



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

CORPORATE SCRUTINY COMMITTEE

Date and Time

2.30 pm, THURSDAY, 14TH APRIL, 2016

Location

Siambr Hywel Dda - Council Offices, Caernarfon, Gwynedd. LL55 1SH

Contact Point

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(DISTRIBUTED 06/04/16)

CORPORATE SCRUTINY COMMITTEE

MEMBERSHIP (18)

Plaid Cymru (9)

Councillors

Elwyn Edwards
Gweno Glyn
John Wyn Williams

Dyfrig Jones
Michael Sol Owen
R. H. Wyn Williams

Charles Wyn Jones
Gethin Glyn Williams
Aled Wyn Jones

Independent (5)

Councillors

Lesley Day
W. Roy Owen
Hefin Underwood

Trevor Edwards
Eirwyn Williams

Llais Gwynedd (2)

Councillors

Jason Humphreys

Anwen J. Davies

Labour (1)

Councillor Gwynfor Edwards

Liberal Democrats (1)

Councillor June Marshall

Ex-officio Members

Chairman and Vice-Chairman of the Council

Other invited members

Councillor Ioan Thomas – Cabinet Member for Housing, Customer Care and Libraries,
Deprivation and Equality (item 5)

Councillors Peredur Jenkins – Cabinet Member for Resources and Mandy Williams-Davies –
Cabinet Member for the Economy (item 6)

A G E N D A

1. APOLOGIES

To receive any apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items that are a matter of urgency in the view of the Chairman for consideration.

4. MINUTES

1 - 4

The Chairman shall propose that the minutes of the previous meeting of this committee held on 4th February, 2016 be signed as a true record.

5. THE COUNCIL'S COMPLAINTS PROCEDURE

5 - 10

To consider the report of the Cabinet Member for Housing, Customer Care and Libraries, Deprivation and Equality (attached).

2.30pm – 3.00pm

6. THE BENEFIT TO GWYNEDD FROM KEEPING THE BUSINESS RATE

11 - 21

To consider the report of the Cabinet Member for Resources and the Cabinet Member for the Economy (attached).

3.00pm – 3.45pm

CORPORATE SCRUTINY COMMITTEE, 04.02.16

Present: Councillor Dyfrig Jones (Chairman);
Councillor Jason Humphreys (Vice-chairman).

Councillors:- Anwen Davies, Elwyn Edwards, Aled Wyn Jones, W.Roy Owen, Eirwyn Williams and John Wyn Williams.

Officers present: Vera Jones (Members Manager - Democracy Services) and Eirian Roberts (Member Support and Scrutiny Officer).

Present for item 3 below:-

Councillor Dyfed Edwards (Council Leader)
Iwan Evans (Monitoring Officer)
Arwel Ellis Jones (Senior Manager – Democracy and Delivery)

Present for item 4 below

Councillor Ioan Thomas (Cabinet Member for Housing, Customer Care and Libraries, Deprivation and Equality)
Hawis Jones (Strategic Planning and Performance Manager)

Present for item 5 below

Councillor Peredur Jenkins (Cabinet Member for Resources)
Dafydd Edwards (Head of Finance Department)
Huw Ynyr (Senior Information Technology and Transformation Manager)
Rhys Roberts (Information Technology Account Managers Team Leader)

Apologies: Councillors Lesley Day, Trevor Edwards, June Marshall, Michael Sol Owen, Gethin Glyn Williams and R.H.Wyn Williams.

Councillor Aled Wyn Jones was welcomed to his first meeting of this committee.

Reference was made to the recent death of former councillor Eddie Dogan and condolences were extended to the family in their loss.

1. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

2. MINUTES

The Chairman signed the minutes of the previous committee meeting held on 3 December 2015 as a true record.

3. DRAFT LOCAL GOVERNMENT (WALES) BILL

Cabinet Member: Councillor Dyfed Edwards

Submitted - the report of the Leader inviting the committee to prior scrutinise the Council's likely response to the draft Local Government Bill before it would be formally approved at the Cabinet on 16 February.

The Leader set the context and the committee considered the first draft and the comments included as part of the report.

The following observations were submitted:-

Part 1

- It was recommended that the Cabinet demanded evidence from Welsh Government on the financial savings that were to derive from the merger, i.e. the Council needed a business case for the merger. In addition, it should be challenged and assurance should be sought regarding who was to fund the "re-organisation costs" during this period of financial unrest.
- The Corporate Scrutiny Committee wished to recommend 3 Councils for North Wales. This opinion was based on considering linguistic matters, economic needs, as well as administrative / geographical arrangements. It was also stated that the (internal) language policy had strengthened the broader language policy within the county, and there would be implications for this with the merger.

Part 2

- Local Government arrangements needed to be looked at jointly, as well as looking at broader arrangements (in terms of local Government, the Assembly Government and the British Government) to ensure a sensible merger.
- The Corporate Scrutiny Committee wished to note that it agreed with the general principle of "general competence", but there was a need for a culture-change between Welsh Government and local Government - not micro-managing, but rather concentrating on the outcomes.

Parts 3-7

- Agreed with the draft observations in the report

General

- The Scrutiny Committee also wished to note that it was of the opinion that the opportunity should be taken to note a general message that it opposed the principle that the local authority had a responsibility for other bodies, e.g. community councils training etc.

The Leader and the officers were thanked for the discussion.

4. GWYNEDD STRATEGIC EQUALITY PLAN 2016-20 **Cabinet Member: Councillor Ioan Thomas**

The committee was invited to scrutinise the Strategic Equality Plan before it would be finally submitted to the Cabinet on 15 March 2016 for adoption.

Submitted - the report of the Cabinet Member for Housing, Customer Care and Libraries, Deprivation and Equality which set the context and responded to questions provided beforehand in relation to:-

- The basis of the four objectives chosen.
- Resources' adequacy to deliver the projects.
- Arrangements to raise officers' awareness of the plan and its content, and the duties of each officer.
- Plans to raise awareness amongst elected members of the plan and the role of members in the equality field.
- The procedure for ensuring equality training for members and officers and the number of members who had attended equality training thus far.
- What would be different within a year of adopting this plan.

