scale up the workforce if circumstances require it, in particular there will be a keen focus on organisational readiness and Winter planning.

## **Contact Tracing KPIs**

The key to ensuring an effective contact tracing operation, which can successfully help to reduce transmission of the virus, is twofold; (i) speed in all parts of process (from test result turnaround times to rapid identification of close contacts) and (ii) the public's continuing support, buy-in and compliance. Contact tracing KPIs include:

- No of positive cases successfully contacted and providing details of close contacts;
- % of positive cases successfully contacted and providing details of close contacts within 24hrs of entering the system;
- No of close contacts successfully traced and advised to self-isolate;
- % of close contacts successfully traced and advised to self-isolate within 24 hrs of being identified;
- No of close contacts complying with advice to self-isolate; and
- No of close contacts subsequently testing positive for COVID-19

It is well established through international (WHO) and national (SAGE & TAC) evidence that speed of response in the end-to-end process is paramount alongside the compliance of the public to heed advice and abide by the law. Non-compliance rates are by their very nature hard to measure however, due consideration is being undertaken as to improving intelligence within this area. It is important to note that indicative modelling by [SAGE outlines](#) a requirement of 80% success rate for contact tracing and isolation where reproduction rate of the virus or  $R$  is at 2.5. This would be an over-arching measure/KPI for contact tracing and TTP.

### **Protect**

The protect projects' primary focus is to encourage compliance of the general public with guidance and legislation. In particular the protect project is focussed around ensuring that any challenges to individuals self-isolating where required are mitigated. This support is currently offered via Local Authorities through use of hardship funds and local measures. The protect project seeks to ensure consistent, clear measuring and continual provision of self-isolation support from Local Authorities to more vulnerable citizens. Compliance rates would provide a useable KPI however note the challenge as listed under contact tracing of establishing this data source.

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### **Recommendation 13**

**The Committee recommends that the Welsh Government accelerates work to support local economies. Town centres will be impacted longer term by changes in retail habits, and the Committee is keen to understand how this work will be refocussed to take into account current circumstances.**

### **Response:** Accept

The Deputy Minister for Economy and Transport launched the £4.5m Foundational Economy Challenge Fund in May 2019. The Fund was allocated across 52 projects which were announced in November 2019 and which must complete by the end of March 2021.

Many of the Challenge Fund projects are place based in nature, focusing on trialing novel approaches aimed at creating stronger and more resilient local economies to provide local people with access to Fair Work.

Some of the Challenge Fund projects specifically focus on reimagining town centres. If successful, these projects will provide invaluable learning which can help town centres adapt to the new way of everyday life as we recover from COVID-19.

Delivery of the Challenge Fund projects have been impacted by COVID-19, with many stalling and falling behind schedule since lockdown occurred. The Welsh Government is providing direct support to stalled projects to enable them to refocus what may be delivered by the end of March. A Community of Practice has been established to assist projects to collaborate and to enable rapid capture and spreading of good practice which can help revitalise local economies.

Transforming Towns was launched in January 2020 to address the decline in town centres and the reduced demand for high street retail. A £90m budget was announced to support measures to address specific town centre issues, including a £15m fund and expert advice to tackle empty properties, £5.3m to support the introduction of green infrastructure, and the adoption of a 'Town Centre First' principle as Government policy, that would encourage public sector bodies to locate services in town centres.

COVID-19 is likely to have accelerated this decline and urgent work has been undertaken to review existing budgets and consider the refocus of funding to support the reopening of town centres and COVID recovery. More than £5m has been allocated to activities that will support town centre re-openings. Potential interventions could include funding support for the more effective use of outdoor space, greening the urban environment, providing infrastructure to support street markets, facilitating temporary use of empty buildings, and store front adaptations. Any investment will look at the longer term future for our town centres and a greater emphasis on the proactive application of the Town Centre First principle across all sectors. The vision supported is of towns that have "Leisure,

Living and Learning” in harmony with a retail offer that is focussed on smaller geographic areas.

A National Town Centre Action Group has been established, which is chaired by the Deputy Minister for Housing and Regeneration and focussed on actions that will reinvigorate town centres following relaxation of lockdown rules. This is supported by four Regional Groups focussed on the recovery and growth of our town centres.

Research has been commissioned with a leading expert on the Foundational Economy in Wales. The research will play an essential part in informing and supporting the economic and social recovery of town centres in Wales post-COVID and will focus on the liveability and sustainability of town centres. It will also include consideration of the role that anchor institutions play in town centres, and how the public sector can support and encourage employees to live and work in town centres.

The Deputy Minister for Economy and Transport has announced £3.7m to support and enhance the Transforming Towns offer in the Valleys region. The funding will provide additionality to the funding already available through the wider Transforming Towns agenda. It will be specifically targeted at smaller town centres in the Valleys region and will focus on responding to the impact of COVID-19, including considering how to enable communities to work closer to home within town centres and active travel elements.

The Deputy Minister for Economy and Transport also recently announced a new £15.4m fund for local sustainable transport to make it safer and easier for people to get around their towns by providing better active and sustainable travel infrastructure. This will help lock-in those positive increases in active travel that we have seen during COVID for the long-term.

Between 2014 and the end of the current round of funding, **c. £800m** investment in towns across Wales (including levered funding) will have been enabled through Regeneration activities.

