

LOCAL GOVERNMENT AND HOUSING COMMITTEE

MINUTES OF COMMITTEE MEETING

Date: Wednesday 28 February 2001

Time: 9.30am to 12.05pm

Venue: Committee Room 2, National Assembly Building

Attendance:

Members:

Gwenda Thomas Neath

(Chair)

Edwina Hart Gower

(Minister)

Peter Black South Wales West

(Deputy Minister)

Janet Davies South Wales West

William Graham South Wales East

Peter Law Blaenau Gwent

Janet Ryder North Wales

In attendance:

Adam Peat Director, Local Government and Housing Group (items 3 to 7)

Gwilym Evans Local Government Finance Division (items 3 and 4)

Alan Thornton	Local Government Finance Division (item 4)
Norma Barry	Community Regeneration and Social Inclusion Unit (item 5)
Kate Cassidy	Local Government Modernisation Division (items 6 and 7)
Frank Cuthbert	Local Government Modernisation Division (item 6)
Richard Shearer	Local Government Modernisation Division (item 7)
John Bader	Director of Housing (item 8)
Judy Wayne	Expert adviser (item 8)
Helen Lentle	Office of the Counsel General
<i>Secretariat:</i>	
Martin Stevenson	Committee Clerk
Sarah Williams	Acting Deputy Committee Clerk

Item 1: Apologies and substitutions

1.1 Apologies for absence were received from Dai Lloyd and Tom Middlehurst.

Item 2: Declaration of interests

2.1 The following declarations were made:

- Peter Black said that he was a Member of Swansea City and County Council;
- Janet Davies said that she was Chair of Llanhari Community Council;
- William Graham said that he was a Member of Newport County Borough Council;
- Janet Ryder said that she was a Member of Ruthin Town Council.

Item 3: Minister's report: LGH-03-01 (p.1)

3.1 Introducing her report, the Minister said that she had not yet written to Pauline Jarman on the billing and collection arrangements for council tax, as indicated at paragraph 11. Before writing, the Minister was keen to have the Committee's views on this issue. Members felt that it would not be cost-effective to move away from the current arrangements whereby local authorities collect council tax not only for themselves but also on behalf of police authorities and community councils. However, the Committee did feel that the Minister should consider, in consultation with the Welsh Local Government Association, whether there was scope to achieve greater clarity by improving the layout of the bill.

3.2 Other points raised in discussion of the report were:

- Members welcomed the Minister's proposal to reduce councils' contribution to the discretionary rate relief scheme from 25 per cent to 10 per cent with effect from 2002-03. This change would encourage councils to grant more discretionary relief to small rural businesses and sports clubs, with no cost implications for council taxpayers. The Minister agreed to make available the guidance on the existing scheme, which was being kept under review.
- The Committee noted the distribution of Supplementary Credit Approvals to support strategic housing schemes in 2001-02. The Minister agreed to consider how social deprivation featured in the criteria for this scheme in time for the 2002-03 bidding round.
- On the Rural Homebuy scheme, there was concern that the additional funding being made available was more than offset by the reduction in Social Housing Grant to Gwynedd and Ynys Môn. The Minister agreed to investigate this point and let Members know the outcome. She also agreed to include the guidance for the scheme with her report to the 28 March meeting.
- The Committee welcomed the inclusion in the report of the forward programme of local government and housing legislation. There was some concern that the Orders implementing the Local Government Act 2000 would not be considered in plenary. The Minister agreed to consider whether these Orders could be subject to the standard rather than the accelerated procedure. She felt that there would be scope for the legislation to be considered by plenary in June.

3.3 The Minister announced that she was considering making an Order to allow local authorities to take into account matters currently specified as non-commercial when considering tenders and awarding contracts. The full text of the Minister's statement is reproduced at **Annex 1**. Members welcomed this proposal, which they felt could help local authorities to promote sustainable development through the use of local labour and local materials. There was however some concern that any increase in the complexity of the tendering process might discourage small firms from bidding for council contracts. The Minister agreed to bring forward a paper for the 28 March meeting on the implications of the proposed Order.