The Cabinet Member and the Strategic Planning and Performance Manager responded to further questions/observations from members.

The Chairman summarised the main message of the discussion as follows:-

- Acknowledged the good work regarding forming the plan.
- The need to monitor progress against project outcomes.

The Cabinet Member and the Strategic Planning and Performance Manager were thanked for the discussion.

5. IT STRATEGY

Cabinet Member: Councillor Peredur Jenkins

Submitted - the draft IT Strategy and a presentation was given by the Senior Information Technology and Transformation Manager on the content of the strategy, detailing:-

- The process of reviewing the strategy
- The considerations of the new IT Strategy
- What was not included in the new Strategy
- What was in the new Strategy
- Themes
- Principles

The Senior Information Technology and Transformation Manager responded to questions/observations from the members.

The Head of Finance Department distributed a paper noting that a report which had been prepared by KMPG on the "administrative" costs of Welsh councils explained that the cost of IT in Gwynedd remained lower than the Welsh average and that this Council had moved from the 13th position to the 14th position throughout Wales. He noted that customer satisfaction figures were quite good, but that it was necessary to look at all aspects to ensure value for money and efficiency.

The Chairman summarised the main messages of the discussion as follows:-

- It was recommended that clarity should be ensured on the success of the previous strategy and that that should be explained, using it as a basis for the new strategy. This would allow us to measure progress. It was recommended that there was a need for the service to identify and assess where the Council had reached, what lessons had been learned thus far, by incorporating the information as a basis to the new strategy.
- The IT Strategy needed to be flexible to respond to the customer's requirements (when that was clear) and to be as flexible as possible within security restrictions.
- Ffordd Gwynedd intervention to the IT Service should be considered soon. The intervention could release resources which could be used in the fields discussed in the Strategy.

The Cabinet Member and the officers were thanked for the discussion.

The meeting commenced at 2.30 pm and concluded at 4.35 pm

CHAIRMAN

Committee:	CORPORATE SCRUTINY COMMITTEE
Date:	14 April 2016
Title:	The Council's Complaints Procedure
Author:	Cllr Ioan Thomas
Contact Officers	Iwan Evans, Monitoring Officer Geraint Owen, Head of Corporate Support

1. Background

1.1 The Council's Complaints Procedure was adopted by the Cabinet on 10 June 2014. It has been in operation officially since 1 April 2015. This new procedure is in accordance with the Model Concerns and Complaints Policy and the Guidance published by Welsh Government, and produced under the guidance of the Public Services Ombudsman for Wales. This is advantageous as it is consistent with the complaint procedures of other public bodies, making the submission of a complaint easier for members of the public across public bodies.

1.2 The aims of the process were:

- Adopting the new procedure will bring specific benefits to the citizen by focusing on the resolution rather than the process. It will allow for complaints to be dealt with more swiftly, by abolishing one step of the current process which is fairly labour-intensive and lengthy.
- The new procedure will allow complaints which involve more than one department to be better coordinated, and will enable the coordination of complaints which involve external agencies or partners.
- By establishing a central, comprehensive database, it will be possible to keep an overview of the pattern of complaints and to learn lessons as an organisation. Currently, the valuable information contained in complaints tends to be lost.
- It is anticipated that the procedure will be better aligned with the Council's new culture of empowering staff to make decisions and to deliver one of the work streams of the "Gwynedd Way" project.

1.3 This procedure is not relevant to users of social services as there is a statutory procedure for them. Schools also implement their own complaints procedures.

Considerations

2. Features of the procedure

2.1 Emphasis is placed on resolving complaints, and doing so swiftly. To promote this, the new procedure is a two-step process, namely **informal resolution** and **formal investigation**. The complainant could go to the Ombudsman if he was not

satisfied with the Council's formal response. Previously, there was an additional step to the procedure, namely consideration by an independent panel of senior officers.

2.2 Informal Resolution - the core idea here is that dealing with complaints is an integral part of providing services. Staffs are encouraged to consider each time whether it would be possible to resolve the complaint 'here and now'. Customer care skills are important in this context e.g. placing yourself in the complainant's shoes, not being defensive, being ready to acknowledge that something has gone wrong and offering an apology. There is no requirement to record informal resolutions. However, the Service Improvement Officer will record all complaints (both formal and informal) that come to her attention.

2.3 Formal Investigation - If it is not possible to resolve the complaint informally, the complainant can refer it for a formal investigation. "*Investigate once, investigate well*" is the principle of this step of the process. Emphasis is placed on one thorough investigation to deal with the concerns raised, rather than on several investigations on various levels in the organisation. However, this element of the complaints process is intended to be flexible to respond appropriately to the complaint. 'Investigating well' also means undertaking an investigation in a way which is commensurate with the nature of the complaint and its severity. Commensurate means that the investigation into those complaints that are not as serious in nature need not be as detailed. This response will be the Council's final response to the complaint and will form the basis of its response if the complaint is referred to the Ombudsman. As a rule the investigation will be carried out by an officer from the eth department, who is of a sufficient seniority and who is independent from the source of the complaint. All formal complaints are recorded.

2.4 The Complaints Co-ordination Team - A complaints co-ordination team has been established which has responsibility for administering the procedure. The team includes a specific post in the Customer Care service (in the Corporate Support Department) namely 'Service Improvement Officer' and a Senior Solicitor, in the Legal Department. The Monitoring Officer is responsible for the Complaints Procedure and for ensuring that it is implemented appropriately.

2.5 The Service Improvement Officer has the responsibility for assisting the complainant, grading the complaint, seeking a swift resolution and monitoring the progress of formal investigations and any lessons learned as a result of the complaint. The team also includes one Senior Solicitor, with responsibility for advising on the process, the oversight of more complex investigations, working with the Service Improvement Officer to produce regular reports to the Corporate Management Team and the Cabinet Member.

2.6 The Service Improvement Officer is also the point of contact for the Ombudsman's office and the Team is responsible for ensuring that the Council will respond to complaints received by it, reporting to the Monitoring Officer as and when necessary.

