

Meeting of the Working Group on local government

30 November 2018, 13:00 – 14:00

Novotel, Cardiff

Draft Minutes

Attendees

Derek Vaughan MEP	Chair
Councillor Debbie Wilcox	Leader of WLGA, Labour Group Leader and Leader of Newport City Council
Councillor Andrew Morgan	WLGA Presiding Officer and Leader of Rhondda Cynon Taf County Borough Council
Councillor Peter Fox	WLGA Conservative Group Leader and Leader of Monmouthshire County Council
Councillor Emlyn Dole	WLGA Plaid Cymru Group Leader and Leader of Carmarthenshire County Council
Councillor Hugh Evans	WLGA Independent Group Leader and Leader of Denbighshire County Council
Councillor Rob Stewart	WLGA Deputy Leader and Leader of City and County of Swansea
Alun Davies AM	Cabinet Secretary for Local Government and Public Services
Mark Drakeford AM	Cabinet Secretary for Finance
Michael Plaut	Chair, CBI Wales and business representative
Gaynor Richards	Director, Neath Port Talbot Council for Voluntary Service and Third Sector representative

Apologies:

Bethan Thomas	Head of Local Government, UNISON Wales and trade union representative
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Also attending:

Steve Thomas	Chief Executive, WLGA
Chris Llewellyn	Deputy Chief Executive, WLGA
Jon Rae	Director of Finance and Resources, WLGA
Rachel Maycock	Special Advisor, Welsh Government
Reg Kilpatrick	Director of Local Government, Welsh Government
Claire Bennett	Deputy Director of Local Government Transformation and Partnerships, Welsh Government
Lisa James	Deputy Director of Local Government Democracy, Welsh Government
Debra Carter	Deputy Director of Local Government Strategic Finance, Welsh Government
David Willis	Welsh Government
Paula James	Secretariat (WG)
Daniel Hurford	Secretariat (WLGA)
Ceri Reeves	WLGA, Administrator for Derek Vaughan MEP
Andrew Young	Welsh Government support
Tim Donegani	Welsh Government support
Sarah Govier	Head of Public Spending Policy, Welsh Government

Welcome and Introductions

- 1.1 The Chair opened the meeting, thanked everyone for coming and made some opening remarks to set the scene. The chair noted that he was looking forward to a constructive meeting.
- 1.2 The Chair extended particular thanks to both the Cabinet Secretary for Local Government and Public Services and also the Cabinet Secretary for Finance for attending.
- 1.3 The Chair noted an apology from Bethan Thomas, Unison, and that no substitute was available.

Note of previous meeting

- 2.1 The Chair noted actions have been completed with the following specific comments
 - The request for a meeting with the First Minister will be included for consideration as part of the brief for the new First Minister when elected.
 - The Mutual Respect and Shared Responsibilities paper will be updated by Daniel Hurford (DH) and considered at the next meeting of this working group.
 - The Powers and Flexibilities paper is included as a paper to note.
 - The proposed paper on Partnership Working would be discussed at the next meeting.
 - The IRP report on Pay of Councillors has been circulated to the group for information.

Paper 1: Service Change and the Financial Position – Financial Framework

- 3.1 The Chair invited Jon Rae to present the WLGA's paper.
- 3.2 Jon informed the group that the paper had been developed following the agreed terms of reference of the group and was based on views long debated within Local Government, and also contained within the WLGA manifesto.
- 3.3 The main thrust of the paper was to initiate a debate on issues based on the localism manifesto, with the main thrust of proposals based on creating an acceptable engagement framework for central and local discussions, in time for the spending review next year. Discussions could help inform consideration by Welsh Ministers on budgetary decisions related to local government finance and medium term financial planning.

- 3.4 Jon provided a summary of the proposals within the paper. This included:
- Earlier dialogue and engagement
 - A request for three year financial settlements
 - Timely publication of outcomes for grants
 - Establishment of an officer/officials group to gain a common understanding of local service pressures that would feed into the spending review
 - Closer engagement and working between working groups such as the Finance Sub Group and the LG Finance Reform Working Group
 - Better alignment of the Welsh Governments taxation working group with the existing finance sub group
 - A Framework between Welsh Government and Local Government that would cover new funding in the context of austerity
 - Establishing a conversation around local government services and the multi layered definition that was worked up with the third sector and Future Generations Commissioner.
 - Trying to align budget lines with the framework on prevention.
- 3.5 Councillor Debbie Wilcox (DW) observed that this was not an attempt to re-open the financial settlement for this year but a conversation on how we better engage on budgets through earlier, constructive dialogue, with a shared assessment of the current costs and pressures facing Local Government. DW believed that this would build on the approach outlined in the mutual respect and shared responsibilities paper.
- 3.6 The Cabinet Secretary for Finance (the CSF) thanked Jon and the WLGA for the paper stating that there was a great deal within the paper that we could easily agree between us – for example, earlier dialogue. The CSF agreed that the key is a shared understanding. Welsh Government needs to have an understanding of the pressures local government face, and equally local government leaders need to understand the base that the Welsh Government has to work within. Early dialogue on shared pressures would be helpful.
- 3.7 The CSF stated that he understands the need for multi annual budgets and would like to deliver these where possible.
- 3.8 The CSF also noted that the spending review was likely to be in the Autumn of 2019 and there is opportunity to get together earlier to influence this process. We need to take stock, stand back and review processes to achieve the simplification that Local Government asks for. Particularly the CSF expressed a wish to work with local government on the grants issue and to agree the parameters of these in the final budget.

