

National Assembly Finance Committee's Inquiry into financial estimates accompanying legislation.

1. The Society of Local Authority Chief Executives (Wales) (SOLACE) is the organisation which represents the Chief Executives of all 22 Local Authorities in Wales.
2. We have been invited by the Welsh Assembly Government's Finance Committee to give oral evidence to them relating to their inquiry into the financial aspects of Regulatory Impact Assessments.
3. This paper outlines the nature of that oral evidence.
4. We note that the Welsh Local Government Association (WLGA) has already provided written evidence to the Committee on this issue, and would state that SOLACE's views fully support the analysis given in that paper.
5. There would be little point in providing a paper which merely reiterates the points made in that paper but we would commend its conclusions to them.
6. **In particular however we would emphasise the particular points made in its conclusions (paragraph 44) relating to the need to ensure that financial impacts are continually reviewed and updated and that there should be a commitment to fully fund any new obligations.**
7. The Welsh Local Government Association paper highlights evidence to show that this has not always been the case.
8. In some respects of course primary legislation is largely enabling in that it outlines principles and outcomes which it will enable. The Well-being of Future Generations (Wales) Act 2014 is a classic example as is the Social Services and Well-being (Wales) Act 2014 both fall into this category, with the latter containing rather more in the form of how the outcome is to be achieved than the former.
9. In that respect it must be accepted that it is extremely difficult to identify what the actual costs of implementing the aims of the legislation are going to be at the outset, and one has sympathy with anyone who is asked to undertake such a task.
10. The point made in the WLGA submission (para 25) that many of the costs arise from the detail of the secondary legislation and statutory guidance results in a creeping onset of costs which have not been previously identified.

11. Bearing in mind that detailed financial analysis at the outset is extremely difficult, there is a tendency in our view for financial consequences often to err on the side of optimism. In some respects this is understandable for any organisation which wants to emphasise the benefits of any course of action over the possible barriers.
12. Paragraphs 19 and 22-24 of the WLGA paper highlight this issue in relation to the Social Services and Well-being Act in particular.
13. Nevertheless this should not preclude the Government from recognising any additional cost thereafter and making appropriate provision.
14. In order to supplement the WLGA paper we have commissioned a piece of work at one authority which has looked back at the budget additions it has had to make over the past 8 years in order to recognise additional costs which have arisen from legislation and which were not recognised in the form of appropriate funding. This appears in Appendix 1.
15. It can be seen that during the period in question, the authority received a total of £15.1m to pay for additional budgetary pressures created by the Westminster Government / Welsh Government, but these pressures in turn created actual budgetary pressures of £24.2m.
16. There is also the fact that it is likely that the full implications of recent pieces of legislation are far from having reached their peak.
17. This is merely the additional budgetary provision which has had to be made in order to meet the direct additional costs of additional pieces of legislation. It does not include the indirect costs.
18. Certainly in relation to the Social Services and Wellbeing Act in North Wales, due to the large footprint covered (that of the Betsi Cadwaladr University Health Board) spanning 6 extremely diverse local authority areas, the opportunity cost involved on the co-ordination of joint working in trying to fulfil the aims of the act and the particular working methods which have been defined is never mentioned, despite the authority in question reporting that it is significant.
19. In conclusion therefore whilst we would accept that obtaining accurate financial assessments at the outset is always going to be difficult, it needs to be a live and ongoing process, rather than a one-off assessment, and there should be a commitment to try and firm up that cost analysis as the implementation develops with a further commitment to fully fund that implication once it is defined.

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SOLACE Lead on Finance Matters**

New legislation and central government decisions: financial impact on Gwynedd Council

1. Introduction

- 1.1 The recent WLGA submission to the National Assembly Finance Committee, “Financial estimates accompanying legislation”, showed the impact of legislative changes on the costs faced by local government in Wales over recent years, and in particular the fact that many of these costs have not been funded through the local government settlement.
- 1.2 This paper further illustrates this issue by reference to the financial impact on Gwynedd Council over the last eight financial years.