2.7 Complaints will be referred by Galw Gwynedd to designated contact points within every department who will then refer them to appropriate officers for attention. The Service Improvement Officer will also receive complaints over the

phone and via the Council's website. She will also refer them to the contact points. These complaints will then receive attention through informal resolution or formal investigation as appropriate.

2.8 Members do not have a role to investigate individual complaints; however, constituents will contact them with complaints and they can refer the matter to the relevant service for attention. They can also ask to be updated and notified of the outcome of a complaint. The procedure does not affect members' rights to raise matters of concern directly with the Council's departments.

2.9 **Learning Lessons** - The procedure has introduced the ability to learn lessons from complaints by means of overview reports to be submitted to the Corporate Management Team and the Cabinet Member in order to ensure continuous improvement.

2.10 By establishing a central, comprehensive database, it will be possible to keep an overview of the pattern of complaints and to learn lessons as an organisation. Previously, the valuable information contained in complaints tended to be lost. It should be noted that formal complaints are recorded. It is not necessary to record informal resolutions and it would not be practical to do so. Despite this, there will be a record of the informal resolutions of which the Service Improvement Officer is aware.

3. Implementing the Procedure

3.1 The process of establishing and improving the procedure continues; however, after a year of implementing the new procedure, the main developments seen are as follows:

Service Improvement Officer

This role did not exist previously. The fact that there is a specific officer in place who ensures that departments respond to complaints promptly, can advise members of the public and officers on the implementation of the procedure, identifies opportunities to resolve complaints promptly and informally has proven to be very beneficial.

Service Improvement Plans

To assist the Council to learn from complaints, a procedure has been established whereby the Service Improvement Officer will provide a Service Improvement Form to departments if she is of the opinion that an investigation into a complaint has identified the need to improve procedures in order to provide a better service. She will also monitor progress to ensure that the steps are implemented.

Guidance and advice for departments

To date, as well as the advice provided in individual cases, the following has been undertaken:

- The Team visited every departmental management team to introduce the new procedure
- A meeting of departmental contact points

- A presentation has been given to the Senior Managers Group
- Guidelines and guidance for staff have been produced - a leaflet on good practice when dealing with complainants, examples of response templates, guidance on the standard of responses

Reports

A quarterly report is produced which is submitted to the Corporate Management Team and the Cabinet Member. The Complaints Co-ordination Team will meet with the Corporate Management Team to discuss the content of the report and the appropriate methods of disseminating any lessons learnt. The report outlines:

- The number of formal complaints responded to, by service
- Details of service improvement plans
- The number of Ombudsman complaints
- A summary of reports published by the Ombudsman
- Statistics on informal resolutions of which the Service Improvement Officer is aware
- Any patterns or lessons learned which could be significant across the authority along with a summary of relevant complaints.

An Annual Report will also be produced.

Ombudsman Complaints

There is a good working relationship with Ombudsman officials. The Service Improvement Officer will ensure prompt and adequate responses by the departments. The Team is also looking at lessons which could be learned e.g. did the complainant refer the complaint to the Ombudsman due to shortcomings in the way we deal with complaints within the Council, and are there lessons to be learned from that? These will be included in the quarterly report.

Assessing the standard of formal responses

At the request of the Corporate Management Team, a process is being established to assess the standard of formal responses in order to improve the service received by the complainant under the complaints procedure. Consideration is given. Through this process, to the manner in which responses are prepared, so that good practice can be shared and the responses given to complainants are improved.

4. Statistical Evidence

4.1 These are the figures for the number of complaints for the first year. No equivalent figures are available for the previous complaints policy

Formal Investigations 2015/16

Q1	28
Q2	22
Q3	15
Q4	16

Total = 81

Informal Resolutions 2015/16*

Q1	42
Q2	34
Q3	33
Q4	25

Total = 134

(*only those of which the Service Improvement Officer is aware)

Ombudsman's cases closed in 2015/16

Settled	4
Report	2
No investigation	22

Total 28

Still open

Investigations	2
Enquiry	1

Total 3

Ombudsman's cases closed in 2014/15

(Figures from Ombudsman's Annual Report 2014/15)

Settled	3
Reports	1
No investigation	29

Total 33

4.3 Under the new arrangements it is possible to monitor the **time taken to investigate and reply** to formal complaints. The target is 20 working days. If this is not possible, e.g. because of the complexity of the complaint, the complainant is informed of this.

Q1	21 under 20 days, 7 over 20 days (28 formal investigations)
Q2	18 under 20 days, 4 over 20 days (22 formal investigations)
Q3	12 under 20 days, 3 over 20 days (15 formal investigations)
Q4	14 under 20 days, 2 over 20 days (16 formal investigations)

Totals

65 under 20 days

16 over 20 days

(81 formal investigations)

It can be seen that 80% of investigations were completed within the target time and that the general trend is improving.

COMMITTEE	CORPORATE SCRUTINY COMMITTEE
DATE	14 APRIL 2016
TITLE	THE BENEFITS TO GWYNEDD FROM RETAINING BUSINESS RATES
PURPOSE OF THE REPORT	TO GIVE THE COMMITTEE AN OPPORTUNITY TO SCRUTINISE AND CONSIDER THE BENEFITS AND RISKS OF LOCAL RETENTION OF BUSINESS RATES
RELEVANT CABINET MEMBERS	COUNCILLOR PEREDUR JENKINS, CABINET MEMBER FOR RESOURCES AND COUNCILLOR MANDY WILLIAMS-DAVIES, CABINET MEMBER FOR THE ECONOMY
CONTACT OFFICERS / AUTHORS	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK AND DAFYDD L EDWARDS, HEAD OF FINANCE

1. WHAT IS THE MATTER THAT NEEDS TO BE CONSIDERED AS A SCRUTINY ITEM?

- 1.1 In a discussion relating to business rates in the full Council in October 2015, Councillor Owain Williams drew to the attention of the Council that central Government in England has decided that English local councils are to keep all business rates to invest locally. It was explained that this is not the situation in Wales.
- 1.2 In response to a motion by the Councillor to make contact with the Welsh Government to ask for the same conditions in Wales, the Chief Executive suggested that it would be wise to undertake detailed scrutiny before then, to ensure whether the same regime in Wales would be likely to lead to benefits, losses, opportunities, or hazards for Gwynedd. Following that work, the Council could decide if it wanted to contact the Welsh Government.