3.4 The Minister also reported that she was considering whether to earmark further funding for the Coalfields Regeneration Trust. She was not convinced that diverting Welsh funding through the Trust would achieve the most effective benefits for local communities. One of the aims of the *Communities First* initiative was to simplify the number of competing initiatives, and it was difficult to see how the Trust could fit with the *Communities First* model of strategic action plans driven by the local community. Also the Minister was not convinced of the Trust's ability to work effectively with other voluntary sector organisations in Wales. On balance, the Minister said that she was not minded to reallocate further funding to the Trust, but she invited Members to let her have their views before taking a final decision.

Item 4: Local government finance consultation paper: LGH-03-01 (p.2)

4.1 Before inviting the Minister to introduce this item, the Chair informed Members that the Welsh Local Government Association had asked for the opportunity to present their views on the local government finance system. The Association would be making a presentation at the 14 March meeting.

4.2 The Minister said that there had been a positive response to the proposals set out in the *Simplifying the System* consultation paper. She was keen to work with local government and others to shape the future of the local government finance system in Wales. Many of the proposals would require primary legislation, and the Minister would be liaising closely with the UK Government to ensure that the National Assembly was given maximum flexibility to develop distinctive Welsh policies. The Minister invited the Committee's comments to inform the Cabinet's consideration of the responses and the way forward.

4.3 The following points were raised in discussion:

- On revenue grant, Members supported the retention of the recently-overhauled standard spending assessment formula. The Committee was keen that work should continue to refine the formula, and some Members expressed concern that the new formula did not give sufficient weight to either sparsity or deprivation. There was also support for an unhypothecated revenue settlement, with limited use of specific grants.
- On the capital finance system, there was support for the replacement of the current borrowing controls with simpler, more flexible arrangements along the lines of the proposed prudential system. It was suggested that the Assembly Cabinet should press the case for a change in the restrictive Public Sector Borrowing Requirement rules so that local authorities were free to borrow for investment in their housing stock.
- It was also suggested that there should be no requirement for local authorities to set aside any portion of their capital receipts.
- There was support for an early revaluation for council tax, in order to increase the fairness of the tax. It was suggested that the revaluation should be accompanied by a review of council tax bands. One Member felt that the council tax should be radically overhauled, with a local income tax replacing the existing property-based system.
- On business rates, there was limited support for the proposed supplementary local rate. However, Members felt that it was important for councils and the local business community to be able to co-operate. It was suggested that the proposals would work only if there were robust partnership agreements in place to protect the interests of business.
- Some Members felt that a radical overhaul of the national non-domestic rating system was overdue. It was suggested that either business rates should be returned to local authority control or the basis of taxation should be changed to land rather than rental values. The latter approach should encourage the development of brownfield sites.
- There was some support for the proposed rate relief scheme for small businesses, which

would be aimed at businesses with rateable values below £10,000.

- Members felt that it was important to improve the transparency and accountability of funding for education. In line with the Committee's general view on hypothecation, there was support for an approach based on the measurement of outcomes as set out in the proposed policy agreements. However, one Member felt that it would be more appropriate for the National Assembly to break down the standard spending assessments into service blocks. It was suggested that there was a need for greater clarity in local authority budgets, so that local people were aware of the size and pattern of spending on education services.
- There was some discussion about the ring-fencing of the Housing Revenue Account, which had been introduced to prevent cross-subsidy between housing and other council functions. The Minister undertook to provide a briefing note on the treatment of rent rebates in the Housing Revenue Account.

4.4 The Chair invited the Minister to take account of the Committee's views on the local government finance system

Item 5: Annual report on social disadvantage: LGH-03-01 (p.3)

5.1 Introducing the paper, the Minister said that the National Assembly was committed to the publication of an annual report on social inclusion. The first report, which was due to be debated in plenary on 8 March, demonstrated the Assembly's commitment to tackling social disadvantage, providing a summary of the issues, achievements to date and future plans. The intention was to make available the full report as well as a shorter, more accessible, summary. Comments were invited on both the content and presentation of the report.