**Recommendation 14**

**Once discussions with local government and HM Treasury have concluded the Committee recommends that the Welsh Government provide the Committee with a full breakdown of the additional funding for flooding and how it intends to allocate that funding.**

**Response:** Accept

Despite the pandemic we have continued to work with local authorities to assess the devastating and ongoing impacts of flooding and what support is needed over the longer term. Following completion of these initial necessary assessments the Minister for Finance and Trefnydd wrote to the Chief Secretary to the Treasury on 11 June seeking confirmation that the UK Government will meet its promise to provide funding to meet these longer term costs. Discussions are ongoing and we will write to the Committee with further details once they have concluded.

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**Recommendation 15**

**The Committee recommends that the Welsh Government provide further information as to how funding is being reprioritised to focus on a green recovery from COVID-19.**

**Response:** Accept

Through the work being led by the Counsel General we are considering how to focus resources on a green recovery from COVID-19. Early matters being considered as part of this work include how we maximise the use of our natural resources sustainably.

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**Recommendation 16**

**The Committee recommends that the Welsh Government provide information on how much additional funding will be given and how it will be allocated to support local authorities in embedding positive transport changes.**

**Response:** Accept

We have provided funding of £15.4m to local authorities to introduce measures to improve the safety and conditions for sustainable and active travel modes in their area in response to the COVID-19 crisis and to achieve sustained changes in travel behaviour in the future. £2m of the funding is being specifically used to implement schemes around schools. The funding will improve conditions for pedestrians and cyclists in both urban and rural areas.

It is our intention to follow up this first tranche and make further funding available where it is needed.

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**Recommendation 17**

**The Committee recommends that the Welsh Government is more explicit in terms of planning scenarios that are being considered for the end of the EU transition period and the associated funding that is needed.**

**Response:** Accept

We will publish an updated Chief Economist's Report as part of the publication of the 2021-22 Draft Budget, which will analyse a range of factors, including EU exit, that are likely to impact on the Welsh tax base and the Welsh Government's fiscal prospects.

It also remains the case that in response to the ongoing uncertainty linked to EU exit, we have planned on the basis that we will receive either from the UK Government, or from the EU, the same level of funds which have historically come to Wales from the EU. We continue to press the UK Government for more clarity about how it will deliver on its promises that Wales will not lose a penny of EU funding after the transition period ends, and that the devolution settlement will be fully respected. In the lead up to the Comprehensive Spending Review we expect to undertake more detailed discussions with the UK Government about our expectations in this respect, based on analysis of EU funding previously awarded in Wales, and our best understanding of the likely costs of future participation in EU programmes or domestic replacements.

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# Agenda Item 2.5

Rebecca Evans MS  
Y Gweinidog Cyllid a'r Trefnydd  
Minister for Finance and Trefnydd



Llywodraeth Cymru  
Welsh Government

Llyr Gruffydd MS  
Chair of Finance Committee  
Welsh Parliament

11 August 2020

Dear Llyr,

In order to support the forward financial planning for directly funded bodies, I agreed last year to write at this time of year setting out various factors to inform future budget planning, including the Government's best assessment of the level of funding available in future years.

The fiscal and budgetary outlook is particularly uncertain at the moment. The Office for Budget Responsibility's latest central scenario for the UK public finances, published in its Fiscal Sustainability Report in July, puts the deficit in 2020-21 at £372 billion (including the impact of the announcements in the Chancellor's Summer Economic Update). This compares to its forecast in March of £55 billion. The deficit is now expected to remain above £100 billion until the middle of the decade.

Turning to our own plans, since finalising the budget for the current year, the Welsh Government has received an additional £4 billion to finance its response to the coronavirus pandemic. That does not necessarily represent the final position for 2020-21, with the budget still subject to further, possibly substantial, changes later in the year. The scale of these changes and the overall impact of the pandemic on the UK public finances makes it very difficult to provide an overall assessment of funding for future years.

The UK Government is planning to publish the outcome of its Comprehensive Spending Review (CSR) in the autumn, covering 2021-22 to 2023-24 for resource spending and 2021-22 to 2024-25 for capital spending. In advance of that, we will not have any firm plans on which to base the Welsh Government's budget for future years.

The Chancellor of the Exchequer did not set out an overall spending envelope when he launched the CSR on 21 July, due to unprecedented uncertainty. This suggests that the plans set out in the March Budget no longer provide a reliable guide for the future course of public spending in the UK. Given the very substantial increases in our block grant this year, it is highly likely that we will see a reduction in 2021-22. The scale of that reduction will depend on the future course of the pandemic and the UK Government's fiscal policy response to it.

There are also major uncertainties around the impact of the devolved and local taxes on the Welsh Government Budget over the next few years. There are likely to be substantial and

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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sustained reductions to revenues in the current year and beyond. The fiscal framework provides protection from UK wide economic shocks which will offset some of these reductions. However, it is too early to say whether the current economic situation will have a bigger or smaller relative impact on revenues in Wales than elsewhere.

Turning to prices and pay, the Office for Budget Responsibility's central scenario in its Fiscal Sustainability Report shows the GDP deflator increasing by 2.6% in the current financial year and just 0.1% in 2021-22, before returning to around 2% a year beyond that. UK average earnings in that scenario fall by 0.1% in the current financial year with growth recovering to 4.2% next year. Although public sector pay is devolved, it is still worth noting the Chancellor's comments alongside the launch of the CSR about exercising restraint in future public sector awards, taking into account the wider economic situation. This may have implications for UK Government departmental budgets and therefore impact on our block grant. UK Government departments have also been asked to identify savings in their preparations for the CSR.