2. WHAT CAN THE SCRUTINY COMMITTEE CONSIDER?

- 2.1 It was agreed that the Scrutiny Committee could consider:
 - What the contents of the Chancellor's statement were when he suggested that local authorities in England would retain the business rates collected locally, and when does it comes into force?
 - Do we know what the impact is/will be on local authorities in England? Will some authorities be winners and others losers? Why?
 - Of understanding the situation in England, if the same conditions were available in Wales, do we understand what the implications would be for Gwynedd?
 - What would be the probability of Gwynedd benefitting, losing out, having opportunities, or dangers of keeping the business rates collected locally?

Parts 3 to 6 of this report deliberates the above matters in turn as a basis for the scrutiny / consideration.

3. WHAT WERE THE CONTENTS OF THE CHANCELLOR'S STATEMENT WHEN HE SUGGESTED THAT LOCAL AUTHORITIES IN ENGLAND WOULD RETAIN THE BUSINESS RATES COLLECTED LOCALLY, AND WHEN DOES IT COMES INTO FORCE?

3.1 In the Conservative Party Conference in October 2015, the Chancellor announced that English local authorities would be entitled to retain 100% of business rates collected locally from 2020. This would be an amendment to the arrangements introduced in April 2013; since then, English local authorities retain 50% of their business rates.

3.2 The Chancellor confirmed this intention in his Autumn Statement in November 2015, but the statement did not go into great detail about how this would be implemented. However, the following can be noted from the statement:

- Local authorities in England will retain 100% of local business rates by 2020.
- The "top-up and tariff" system that redistributes revenues between local authorities will continue.
- At present business rates follow the "Uniform Business Rate" regime. That means that the approach to calculating business rates are consistent across the country and across all businesses, using the formula:

$\text{Rates Payable} = \text{Rateable value of the property} \times \text{Multiplier provided annually by the Government}$

Under the new regime these arrangements will come to an end since individual local authorities will be able to **reduce** the multiplier.

- Local authorities will not be allowed to **increase** the multiplier, unless they establish elected "City-wide metro mayors", and use the increase to fund infrastructure improvements, on the condition that they receive the support of a majority of the members of the Local Enterprise Partnership.
- The Government will consult on the changes to the system of funding local government in preparation for the change of retaining 100% of business rates.
- Among the issues that will be addressed in the consultation will be the gradual dissolution of the local government grant, along with the additional responsibilities that could be devolved to local government to allow economic growth in their areas. The graph below from the Local Government Association shows how this gradual abolished will happen.

How it might look – start in 2020

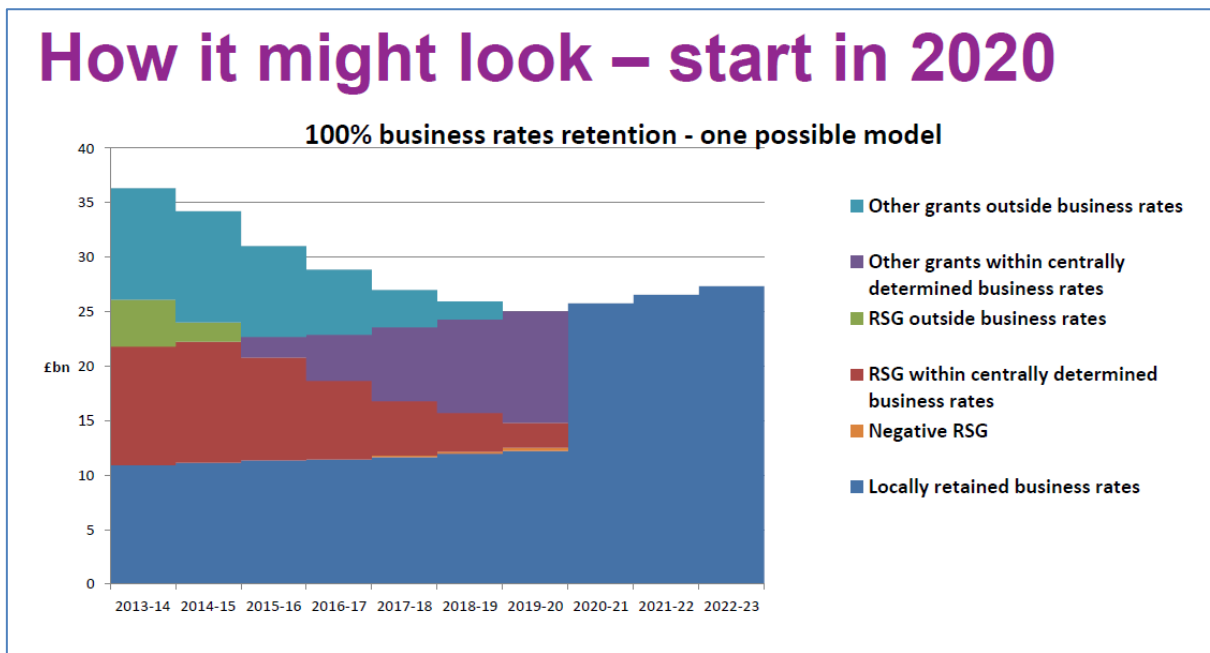


Figure 1: The LGA graph showing the gradual reduction in Local Government Grant

[For more information, follow this hyperlink to the Local Government Association presentation following the Chancellor's Autumn Statement.](#)