5.2 The following points were raised in discussion:

- The Committee welcomed the first report, which they felt provided a sound basis for development in future years. Members felt that it was important for subsequent reports to include mechanisms which would allow progress to be monitored, for example, information on desired outcomes.
- There was concern about the lack of references to Blaenau Gwent in the report, as one of the most deprived areas in Wales.
- Members welcomed the references to post offices in the report, given their important role in tackling social exclusion. It was reported that the Chairman of the Post Office Board Wales was keen for the Post Office to be involved in *Communities First*.
- The Committee supported the publication of both the formal report and a leaflet summarising the main issues. It was felt that the leaflets should be made widely available, for example, in libraries, surgeries and post offices.

5.3 The Chair invited the Minister to take account of the Committee's views on the report. The Minister undertook to bring forward a paper in due course setting out proposals for the 2002 report, including options for the evaluation of progress and the format of the report.

Item 6: Political management structures: LGH-03-01 (p.4)

6.1 Introducing the paper, the Minister said that the consultation exercise on Part 2 of the Local Government Act 2000 was coming to an end. The paper provided a summary of the responses to date. In addition, feedback was expected from a joint conference with the Welsh Local Government Association, District Audit and Syniad. All the subordinate legislation and guidance would come into force on 28 July, after which local authorities would have six months to consult their electorates, decide on their preferred model and submit proposals to the National Assembly. The new structures should be operational by the end of May 2002.

6.2 The following points were raised in discussion:

- In terms of political management structures, Members were keen to maximise the flexibility available to local authorities to 'mix and match' features of the various executive options and the so-called Fourth Option where possible. This would allow authorities to develop the structures which were best suited to local circumstances.
- Members felt that the Fourth Option was not so very different to the executive cabinet model, and as such did not provide a real alternative to authorities which were keen to retain a committee structure. It was noted that the draft guidance on the Fourth Option which had been issued by the Department of the Environment, Transport and the Regions was almost as prescriptive as that proposed by the National Assembly, reflecting the need to maintain a split between executive and scrutiny functions.
- There was some discussion about one of the recommendations in the Waterhouse inquiry into child abuse in North Wales, which had referred to 'the local authority committee with responsibility for children'. Kate Cassidy said that the draft guidance sets out how local authorities should address the allocation of responsibilities for services to children in need within the new management structures. In addition, there were relevant safeguards in both the Code of Conduct for Members and the Directions on the Content of Constitutions.
- It was suggested that the adoption of the new structures, particularly the new role for 'backbench' members under the executive models, would do little to encourage people to seek to become councillors.
- On access to information, there was support for the proposal to amend the guidance to make it clear that cabinet members could meet in private for the purposes of deliberation, with officers present to advise them. This ability to meet in private would be permitted only in accordance with the exemptions specified by the Local Government Act 1972. However, one Member felt that the whole decision making process should be held in the open, in order to ensure the transparency of the process. It was also suggested that the National Assembly's Cabinet should be subject to the same requirements as council cabinets.
- On scrutiny, the Committee felt that it would be important to ensure proper training for members of scrutiny committees, as well as adequate support for the committees. It was suggested that the National Assembly should provide sufficient resources to ensure that local authorities could afford separate staff for the scrutiny function.
- There was some discussion about the role of internal audit in local authorities, which it was

recognised was distinct from scrutiny. The Minister agreed that the role of internal audit could be considered further in the context of the forthcoming Committee paper on the ethical framework for local government.

- Although concerns had been expressed by some local authorities, the Committee felt that it was important for authorities to consult with their electorates on their proposed political management structures.

6.3 The Chair invited the Minister to take account of the Committee's views in taking forward the implementation of Part 2 of the Local Government Act 2000.

Item 7: Best Value Performance Indicators for 2001-02: LGH-03-01 (p.5)

7.1 Introducing the paper, the Minister said that the recent consultation had sought views on a vastly reduced set of Best Value Performance Indicators, as well as the publication of a Best Value Performance Plan on 30 June without the requirement to produce a draft Plan on 31 March. There had been widespread support for these proposals. In the light of the consultation, the Minister said that she was minded to re-introduce two indicators, covering a Trading Standards enforcement checklist and the accessibility of footpaths and other rights of way.