This is a very challenging time to be planning budgets for future years. I will provide the Committee with updated information if it becomes available before the CSR is published. Whatever the outcome of the CSR, our focus continues to be on stabilising our economy and public services and working towards reconstruction in the wake of the coronavirus pandemic.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid.

**Rebecca Evans AS/MS**

Minister for Finance and Trefnydd  
Y Gweinidog Cyllid a'r Trefnydd

# Agenda Item 2.6

Rebecca Evans AM  
Y Gweinidog Cyllid a'r Trefnydd  
Minister for Finance and Trefnydd



Llywodraeth Cymru  
Welsh Government

Our Ref: RE/284/20

Llŷr Gruffydd MS  
Chair of Finance Committee  
Senedd Cymru  
Cardiff Bay  
CF99 1NA

19 August 2020

Dear Llŷr,

As I committed in my response to your report on the first supplementary budget, I am writing to provide an update on the consequential Wales has received as result of COVID-19 spending measures in England, as well as key allocations the Government has made to respond to, and the mitigate the impact of, the crisis in Wales since I published the first supplementary budget.

In my letter of 24 April I set out the latest position regarding Barnett consequential following the UK Government's budget on 11 March. This confirmed consequential amounting to £1.856bn which were reflected in the UK Main Estimates and in the first supplementary budget. Since then, Wales has received consequential amounting to £0.9bn, which together with the additional £1.2bn for Wales guaranteed by the UK Government, brings the total amount received as a result of COVID-19 measures in England to more than £4bn. Some of this resource is in advance of announcements of funding in England which will generate Barnett consequential.

Turning to your letter of 22 July, Wales received £12.5m in new revenue consequential as a direct result of the measures announced in the Chancellor's Summer Economic Update. The figure of £500m included consequential we had previously been notified of and did not directly relate to measures announced in the economic update. In order to support transparency and openness, the table attached provides details of all consequential received since Main Estimates 2020.

In scrutiny of the first supplementary budget, the Committee raised the issue about whether consequential received through the Barnett formula are reflective of the needs of Wales, particularly in light of COVID-19. I referred to the additional 5 per cent that the Welsh Government receives on top of its population share of new

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allocations which has, up until Main Estimates, resulted in £130m of extra funding in relation to the measures introduced in England to deal with the pandemic. Further detail on this can be found in the block grant transparency report recently published by the UK Government:

<https://www.gov.uk/government/publications/block-grant-transparency-july-2020>).

In terms of new allocations, since the first supplementary budget was published we have allocated additional funding of more than £1.2bn to support our response to the pandemic. These allocations, and any further decisions we take, will be captured when we publish the second supplementary budget early in 2021 but key allocations include:

- £800m for an NHS stabilisation package to prepare for the anticipated challenges that winter will bring – responding to a potential second wave of the virus, alongside normal winter pressures - whilst continuing to further increase access to essential services.
- Up to £264m for local authorities to support them for the remainder of this financial year for additional costs and loss of income as they continue to support our response to the pandemic
- £53m for the Cultural Recovery Fund, which includes £3m of capital, to help support and sustain the sector due to the ongoing challenges resulting from the pandemic;
- Up to £65m to ensure train services continue to operate on the Wales and Borders network for key workers and others that rely on the train to travel.
- £50m to support Welsh university, colleges and students - comprising £27m for higher education institutions and £23m to support students in FE colleges and sixth forms.
- £40m from the Economic Resilience Fund to ensure anyone over 16 in Wales can access advice and support to find work, pursue self-employment or find a place in education or training; and
- £22m to the adult social care sector to meet the additional costs adult social care providers are incurring as a result of the pandemic.

More generally, in responding to the Committee's report on the first supplementary budget, I committed to writing on the outcome of a number of issues, including discussions with HMT on budgetary flexibilities and on the exercise to switch capital to revenue.

On the former, it is disappointing that HMT have not yet agreed our requests but discussions are ongoing and I will keep the Committee informed of progress. In relation to the outcome of the exercise to switch capital to revenue, the need for a switch is less so given the UK Government's funding guarantee.

As a result, we are not setting as much aside for immediate redeployment, with £50m identified now for repurposing mainly related to likely slippage due to the pandemic or where the release of funding will not have a significant impact. However, given the uncertainty about the path of the pandemic, it may still be necessary to release further capital at a future point

Finally, I am considering how I can ensure transparency on our in year allocations in advance of the usual February supplementary budget. I am considering making a formal statement on the position and detailing our allocations from reserves early after summer recess. It would be beneficial if we could meet before that to discuss these arrangements and plans for the upcoming budget round.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid, with a small dot at the end of the last word.