4. **DO WE KNOW WHAT THE IMPACT IS/WILL BE ON LOCAL AUTHORITIES IN ENGLAND? WILL SOME AUTHORITIES BE WINNERS AND OTHERS LOSERS? WHY?**
 - 4.1 Because the arrangements for local retention of 100% of business rates have not yet come into force in England, it is difficult to know exactly what the impact on English local authorities will be. However, we can look at what has happened in England since local authorities have had the right since April 2013 to keep 50%.
 - 4.2 A paper published by the Department for Communities and Local Government of the UK Government in April 2013 explained the changes that came into force at that time. Among other things, the paper explains how the regime will deal with the situation.
 - 4.3 In reality, some richer authorities receive more in business rates than they used to get from the grant formula, while other authorities earn significantly less. Therefore, the Government use a method known as "top-ups and tariffs" to ensure consistency.
 - 4.4 In the first place, for the regime which came into force on 1 April 2013, the Government calculated the "funding level" (i.e. spending needs) for each local authority for 2013/14. Where a local authority receives more business taxes than its funding level, then the Government keeps the difference (the "tariff"). This is used as a "top up" for local authorities who receive less than their funding level. The Government's intention was that this would be fixed for seven years. That is, until 1 April 2020.
 - 4.5 Once underway, the scheme allows councils to keep 50% of the additional funds they generate. However, should there be no adjustment, the Government acknowledges that the scheme would favour richer authorities. This is because councils with a large number of business properties can gain large increases in their revenue with little effort to ensure that economic growth, whereas councils who are

already under financial strain could put in a lot of effort and still get comparatively little benefit out.

The Government's paper (see 4.2 above) uses an example to highlight this.

Authority 'A' has business rates income of £100 million and a funding level of £50 million.

A 5% increase in the business rates income of Authority 'A' would be an increase of £5 million, which is 10% of £50 million, the funding level.

On the other hand, Authority 'B' only has business rates income of £10 million but has the same spending needs (i.e. funding level) as authority 'A', i.e. £50 million.

If Authority 'B' also increased its business rates income by 5%, this would only be an increase of £500,000, which is 1% of £50 million, the funding level.

[Here is a hyperlink to the Department of Communities and Local Government presentation.](#)

- 4.6 Councils can also retain up to 50% of the increase in their business rates receipts resulting from new businesses or from expanding businesses (but not increases due to inflation). Local authorities that are the subject of the "tariff" will also pay a levy of up to half this type of increase. This levy is used to fund a "safety net" system that protects Councils which see a reduction of more than 7.5% in their business rates from one year to the next (e.g. the loss of a major employer).
- 4.7 The Local Government Association (LGA) in England have done research since 2013 and has published two papers that look at the effects of retaining 50% of business rates on local authorities.
- 4.8 The main findings of these reports are:
- The LGA estimates that approximately 59% of the authorities have received a surplus and approximately 41% had a loss during 2013/14.
 - A major weakness in the new system is risk relating to appeals. Individual authorities do not have any control over the appeals process, therefore it is difficult to create a sound budget. According to one survey in 2013, 17.5% of all business rate income in England is subject to appeal.
 - Local authorities have had to bear half of the costs of all successful appeals after April 2013, including appeals have been backdated to the previous regime. These amounts can be significant. In a survey in 2015, 74% of English local authorities answered that appeals were their greatest risk. If a similar procedure is introduced in Wales, the way with which appeals are dealt will be a key consideration.
 - It was observed that the Valuation Office Agency has struggled to cope with the new requirements.
 - Some authorities are dependent on a small number of large businesses, e.g. power stations.
 - Some authorities have pooled together to create a "Fund" in order to share some of the risks and share the benefits from economic growth, but this is not always an option for some authorities because of their individual circumstances.
 - The opportunity to use discretionary rates reductions will enable authorities to tailor their system to match the requirements of their local area.

- However, business rates avoidance is a risk which has received the attention of local councils for a number of years and by now the authorities themselves are feeling the outcomes of the efforts to avoid paying.

4.9 More details are in the Local Government Association, publications which are to be found along the links below:

[Rewiring Public Services: Business Rate Retention \(December 2013\)](#)

[Business Rate Retention: the story continues \(March 2015\)](#)

5. OF UNDERSTANDING THE SITUATION IN ENGLAND, IF THE SAME CONDITIONS WERE AVAILABLE IN WALES, DO WE UNDERSTAND WHAT THE IMPLICATIONS WOULD BE FOR GWYNEDD?

5.1 The situation in England after 2020 is not totally clear yet. As noted above, the Government will maintain a system where wealth continues to be distributed from the richest authorities to the poorest even under the new regime, by continuing the "tariff and top-ups" process. As explained above, the principle behind this is that the areas with the highest number of businesses will also be in a better position to increase the number of businesses further.

5.2 It is also timely to note that the Independent Commission on Local Government Finance Wales has recommended that business rates be retained in full by local authorities. Further, the Commission's report notes that local agreements to pool receipts at a city regional or sub-regional level could be put in place to smooth any significant fluctuations

5.3 Under the current regime, there are 22 local "billing" authorities collecting business rates for the Wales central pool. This pool is then shared out by the Welsh Government, using a formula.

5.4 The picture below shows the amount of the business rates that of Gwynedd has collected for the central Welsh pool since 2010-11, and the amount received from the pool in the same period.

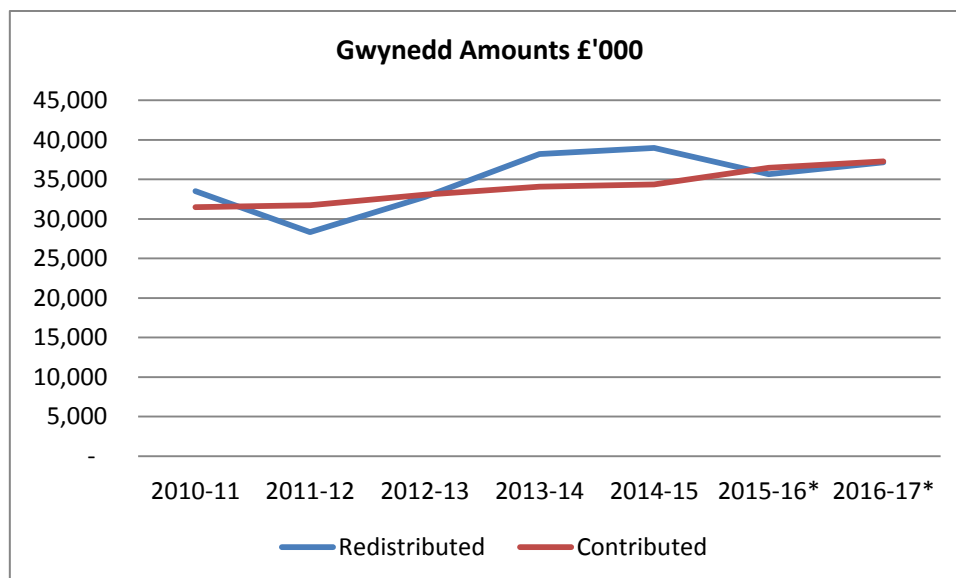


Figure 2: The difference between the amount that Gwynedd has contributed and received back from the centre since 2010