7.2 The Minister also reported that the Welsh Language Board had raised the issue of the Census definition of ethnicity used in one of the performance indicators, which did not show Welsh under the White category. However, the focus of this indicator was the number of people from minority ethnic backgrounds employed by the local authority, rather than national identity. In line with advice from the Commission for Racial Equality, it was proposed to retain the full Census definition of ethnicity to ensure consistency with the Race Relations Amendment Act 2000.

7.3 The following points were raised in discussion:

- Members were pleased that the consultation had supported the proposed reduction in Best Value Performance Indicators, together with the change to the publication date for the Best Value Performance Plan. They endorsed the Minister's proposal to re-instate indicators on Trading Standards and public rights of way.
- The Committee noted that the divergence from the set of performance indicators used in England would reduce the ability to make direct comparisons between Welsh and English local authorities. However, it felt that the priority should be to develop a set of indicators which were appropriate for Wales.
- Members accepted that the ethnicity indicator should be based on the full Census definition of ethnicity.

7.4 The Committee noted the results of the consultation exercise on Best Value Performance Indicators for 2001-02. The Minister said that an Order specifying the final set of indicators would be made by 1 April.

Item 8: Policy review of housing stock transfer: LGH-03-01 (p.6)

8.1 The Chair said that the paper covered the first full draft of the Committee's report of the policy review. She invited Members to provide any drafting changes to the Committee Clerk by 9 March.

8.2 The Minister said that she had decided to defer the publication of the guidance on stock transfer, so that the final version could take account of issues arising from the review. She also noted that some of the recommendations had been amended to take account of her response to the draft recommendations. The Minister reported that she was keen to consider other options which were not reflected in the report, including 'stock leasing' and 'community mutuals', with the possibility of linking both models to contractual arrangements under which the local authority would provide management or maintenance services.

8.3 Judy Wayne said that the report had been drafted to bring out the scale of the problem with the council housing stock, the investment necessary to modernise the stock and the range of options available to local authorities. The report included some new recommendations, relating to competition in the stock transfer process and the parity of rents, reflecting the discussion at the recent informal briefing sessions. In addition, Judy Wayne reported that she was preparing a note on securitisation and bond financing issues for inclusion in the report.

8.4 The following points were raised in discussion:

- Members welcomed the draft report, which took account of their discussion of the draft recommendations. They endorsed the explicit recognition given to the financial and legal constraints in Chapter 4.
- There was some discussion about the suggestion that a Housing Executive should be established to assume control of all council housing stock and then hand on the stock to local Housing Trusts. Members did not consider this to be a practical proposition, particularly as it would require primary legislation.
- It was suggested that the drafting of recommendation 8, which referred to 'encouraging' local authorities to proceed with stock transfer and PFI projects, should be reviewed. On recommendation 15, there was continuing concern that stock transfer organisations might over time develop into large organisations which were unresponsive to the needs of their tenants.
- There was some discussion about whether arms-length companies should be included in the report as one of the options available to local authorities. It was noted that views had been invited on this issue in the current consultation on *Better Homes for People in Wales*.
- It was noted that there would be an opportunity to consider stock leasing and community mutuals at the 14 March meeting, when Trowers and Hamblins had been invited to give a presentation on organisational structures.
- There was some discussion about the impact of stock transfer on the Right To Buy. The Director of Housing agreed to clarify the date when the Right To Buy valuation would be fixed during the stock transfer process.
- It was noted that there had been considerable discussion about stock transfer at the recent Chartered Institute of Housing seminars on *Better Homes for People in Wales*. The Director

of Housing agreed to check whether the feedback from the seminars could be made available to the Committee before the 14 March meeting.

8.5 The Chair thanked Members for their comments. She said that a revised draft of the report would be considered at the 28 March meeting.

Item 9: Forward work programmes: LGH-03-01 (p.7)

9.1 The Chair said that the paper sought the Committee's view on other subject committees' forward work programmes, in line with the requirement in standing orders.