2. Estimating the financial impact

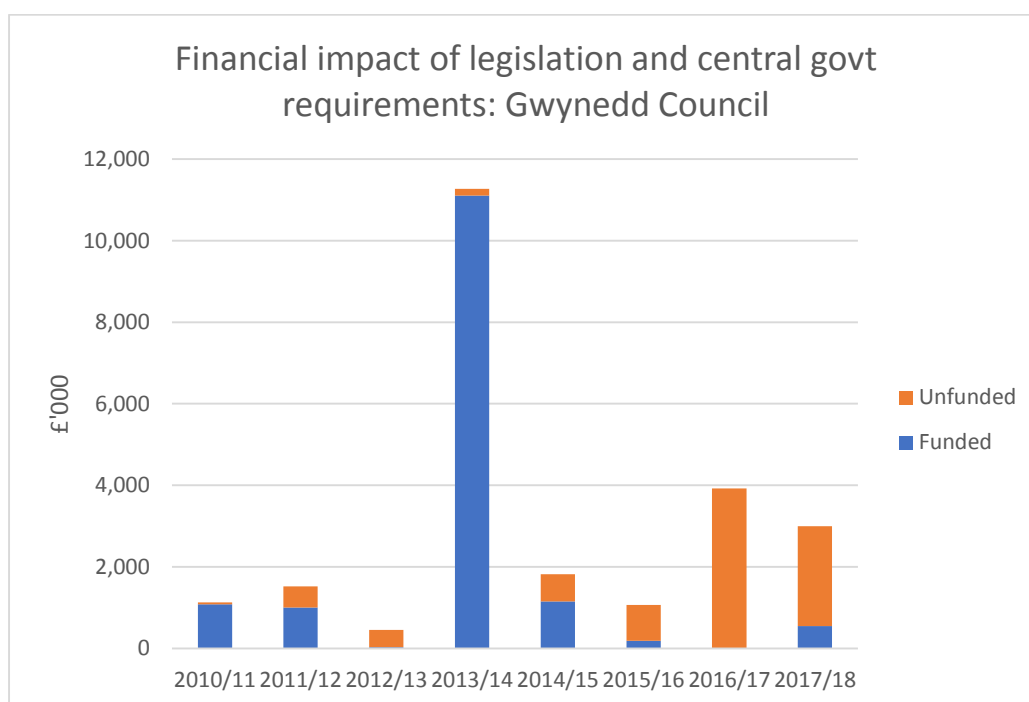
- 2.1 We have looked at year-on-year changes to Gwynedd’s revenue budget over the financial years 2010/11 to 2017/18, and which of those changes had been specifically identified as resulting from new legislation (at Wales or UK level), or new functions / responsibilities conferred on local government.
- 2.2 In some cases it proved difficult to isolate the financial effects of new legislation as opposed to other changes impacting on a service area at around the same time (such as local policy decisions, or changes in the demand for services). It was also difficult to pick up any changes financed from temporary one-off funding (rather than the permanent revenue budget) and any cases where services had absorbed the extra requirements from existing budgets rather than submitting a bid for additional resources.
- 2.3 As such the amounts we have been able to identify are probably a conservative estimate of the true costs incurred over the eight-year time period.

3. Total financial impact on Gwynedd

- 3.1 Between 2010/11 and 2017/18 a total of around **£24.2 million** had to be added to Gwynedd’s annual revenue budget as a result of new legislative requirements and central government decisions. This corresponds to about 10.4% of the Council’s net total annual budget.
- 3.2 Some **£15.1 million** of this amount was funded in the local government settlement, leaving a shortfall of around **£9.1 million**.
- 3.3 It is also important to note that over this eight-year time period, local government has experienced severe financial pressure with Gwynedd Council implementing about £58 million of savings, including some cuts to services, during this time. It can be seen therefore that the unfunded shortfall of £9.1m referred to above has contributed to the situation and has led to more severe cuts to other services (and / or higher council taxes to be borne by local residents) than would otherwise have been the case.
- 3.4 The table and chart below show the estimated financial impact (and whether funded / unfunded) by financial year:

Financial impact of legislation and central govt requirements on Gwynedd Council

	Total financial impact £'000	Funded £'000	Unfunded £'000
2010/11	1,125	1,079	46
2011/12	1,521	1,001	520
2012/13	453	27	426
2013/14	11,269	11,108	161
2014/15	1,821	1,149	672
2015/16	1,066	184	882
2016/17	3,920	0	3,920
2017/18	2,994	547	2,447
Total	24,169	15,095	9,074



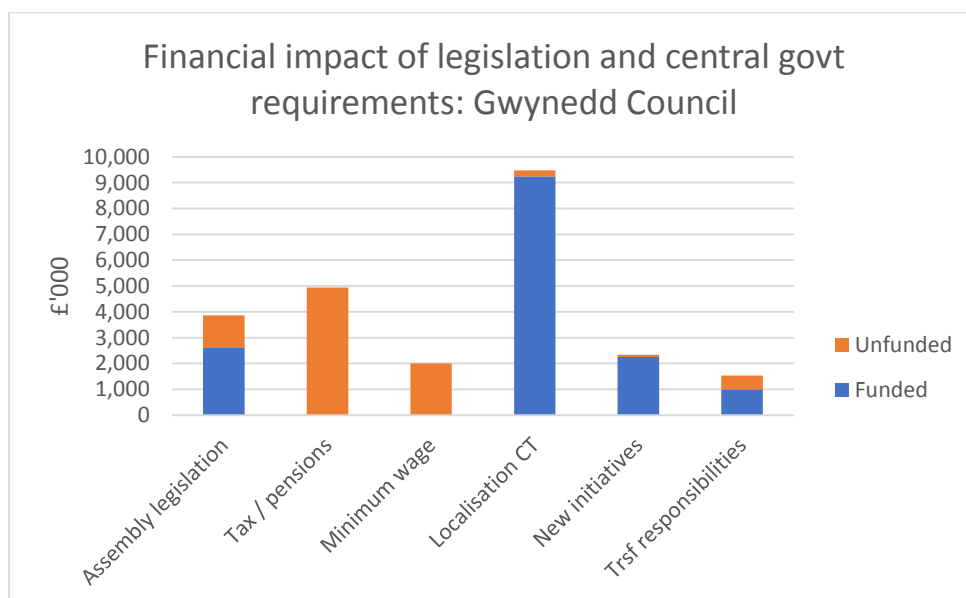
3.5 The large amounts for financial year 2013/14 are mainly due to the localisation of Council Tax Support, which was (almost) fully funded in the first year whilst an element of funding shortfall was transferred to local government in the following year.

4. Breakdown by type of cost pressure

4.1 The table and chart below show the nature of the additional cost pressures over the eight-year period (and whether funded / unfunded):

Gwynedd Council cost pressures 2010/11 to 2017/18, by source of cost pressure

	Total financial impact £'000	Funded £'000	Unfunded £'000
National Assembly legislation	3,864	2,599	1,265
Taxation / pensions changes	4,946	0	4,946
Minimum wage legislation	2,000	0	2,000
Localisation of C Tax support	9,479	9,236	243
New initiatives	2,341	2,254	87
Transfer of responsibilities	1,539	1,006	533
Total	24,169	15,095	9,074



4.2 The main unfunded elements over the eight-year period were:

- Living Wage legislation: £2.0m
- National Insurance / Pensions changes (including Apprenticeship Levy): £4.9m
- Loss of income due to new limits for Social Care fees: £0.8m
- New initiatives (including some which were initially grant funded, but funding then gradually reduced or ceased): £0.5m (e.g. *Sustainable Waste strategy, Free Breakfasts*)
- Other statutory requirements: £0.5m (e.g. *Social Care & Well-being Act; Health & Social Services strategy; Members Allowances*)
- Council Tax Reduction Scheme / Housing Benefit changes: £0.4m