Source: Council Tax Collection data (CTC), Welsh Government

5.5 Generally, the amount that Gwynedd collected and received back was fairly close. On the other hand, some other local authorities put more in than they receive each year, while others are annual net winners; the graph below highlights this. In this example, if a Council gets out of the pool the same as it pays in, it would have a ratio of 1.00, whilst a Council taking twice as much out of the pool as it is paid in would have a ratio of 2.00.

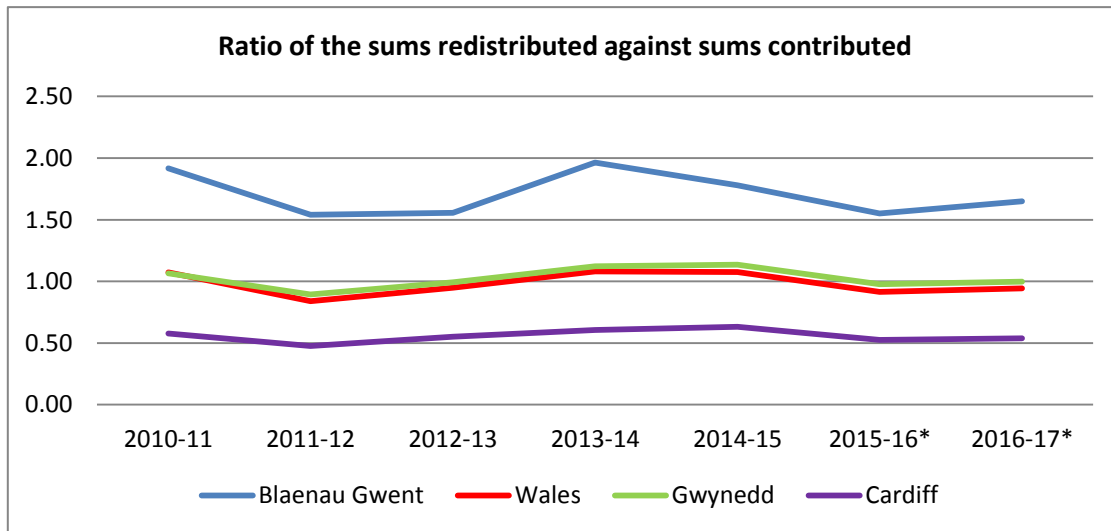


Figure 3: Ratio of amount collected and received, selected authorities

Source: Council Tax Collection data (CTC), Welsh Government

The Basis Of Gwynedd Business Rates

5.6 Two factors are used to calculate the business rates of any property:

- **the rateable value** of the property as determined by the valuation Office Agency (VOA). This is a professional assessment of the annual rent a property would fetch at a set valuation date.
- a **multiplier** set annually by the Welsh Government. The multiplier is constant for each business and for each local authority – this is what is meant with the phrase "Uniform Business Rate".

5.7 The current valuation list (i.e. after the last revaluation) was introduced on 1 April 2010. The table below shows the increase in the rateable value of Gwynedd businesses year by year:

	01/04/2010	31/03/2011	31/03/2012	31/03/2013	31/03/2014	31/03/2015	19/02/2016
Total Rateable Values	99,001,971	99,321,672	98,615,617	98,779,891	99,178,095	99,364,057	100,526,457
Properties	6,952	6,993	6,983	7,068	7,158	7,339	7,450
% growth in tax base		0.32%	-0.71%	0.17%	0.40%	0.19%	1.17%