9.2 The Committee noted the four draft forward work programmes attached to the paper. It was reported that both Ministers and Committee Chairs sought to identify cross-cutting issues where joint working would be beneficial, taking account of the practical constraints on subject committees.

Item 10: Minutes of the 7 February meeting: LGH-02-01 (min)

10.1 The minutes of the 7 February meeting were agreed.

Committee Secretariat March 2001

Annex 1

STATEMENT BY THE MINISTER FOR FINANCE, LOCAL GOVERNMENT AND COMMUNITIES ON A PROPOSED ORDER UNDER SECTION 19 OF THE LOCAL GOVERNMENT ACT 1999

The National Assembly has the power to make an Order under Best Value legislation (Section 19 of the Local Government Act 1999) to allow local authorities to take into account matters currently specified as "non-commercial" by the Local Government Act 1988 when considering tenders and awarding contracts.

The Department of Environment, Transport and the Regions is about to put in place such an Order in England.

The effect of that Order will be to allow local authorities to legitimately consider terms and conditions of employment of potential contractors workforce - including important considerations around transfer of pensions, training and development policies, statutory requirements around equal opportunities, health and safety and race relations, and general transfer arrangements. It will also allow authorities to consider the conduct of contractors or their workers in industrial disputes.

I intend to put a similar Order in place for Wales. I have asked my officials to consider, in consultation with interested parties, whether I can legitimately enhance the scope of the Order to include a wider set of considerations in Wales.

Local authorities will still be required to comply with European Union procurement rules and the principles of good procurement practice.

The Order will be accompanied by statutory guidance, which will be subject to a wide-ranging consultation starting before the summer recess. I am keen to ensure that fair employment is at the heart of best value, and this will be an important element of that agenda.

Edwina Hart 28 February 2001

Annex 2

SUMMARY OF ACTION POINTS FROM THE 28 FEBRUARY MEETING

1. The Minister to consider, in consultation with the Welsh Local Government Association, whether there was scope to achieve greater clarity by improving the layout of the council tax bill (paragraph 3.1).
2. The Minister agreed to make available the guidance on the existing discretionary rate relief scheme (paragraph 3.2).
3. The Minister agreed to consider how social deprivation featured in the criteria used to distribute

Supplementary Credit Approvals to support strategic housing schemes in time for the 2002-03 bidding round (paragraph 3.2).

4. The Minister agreed to investigate whether the additional funding being made available under the Rural Homebuy scheme was more than offset by the reduction in Social Housing Grant to Gwynedd and Ynys Môn (paragraph 3.2).

5. The Minister agreed to include the guidance for the Rural Homebuy scheme with her report to the 28 March meeting (paragraph 3.2).

6. The Minister agreed to consider whether the Orders implementing the Local Government Act 2000 could be subject to the standard rather than the accelerated procedure (paragraph 3.2).

7. The Minister agreed to bring forward a paper for the 28 March meeting on the implications of the proposed Order to allow local authorities to take into account matters currently classified as non-commercial when considering tenders and awarding contracts (paragraph 3.3).

8. The Minister invited Members to let her have their views on whether to earmark further funding for the Coalfields Regeneration Trust (paragraph 3.4).

9. The Minister undertook to provide a briefing note on the treatment of rent rebates in the Housing Revenue Account (paragraph 4.3).

10. The Minister undertook to bring forward a paper in due course setting out proposals for the 2002 Report on Social Disadvantage, including options for the evaluation of progress and the format of the report (paragraph 5.3).

11. The Minister agreed that the role of internal audit could be considered further in the context of the forthcoming Committee paper on the ethical framework for local government (paragraph 6.2).

12. The Director of Housing agreed to clarify the date when the Right To Buy valuation would be fixed during the stock transfer process (paragraph 8.4).

13. The Director of Housing agreed to check whether the feedback from the Chartered Institute of Housing seminars on *Better Homes for People in Wales* could be made available to the Committee before the 14 March meeting (paragraph 8.4).

14. A revised draft of the report of the review of housing stock transfer to be considered at the 28 March meeting (paragraph 8.5).