**Rebecca Evans AC/AM**

Minister for Finance and Trefnydd  
Y Gweinidog Cyllid a'r Trefnydd

**Table 1. COVID-19 Barnett formula consequentials 2020-21 (resource unless otherwise stated)**

	£m
<b><i>Main estimate (reflected in first supplementary budget)</i></b>	<b>1,856.2</b>
<b><i>Consequentials since Main Estimate:</i></b>	<b>924.4</b>
NHS Workforce	102.1
GP and Community Pharmacy Bank Holiday Opening	5.2
Emergency Management Agreement for Railway Services (19-20)	34.6
Advance Ticket Refund	1.8
Voucher scheme to replace Free School Meals	12.7
Shielding - food packages	3.4
Local Authority Support Package	94.2
Death in Service Payments	1.5
Support for Care Homes	35.3
Transport for London Funding Package	64.5
Charity Support - National Lottery Community Fund	18.3
Charity Support - Direct Grants	13.5
Grant funding for Mind	0.3
Fisheries support	0.3
GPs support in care homes	2.6
Flu vaccines	11.7
School Catch Up Package	29.4
Zoos	5.1
Local Authority Support	29.4
Arts and Culture	58.6
Historic Royal Palaces	1.5
Economically Vulnerable Food Support	3.7
Summer Food Fund	7.1
Community Pharmacy Support	7.1
PPE Procurement	282.6
Test and Trace	82.4
Fire Services	1.9
Homelessness	7.5
Homelessness (capital)	5.6
Rugby league support (capital - financial transactions)	0.7
<b><i>Summer Economic Update Consequentials:</i></b>	<b>12.5</b>
Traineeships	6.5
Sector Based Academies	1.0
18-19 Classroom offer	4.0
National Careers Service	1.0
<b><i>Post Summer Economic update Consequentials</i></b>	<b>1,206.9</b>
Health PPE	525.0
Consequentials in advance of UK announcements	681.9
<b>Total</b>	<b>4,000.0</b>

# Agenda Item 2.7



**Rt Hon Simon Hart MP**  
Secretary of State for Wales  
Ysgrifennydd Gwladol Cymru

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## **Llyr Gruffydd MS**

Chair – Senedd Finance Committee  
Senedd Cymru  
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*sm.* September 2020

Ref: 436SOS20

*Den Llyr.*

## **Financial Response to COVID-19**

Thank you for inviting me to appear before the Senedd Finance Committee on 13 July. I trust that the Committee found the session as interesting and as useful as I did. Your letter of 22 July raised some additional questions on the UK government's financial response to COVID-19, as well as a number of other fiscal areas.

COVID-19 is now clearly the most significant immediate source of fiscal risk facing the UK. The action the UK government has taken in response to the COVID-19 pandemic was necessary to protect public health, support household incomes, and to minimise permanent damage to the economy.

The work of the last ten years in bringing borrowing and debt back under control meant that the UK was well-equipped to respond to the challenges posed by COVID-19. While the scale of the long-term fiscal impact will depend to a large extent on the nature of the economic recovery, it is clear the pandemic will lead to a higher level of debt in the medium-term. However, as borrowing costs continue to be very low, the costs of servicing this debt are affordable and sustainable. The UK government is committed to fiscal sustainability and ensuring the long-term health of the public finances. The UK government will set out further details on its plans for a sustainable and balanced medium-term fiscal policy at the next Budget, alongside an updated Office for Budget Responsibility (OBR) forecast.

Turning to sub-national arrangements, UK government borrowing is on behalf of the whole of the UK and the Welsh Government receives a share of this additional funding through the Barnett formula. The UK government has committed that the Welsh



government will receive at least £4.0bn of additional resource funding in 2020-21 on top of the position set out at the Spring Budget.

The Welsh Government also has powers to borrow on top of the share of funding it receives from UK government borrowing. In their 2019 Fiscal Risks Report, the OBR highlighted that devolution of greater revenue-raising, expenditure, and borrowing powers to the devolved administrations could present a risk to the public finances if a devolved administration were to become unable to fund essential services while servicing their debts. The principal mechanisms for mitigating this risk are the fiscal frameworks agreed with the Welsh (and Scottish) governments, which underpin their respective tax, spend and borrowing powers. These frameworks include limits on the total borrowing permitted by the devolved administrations as well as annual limits on such borrowing.

In relation to local authorities in Wales, their borrowing is managed within the Prudential Code. Under the Code, each local authority must set a borrowing limit for itself in accordance with a set of principles. This takes into account the revenue streams available to the local authority to repay the debt.

In relation to the relaxation of lockdown restrictions, throughout the COVID-19 pandemic the UK government has worked in lock-step with the devolved administrations to keep the whole of the UK safe. All governments have worked and continue to work closely together to ensure a coordinated approach remains across the United Kingdom. The UK government is absolutely committed to our UK-wide approach, even though this may travel at slightly different speeds in different parts of the UK. We have said we will do whatever it takes to respond to the unique circumstances we face and this applies to Wales just as it does for the rest of the UK.

The UK Shared Prosperity Fund remains one of the UK government's top priorities and regular discussions are taking place at the highest level to ensure that the Fund delivers on two key counts – levelling up across the UK and strengthening the Union. I will shortly be having a trilateral meeting with the Counsel General Jeremy Miles, alongside Simon Clarke MP – the Minister for Regional Growth and Local Government –, to update him on our latest approach to the Shared Prosperity Fund and discuss what the role of the Welsh Government will be in this.

We also recognise the need to give reassurance to audiences in Wales about the future of local growth funding. We know that the Shared Prosperity Fund has immense significance – both politically and financially – to people in Wales and we are aware

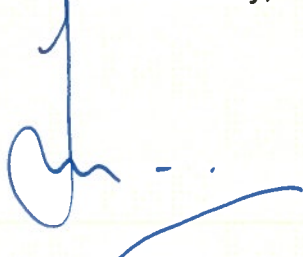


that businesses and institutions need certainty so that they can plan for the years ahead. The current Comprehensive Spending Review is a key milestone in this work, and many of the questions that people have asked about the Shared Prosperity Fund will be answered in the light of this process.