Table 1: Changes in Gwynedd's tax base, and number of properties, since 2010

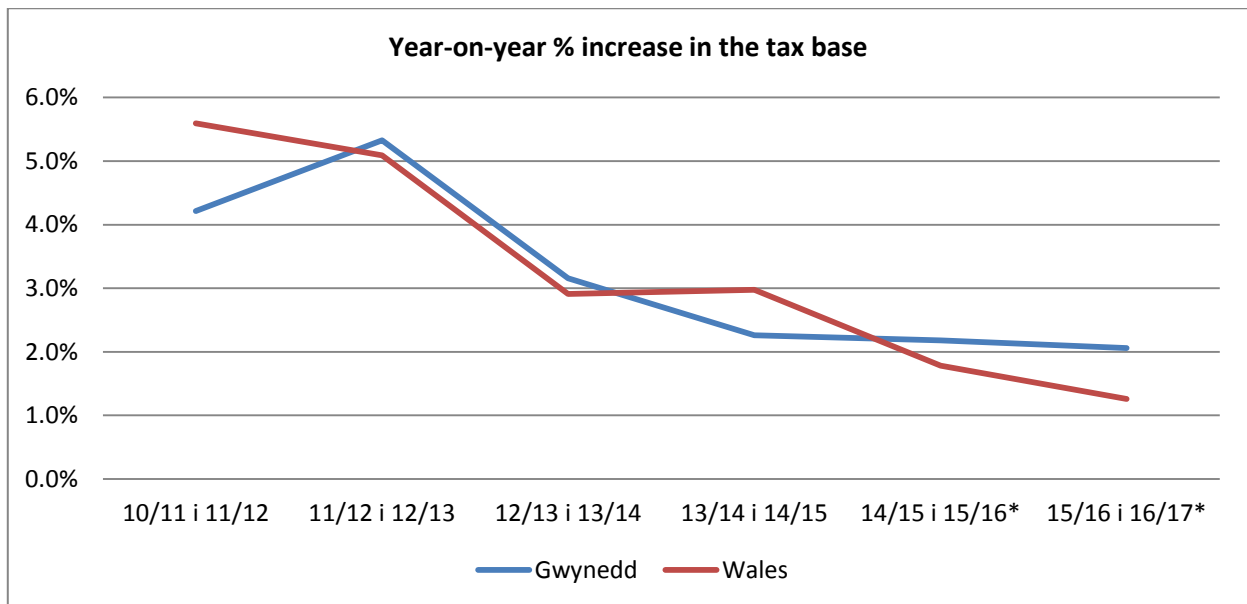


Figure 4: Annual increase in the tax base since 2010

Source: CIPFA Stats - Revenue Collection Statistics

5.8 The graph below shows how the Gwynedd Council business rates base has changed since 2010, compared with the rest of Wales and two other councils. The values for 2010/11 are used as a basis in each case, and the relative change since then is shown. It is seen that Gwynedd happens to follow the pattern for Wales very closely over this period. However the pattern in two other counties – Isle of Anglesey and Pembrokeshire – has been very different to this (Pembrokeshire’s tax base has increased by much more than the rest of Wales, and Anglesey’s has increased much less). This type of variation between counties with quite similar characteristics shows the variety and uncertainty that exists in terms of how growth in tax receipts can be expected to vary between one county and another.

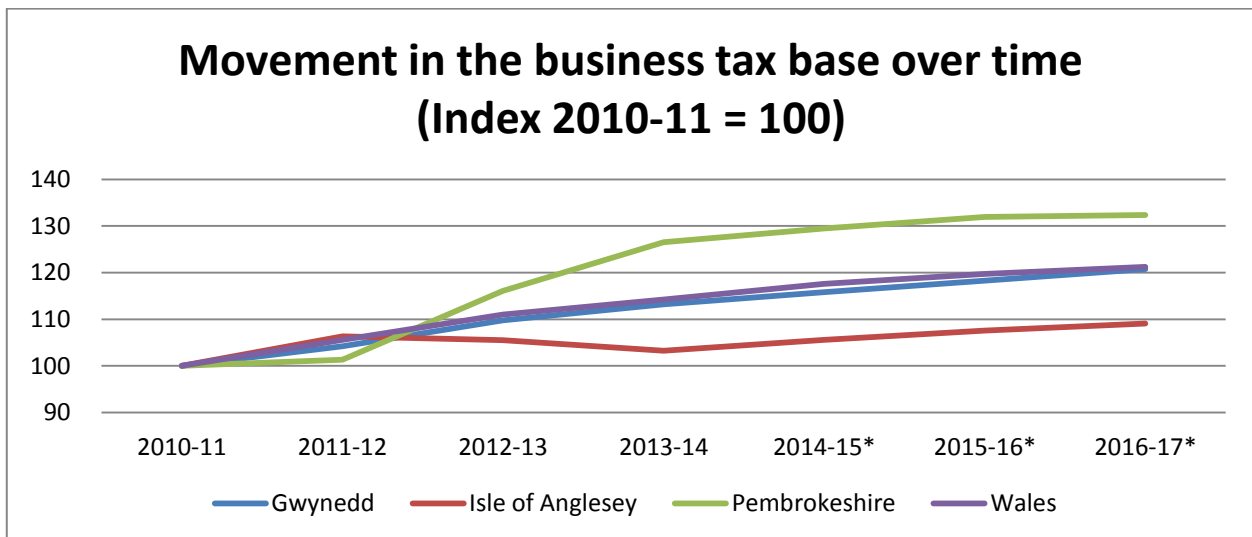


Figure 5: Comparing changes in the tax base with 3 other authorities and the Wales average

Small Businesses

- 5.9 Table 1 above shows that 7,450 properties in Gwynedd on 19 February 2016 were paying business rates. Of these units, over 4,000 (i.e. over half) are small businesses which attracts small businesses relief at present and therefore pay no or very little business rates. Gwynedd's profile is of a number of small businesses with a very low rateable value, with a few large businesses.
- 5.10 The profile of the rateable value of business units within Gwynedd is as follows:

Rateable value range	Number
0 - £6,000	4,903
£6,001 - £12,000	1,251
£12,001 - £100,000	1,172
£100,000 +	124
Total	7,450

Table 2: The Profile of the Rateable Values of Gwynedd Businesses

- 5.11 The contribution of these properties (in terms of their total taxable value) is as follows:

Rateable value range	Total Rateable value (£)
0 - £6,000	12,568,207
£6,001 - £12,000	10,604,650
£12,001 - £100,000	34,410,050
£100,000 +	42,943,550
Total	100,526,457

Table 3: Business Tax Base

5.12 This suggests that Gwynedd would depend on a small number of "large" units for its income. Further, when analysing the statistics, it can be seen that a significantly higher proportion of businesses receive small business rate relief in Gwynedd (13.8%) than in Wales on average (8.2%):