As I have previously said to the External Affairs and Additional Legislation Committee, we are looking at the Shared Prosperity Fund in the context of our post-COVID-19 recovery, and as such our ambitions for rebuilding the economy and bringing people out of deprivation are now far greater. We will be maximising the benefits of being able to create a new, domestic fund for regional growth which better targets the needs of our citizens. I view the Shared Prosperity Fund as an opportunity to deliver large sums of money to the places that need it the most, and I want to ensure that this money delivers on the values and goals shared by both the UK government and the Welsh Government.

Thank you for the invitation to give evidence to the Committee as part of your separate inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework. We, the UK government, will be in touch separately about this in the coming weeks.

Yours sincerely,



**Rt Hon Simon Hart MP**  
Secretary of State for Wales  
Ysgrifennydd Gwladol Cymru

**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a'r Trefnydd**  
**Minister for Finance and Trefnydd**



**Llywodraeth Cymru**  
**Welsh Government**

Ein cyf/Our ref: MA-RE-2910-20

**Llyr Gruffydd MS**  
Chair, Finance Committee

08 September 2020

Dear Llyr,

I am writing to update you on the Welsh Government's progress with securing competence for a vacant land tax in Wales. In March, following agreement at a Joint Exchequer Committee that Welsh Government proposals were sufficiently developed to move to the next stage of the process, Welsh Government sent a formal request to the UK Government for devolution of the legislative competence in this area.

I have now received a reply from the Financial Secretary to the Treasury, who has responded that Welsh Government will need to provide further detail before our formal request can be taken forward. I am disappointed with this backwards step given Welsh Government has been fully and openly engaged with HM Treasury officials over the last two years, providing UK Government with a number of documents addressing the criteria set out in the Command Paper, including the scenarios in which a tax is likely to apply and not apply; who would be the intended target of any tax; potential interactions with devolved and reserved taxes, tax bases and tax revenues; and impacts on the UK tax system from devolving this power. This work culminated in a joint paper by Welsh Government and HM Treasury officials recommending the material provided to date serve as a basis for Welsh Government to write with a formal request to the UK Government.

I have written to the Financial Secretary to the Treasury to express my disappointment with his response. It is clear our experience to date moving through this process casts doubt on the effectiveness of the mechanism to devolve further tax competence to Wales.

I will keep the Committee updated as the situation develops. I am also publishing a Written Statement to keep Members updated on progress.

Yours sincerely,

**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a'r Trefnydd**  
**Minister for Finance and Trefnydd**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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# Agenda Item 3

Julie James AS/MS  
Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government



Llywodraeth Cymru  
Welsh Government

Llyr Gruffydd MS  
Chair  
Finance Committee  
Senedd Cymru  
Cardiff Bay  
Cardiff CF99 1SN

16 July 2020

Dear Llyr,

I am writing in response to your letter of 30 March, and ahead of my appearance before the Finance Committee on 14 September to give evidence on the Renting Homes (Amendment) (Wales) Bill.

Please find enclosed as requested my responses to the questions that would have been asked had the 18 March evidence session gone ahead.

I hope this information is helpful to the committee and I look forward to the resumption of scrutiny of this important legislation.

Yours sincerely,

**Julie James AS/MS**  
Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**Responses from the Minister for Housing and Local Government to questions from the Finance Committee in relation to the financial implications of the Renting Homes (Amendment) (Wales) Bill**

***1. Can you give a brief outline of the objectives of the Bill; why is amending legislation required to achieve the policy objectives and why has the Welsh Government not yet commenced the 2016 Act?***

This Government has made a commitment to improve security of tenure in the private rented sector during the current Senedd term, and the amending Bill is necessary to achieve that.

Without the amendments this Bill makes to the Renting Homes (Wales) Act 2016 ("the 2016 Act"), a landlord would need to provide only two months' notice under a section 173 notice when that Act comes into force.

The amending Bill will improve security by increasing the notice period under a landlord's notice from two months to six months. It will also add a further significant benefit for contract-holders by preventing the serving of a possession notice during the first six months of occupation, where there is no breach of contract, rather than four months as the Act currently provides.

The Bill will be particularly beneficial for those who rent their homes in the private rented sector and whose current assured shorthold tenancies will convert to standard occupation contracts when the 2016 Act comes into force, because unlike secure tenancies, these contracts will include a landlord's notice ground.

We always knew it would take some time to implement the 2016 Act, not least because it is supported by approximately 20 SIs, which have taken time to develop and draft. Many of these, such as the regulations on determining fitness for human habitation, are extremely complex and have required bespoke consultation and engagement with stakeholders.

The 2016 Act requires significant changes to be made to the courts' Civil Procedure Rules and IT systems in order for it be enacted in Wales. Both of these have entailed a significant volume of work and protracted negotiations with the UK Government, a process which has been made even more complex due to the fact that Her Majesty's Courts and Tribunals Service (HMCTS) have also been engaged in their own IT reform programme, the timetable for which has slipped several times already.

***2. In Plenary last September you stated that the Welsh Government was going to implement the court IT changes at its own expense, in advance of the whole court system being changed. Can you explain why this is the case; what is the estimate of the cost and why has it not been reflected in the Regulatory Impact Assessment (RIA).***

When it became clear to us that the timescales of the HMCTS IT reform programme were hindering our ability to implement the 2016 Act, we committed to funding the

changes required to the system to enable the new arrangements to operate in Wales ourselves.

Having taken this decision, my officials have been working with HMCTS counterparts to finalise the necessary changes, which it seems may be less significant than we had originally anticipated<sup>1</sup>. We are confident therefore, that this will not further delay our implementation of the legislation once the amending Bill has been passed.

The cost for this piece of work has been included in the RIA: it is at paragraph 8.53 on page 51. However, I should be clear that this cost is not as a result of the amending Bill, but rather will be incurred in order to allow for the provisions of the 2016 Act to become operational, irrespective of whether we make this amending legislation or not. I am also confident the amending Bill will not of itself require further changes to be made to the IT systems, so this cost will not increase. Since there is no additional cost as a result of this Bill, it would not be appropriate to include any IT costs in the RIA summary tables on pages 25-28 of the Explanatory Memorandum.

***3. Costs are quantified for a period of five years since “the costs and benefits of the Bill are expected to reach a steady state quickly”. Can you explain on what evidence this assumption is based?***

The five-year projection relates only to local authority costs and savings. We have estimated that there will be modest cost savings to local authorities in meeting their homelessness duties as a result of longer notice periods. Projecting over five years allows us to demonstrate the potential savings across a range of scenarios.

As set out in the RIA, we have estimated the potential costs and savings which could be achieved should 10% to 40% of contract holders who receive a Section 173 notice successfully self-resolve, thereby avoiding the need for local authority intervention (tables 8.2 & 8.3 on pp.50-51 refer).

The assumption that a steady state will be achieved quickly is based on the fact that all the legislative changes resulting from this Bill, and the 2016 Act which it amends, will come into effect on a set date, rather than being implemented incrementally, with the vast majority of existing tenancies converting into one of the new occupation contracts. So whilst there will be initial transitional costs as the sector moves to the new regime, there will be no further ongoing costs as a result of the amendments made by this Bill.

***4. The RIA notes three options have been considered. These include the option to introduce an amending Bill to remove the section 173 ‘no fault’ ground from the 2016 Act and add a further range of possession grounds in its place. This***

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<sup>1</sup> HMCTS gave us an initial ‘Rough Order of Magnitude’ of up to around £500,000. However, following more detailed work with HMCTS we are confident it will be a much lower figure. However, I am not able to provide an accurate estimate of what this lower figure will be at the current time, but am happy to forward this to the Committee once it has been confirmed, if that would be helpful.

***approach would be similar to the arrangements recently introduced in Scotland and those consulted on by the UK Government for potential introduction in England. On what basis did you discount this option and why have its costs and benefits not been quantified.***

We ruled out the approach taken in Scotland where the 'no-fault' ground has been replaced with a wider range of alternative grounds, as we are unconvinced that this approach, in reality, actually increases security of tenure in a meaningful way: it is open to abuse and the arrangements there still allow for eviction with only 28 days' notice in certain situations where the tenant is not at fault.

Having determined that this option would not achieve our policy objectives we did not take them forward for further analysis – that is why we did not include an assessment of the potential costs and benefits in the RIA.

***5. How have you engaged with stakeholders in respect of the financial implications of the Bill, particularly contract holders; how has this provided assurance that the estimates are complete and accurate.***

In our consultation we included a specific question regarding the costs and financial implications of the Bill. The responses we received, including from Shelter Cymru which conducted its own online questionnaire to which 114 individuals responded, helped inform our thinking in developing the RIA.

Prior to publishing the RIA, in order to gain a tenant support perspective, my officials discussed the assumptions we had included with both Shelter Cymru and the National Housing Networks Manager: neither raised concerns, nor felt the assumptions were unfair. We also attempted to meet with the Residential Landlords Association for a similar discussion, but for a number of reasons we were not able to do so. We have, however, engaged closely with the RLA, and other landlords' representatives, in developing the Bill more generally, which stakeholders have acknowledged during their evidence to the ECLG Committee.

It is also worth bearing in mind that whilst engagement with stakeholders has been helpful in developing and testing our assumptions, the accuracy of any cost/benefit estimation exercise is limited by the very nature of section 21 of the Housing Act 1988 and how the current system operates: in particular, because an unknown number of those tenants who receive a section 21 notice leave the property without the landlord having to make a claim to the court it is very difficult to calculate the precise costs of these arrangements and how, and by whom, they are incurred.

***6. The RIA does not reflect all costs likely to be borne by landlords, including legal fees. How do you respond to the Residential Landlords Association statement, set out in its consultation response, that these are 'clearly costs' to landlords and Welsh Government 'must justify itself' as the changes are as result of legislation it will have brought forward.***

The RIA provides an estimate of the costs that will be incurred directly as a result of the amendments the Bill will make to the 2016 Act. The extended notice periods and other changes the Bill makes will not increase the cost of seeking possession under section 173 as court fees for doing so will remain the same as they currently are.

If by 'legal costs' the RLA mean solicitors fees, we did not include these costs as there is no requirement to instruct a solicitor in order to seek possession, and, again, although we do not have precise information as to the percentage of claims where a solicitor is engaged, I would expect that in all but the most complex cases there would be little need for a landlord to seek such support.