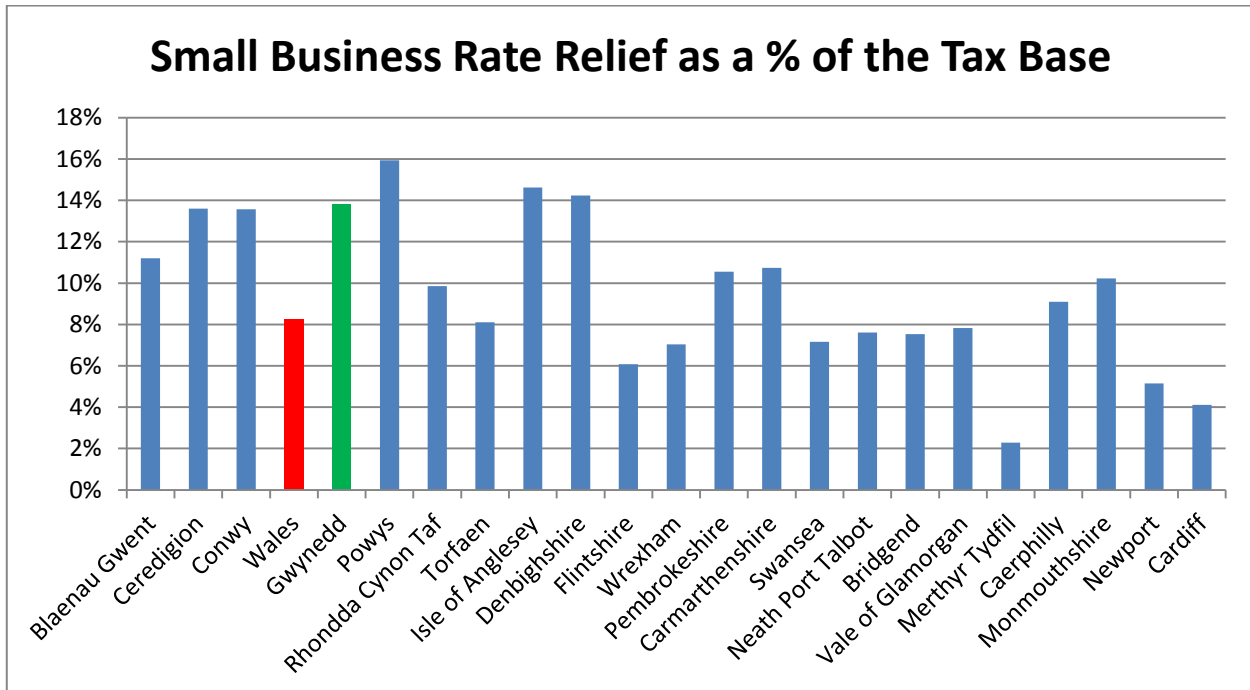


Figure 6: Small Business Relief as a % of the Tax Base per Council

- 5.13 Only Powys, Anglesey and Denbighshire have a higher proportion than Gwynedd of their businesses classified as being "small" businesses.
- 5.14 The Chancellor announced in the Budget Statement in March 2016 that the threshold for "small businesses" in the context of business rate relief in England will increase. From 2017, businesses with property with a rateable value of £12,000 or lower (rather than £6,000) will receive 100% relief. Businesses with property with a rateable value between £12,000 and £15,000 from 2017 will receive tapered relief.
- 5.15 If this were happening in Wales, 6,154 businesses in Gwynedd, which is 82.6%, would pay no business rates at all. Currently, 4,903 business – 65.8% – are exempt from paying any business rates.
- 5.16 This confirms that the treatment of small business rate relief is a key factor if we as a Council were to win or lose under a devolved system. If the Council must bear the cost of the scheme, then the above strongly suggests that it would lose out.

6. WHAT WOULD BE THE PROBABILITY OF GWYNEDD BENEFITTING, LOSING OUT, HAVING OPPORTUNITIES, OR DANGERS OF KEEPING THE BUSINESS RATES COLLECTED LOCALLY?

6.1 Benefits and Opportunities

- 6.1.1 The Council would benefit directly from its financial investment in the field of economic development, because the Council would receive the increase in business rates that would be produced in the County.
- 6.1.2 One major development (e.g. "spaceport" at Llanbedr) may make a significant difference to the income of the authority.
- 6.1.3 Local businesses will have more interest in the way the Council is using their money. Currently, councils can declare that they are only collecting the tax on behalf of the Government.
- 6.1.4 The amount that the Council is collecting is close to the amount it is receiving from the central pool, so there is less probability of a "shock" when moving from one system to another.
- 6.1.5 If the business rates were to be devolved and implemented at regional level, there would be an opportunity to benefit from significant developments (e.g. power stations) in neighbouring authorities, as well as an opportunity to share the risks.
- 6.1.6 Greater freedom for the Council to make decisions on how to use the resources it collects locally.
- 6.1.7 Clarity regarding the accountability line for locally collected business rates.

6.2 Risks

- 6.2.1 It can be argued that all that business rate retention has introduced in England is compensation for reductions in Government grant. There is no link between them and the increase in demand for services.
- 6.2.2 English authorities only have powers to reduce the business rates, by lowering the multiplier. They do not have the power to increase the multiplier (unless a "City wide mayor" model is adopted and for spending on infrastructure only), so it could be argued that this is not real devolution.
- 6.2.3 We will continue to see appeals against the values in the list, in particular following a national revaluation. While this is a general risk for each Council, significant financial risks are involved for authorities with a small number of properties with a high rateable value.
- 6.2.4 The two properties with the highest rateable value in Gwynedd are the Llanberis and Ffestiniog hydro power stations. Applications are made by them for a rate reduction when a turbine goes "offline". This means a temporary reduction in the rateable value from the Valuation Office Agency in the form of a certificate, rather than an adjustment to the valuation list. The result is that these cases are not reflected in any analysis made of total values.
- 6.2.5 There is a similar risk is if the Health Board were to be transferred to being a charitable trust, leading to loss of business rates from Ysbyty Gwynedd.
- 6.2.6 Gwynedd Council would face a loss (comparatively higher than other authorities) of discontinuing various rate relief schemes that are in the form of a central Government grant, such as retail relief over the last 2 years.
- 6.2.7 An element of discretion exists in the relief permitted to mandatory/not-for-profit bodies. Gwynedd Council's current policy is relatively generous, but because of the way this is funded at the moment – with most of the relief coming from the Government – the Council would face a likely loss if it continues along the same lines.
- 6.2.8 At present the Council attracts the administration cost from the Government – around £360,000 annually. There is a risk that this will be lost if the regime were to be devolved.
- 6.2.9 There are numerous cases of steps being taken by taxpayers to avoid paying the rates. This avoidance may be worse in some councils than others, but dealing with this matter – which is not illegal – is heavy on resource and leads to a volatile fund. There is currently accountability to the centre, but with devolution there would be uncertainty with regards to the local budget
- 6.2.10 The writing-off of unrecoverable debts will impact directly on the Council's income under a devolved system, rather than on the national pool.
- 6.2.11 The Government will continue to have the power to control the business rates system. The Chancellor, or Welsh Government Minister, could change the system in the future (e.g. changing size of "small business"), impacting significantly on local authorities.