We have included in the RIA a range of hypothetical examples to highlight the difference in costs and potential rent arrears which might be incurred depending on which ground a landlord chooses to rely on when seeking possession. Based on Ministry of Justice data, these are worse-case scenarios in the sense that they assume the landlord has been required to go through the entire possession/eviction process and that no rent has been paid since the first month of the tenancy. Whilst we believe that these scenarios show the potential benefits to landlords of pursuing possession through the appropriate ground, ultimately it will be for individual landlords to decide which route they choose to take.

***7. Witnesses told the Assembly's Equality, Local Government and Communities Committee on 4 March 2020 they have "serious" concerns about the Residential Landlord Association survey data, used for the cost estimates. What assurance can you give that this represents 'the best available data'.***

We opted to cite the RLA survey data in the impact assessment on the basis that it had recently been published and was directly relevant to the legislation we were developing. As mentioned above, there has been little research undertaken with landlords themselves to understand what lies behind their use of section 21, so this survey was a useful source of information for us.

I am aware that Dr Gurney of Glasgow University and Dr Simcock of Edge Hill University have both advised the ELGC Committee to treat the RLA survey figures with caution, but we need to be clear that their reservations are based on concerns that the survey data may have *overestimated* both the number of PRS landlords who have sought possession against tenants in the past five years, and the percentage of landlords who report using section 21 notices to seek possession where a tenant is in rent arrears or has breached their tenancy in some other way.

The figures Drs Gurney and Simcock quoted in their evidence to the ELG Committee in February were taken from a Manchester Metropolitan University study which suggested that some 54% of section 21 notices were issued because a tenant was at fault, rather than the 84% figure in the RLA survey. If this lower number is closer to the truth, then, as Dr Simcock has pointed out, the impacts of the Bill on the courts and on landlords' costs are likely to be a lot lower than those we have included in the RIA. It also follows that we would expect even fewer households to present as

homeless to local authorities by virtue of the six-month notice than our estimates in the RIA suggest, with potentially greater savings to local authorities in respect of their costs to provide statutory homelessness functions to households in the private sector.

***8. The RIA assumes all types of stakeholders will require the same amount of time (a day or 8 hours) to familiarise themselves with the changes introduced by the Bill. What evidence supports this assumption?***

This is not a lengthy Bill, and the changes it makes to the regime set out in the 2016 Act are relatively straightforward to understand, inasmuch as it extends notice periods and limits the use of particular types of notice in certain situations.

In the RIA for the original Renting Homes Bill (now the 2016 Act) we used the same assumption of one day's familiarisation for that legislation, which was a much larger and more complex piece of law, so it may be that we have been overly generous in our assumptions this time.

My officials will be preparing a range of explanatory information which will be published in the run-up to the legislation coming into force. This will provide clear, straightforward guidance for landlords, contract-holders, and organisations which provide support and advice to both, on their new rights and responsibilities.

***9. The RIA does not set out any costs relating to contract holders, including the cost of awareness raising of the changes introduced by the Bill. Why is this the case when the financial implications of other Bills have included related costs?***

As mentioned above, a range of information is to be developed in advance of this legislation coming into force to raise awareness amongst stakeholders, including contract-holders. As the RIA notes, estimates of these costs were included in the original Renting Homes (Wales) Bill RIA, but perhaps we should have restated those figures directly, rather than simply referring to the previous RIA. In any case, the estimated costs we included in the previous RIA were £100,000 in the year prior to implementation with a further £20,000 in each subsequent year for guidance documents and publicity. We have added to that in the RIA for this Bill an additional £18,000 cost for a part time post within Welsh Government to lead on that work over two years.

It is also worth noting in relation to awareness-raising amongst contract-holders that one of the key changes the 2016 Act will introduce is a requirement that all landlords provide all of their contract-holders with a written statement of their contract. These statements will include the terms of the contract, the grounds on which the landlord may seek possession and the relevant notice periods, and should result in greater understanding amongst those who rent their homes of their, and their landlords, rights and obligations.



Finally, we will also continue to rely on the good offices of our third sector partners such as Shelter Cymru and Citizen's Advice Cymru, as well as local authority housing advice teams, who do such sterling work in supporting some of our most vulnerable citizens, to ensure that contract-holders are made aware of the new arrangements.

***10. The RIA identifies costs for Citizens Advice but not Shelter Cymru, which it states is the other 'prominent provider' of advice and information on renting a property. Why is this and how have the cost estimates been derived for Citizens Advice?***

The Citizens Advice Cymru figure of £45,000 was provided to us by the organisation itself. No comparable information was provided by Shelter Cymru in their consultation response, however, I note that in their evidence to the ELGC Committee they stated that they would expect any potential increase in PRS-related casework to be offset by a reduction in support for social sector contract-holders as a result of our 'no eviction into homelessness' policy. As mentioned previously, my officials did engage directly with Shelter Cymru prior to the publication of the RIA and they were content with our assumptions.

Finally, we did include in the RIA a one-off £10,000 familiarisation cost to the third sector generally.

***11. What evidence has informed your assessment that 10% of contract holders will find accommodation before the end of the six month period and why are the range of benefits assumed to be constant over the five years for which the financial implications of the Bill have been quantified?***

Accurately estimating the demands and costs to local authorities of discharging their homelessness duties in relation to those seeking support due to the loss, or threatened loss, of rented accommodation is challenging. This is mainly because the most recent exercise to identify the average costs to local authorities was undertaken nearly a decade ago.

Nonetheless this is the only data available so we have uplifted it in line with inflation to give us an average unit cost of £961 per case. There are also some difficulties in accurately recording the number of cases that local authorities deal with each year, given that key performance indicators are measured in terms of outcomes rather than inputs.

Within these constraints, we have made a best estimate of overall costs to local authorities of discharging their duties: these are set out at table 8.1, giving us a total of £7.65m for 2018/19, and an average cost over the three years that we have been recording this information of £7.25m – so a slight upward trend over that period.

To be absolutely clear: the reference at paragraph 8.49 of the RIA to a 'best estimate' of 10% of contract-holders self-resolving within the extended notice period

relates only to the cohort of people who, when served with a landlord's notice, would typically seek support from a local authority to find alternative accommodation. I recognise that a 10% reduction in such presentations appears very modest. However, we were concerned in developing the RIA that we should not overestimate any potential savings to local authorities as a result of the extended notice period. It would perhaps have been more accurate to describe this as a 'conservative' rather than 'best' estimate, and I will ask my officials to amend the RIA at stage 2 to make this clearer.

As for why the range of benefits are assumed to be constant over the five years for which the financial implications of the Bill have been quantified: we felt that given the limitations on available data mentioned above, and the difficulties in predicting future trends, it would be safer to assume potential savings at a steady state over five years, which we based on the average data from the previous three years that were available to us at that time.

***12. The RIA also quantifies the benefits where 20 and 40 per cent of contract holders find accommodation before the end of the six-month period. Why was the range of benefits not reflected in the estimate of the total cost of the Bill?***

One of the key benefits of the Bill is that it will provide contract-holders with a six month notice period if their landlord serves a section 173 notice. This means contract-holders will have more time to find suitable alternative accommodation, to raise funds for a move and to arrange the move. As a result, we expect fewer contract-holders will seek an intervention from their local authority's homelessness service. However, the scale of this effect is unknown.

As mentioned above, in order to avoid overestimating the potential cost-saving to local authorities, we assumed there would be a minimal – i.e. 10 % – reduction in the proportion of relevant contract-holders who require statutory intervention from homelessness services.

The 20% and 40% reductions were included in tables 8.2 and 8.3 of the RIA as a form of sensitivity analysis to demonstrate the potential cost-savings if a higher proportion of contract holders were able to secure alternative accommodation for themselves. Given we have no evidence to support these higher reductions in the number of contract-holders needing local authority support, we did not think it appropriate to include these estimates in the headline figures for the cost of the Bill.

***13. The Residential Landlords Association's consultation response to the Equality, Local Government and Communities Committee said, given the impact on them, it was 'neglectful' that cost savings for landlords have not been estimated. How do you respond to this?***

We do not accept that this was neglectful. We stated in the RIA that whilst we anticipate that there may be some administrative cost savings to landlords, we are not able to quantify what those savings may be. This is because we do not expect

the overall numbers of possession claims to decrease (or increase for that matter), so there would be no savings to the sector as a whole in that respect.

For individual possession claims, we state in the RIA that we anticipate that there may be some administrative cost savings for landlords. This is based on our assumption that more landlords will choose to use appropriate possession grounds for rent arrears, ASB or other breaches of contract in future, rather than the landlord's notice ground. The court fees for claims made to court under antisocial behaviour, rent arrears or other breach of contract grounds are slightly less than for a 'no-fault' possession claim, hence the potential savings. However, not all landlords require a claim to be made to the courts when seeking possession, as occupiers often move out before the end of the notice period. Furthermore, when a claim is made and a court hearing takes place, not all landlords require the services of a solicitor. Given this, it would have been extremely challenging for us to make any meaningful estimates of potential savings, as there so many possible scenarios, timescales and outcomes depending on which possession route the landlord chooses, how the occupier responds to the notice, whether a claim is filed, whether the court accepts the ground is made out, and so on.

***14. Can you explain why you have not quantified the benefits to other stakeholders such as contract holders?***

The Explanatory Memorandum does set out the benefits of increased security of tenure generally, and the positive impacts this will have for those who rent their home from a private landlord. However, it would be difficult to quantify in financial terms, the benefits for example to health, wellbeing and peace of mind of individuals and families.

***15. On 27 February 2020, you told the Equality, Local Government and Communities Committee that Welsh Government would introduce some amendments to the Bill after Stage 1. Can you confirm whether these amendments will affect the cost estimates and if so, are you able to provide some details and quantify their impact.***

Any amendments we table will be concerned with tightening up drafting and ensuring consistency, rather than policy changes, so I would not expect them to have an impact on the cost estimates in the RIA. Of course, we will prepare an amended Explanatory Memorandum as appropriate at Stage 2, including for any non-Government amendments that are accepted, which may have financial implications.

***16. How will the proposed legislation be monitored for effectiveness?***

The monitoring and evaluation of the provisions of this amending legislation, and of the 2016 Act, are set out in the Explanatory Memoranda to both pieces of legislation. As stated, we intend to take forward a post-implementation evaluation of the 2016 Act as amended, including gathering the views and experiences of contract-holders

and landlords of the legislation, the use of model contracts, and the experience on the ground of advice and support agencies and representative organisations. The impacts the longer notice period and other restrictions set out in this Bill will be a key aspect of that work.

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