- 3.9 The CSF said that in relation to grants, the First Minister gave the indication that local government would get early notice of grants available to you. The CSF said he hope that that was helpful, and absolutely recognised the points made in that the earlier that local government had the information, the better.
- 3.10 The CSF also expressed a willingness to feed into other local government issues such as tax and also welcomed the recognition of the need for preventative work and the work which the current budget had done in this area. On prevention, the CSF noted that the definition is not fixed but was the best definition that could be got to before the budget round. Hopefully it would be possible to get it to the point of being a useable tool. The CSF stated that it is expensive to fix things after they have gone wrong, that and money goes further when spent on prevention.
- 3.11 Derek Vaughan agreed that there is a need to ensure better understanding and need for a mechanism for discussion – need to stop the annual shouting match. Believed the paper highlighted that there were too many finance sub groups and that work needed to be undertaken to map out what each did and where there are opportunities for simplification.
- 3.12 The Cabinet Secretary for Local Government and Public Services (CSLGPS) believed there were well understood and recognised structures on financial issues and should we require different structures we need to know how this will improve the way we currently work. He provided an example of the funding formula where some parts of Local Government wanted reform but others did not. The CSLGPS undertook to review the funding formula if he were to receive a WLGA letter on behalf of all parties. But it must be clear that this is what all of local government wants and not a political issue.
- 3.13 The CSLGPS also recognised that preventative work was important and noted the example of work undertaken related to substance misuse. He raised the issue of savings from preventative work often being accrued not by local government but elsewhere in the system.
- 3.14 The CSLGPS also suggested that we needed a strategic look at funding and finance going forward. At present, growth in public finance is tracking GDP growth at -1% - all assessments show a reduction in relative terms in future growth in finance. The money available through RSG is likely to fall over the next few years if we assume a broadly similar approach to Welsh Government budget setting going forward. How do we allocate funding? We need 5% to 6% to start recovering out of this situation, but not confident that is realistic. The tax base for Local Government is being eroded and the ability to raise tax

is limited. We need to take strategic look at how we deliver and structure services over the next 10 years.

- 3.15 Cllr Andrew Morgan (AM) wanted to know what the next steps were and how we might reform structures. He stated that local authorities' needs are different, with some with higher needs around deprivation and others around rural sparsity. There are lots of levers you can pull, but AM did not believe it is the right time to review the formula.
- 3.16 The Chair felt that this was a debate for the WLGA.
- 3.17 Cllr Hugh Evans (HE) believed that in Wales we need to become more of a proactive, rather than reactive, nation. Currently local government has to react to the situations it faces. He agreed that there is a need for guiding principles on why we are sitting around the table. The grants system does not allow local government to deliver longer term and was interested to know whether the grants system works for Welsh Government. HE believed that we need to agree guiding principles on where we are going, how we are going to get there and what we are aiming for.
- 3.18 Gaynor Richards welcomed the paper and particularly the desire to establish a conversation with the third sector as they would welcome the opportunity to be engaged on the issues of finance and funding.
- 3.19 The Chair summarised saying that he thought there was consensus around the table for a need for medium to long term budgeting. The chair asked **the secretariat to look at and map** the various finance sub groups and mechanisms for the next meeting and then the group could consider some proposals on how to take this forward.

Paper 2 - Joint Working and Structures

- 4.1 The Chair introduced the paper which focussed on principles for collaboration and options for shared working and voluntary mergers. Owing to time constraints the chair proposed to address the issue of principles of collaboration and shared services only.
- 4.2 The Chair invited members to comment on the discussion points and in particular the need to simplify regional working arrangements and local authorities' right to withdraw from arrangements. This is something being pursued by the WLGA in other forums, but Welsh Government has concerns about this.

- 4.3 DW stated that she believed that collaboration was a means to an end, and not an end in itself. Collaboration should be underpinned by local business cases that outlined and established mutual benefit and that Welsh Government needed to demonstrate the business case where it required collaborative approaches.
- 4.4 DW believed most of the principles within the paper were developed with and endorsed by local government. WLGA had suggested and included the principle of review and this included an opportunity to withdraw should a review indicate that the collaboration was not delivering value for money for certain parties. DW gave the example of a collaboration that Newport Council was part of which was no longer delivering value for money for Newport and so in her view they should be allowed to withdraw.
- 4.5 The Chair observed that he has a slightly different view, but offered the Cabinet Secretary for Local Government and Public Services the opportunity to join in the discussion.
- 4.6 The CSLGPS stated that local government had been telling him for the past year that it wishes to work regionally and collaboratively, so we should not start from the perspective of how to get out of it. It is important to focus on getting on with it and making it work. He expressed the view that he had seen many collaborations fail due to the withdrawal of one partner, often at the last minute. If there is a problem at review then the problem should be solved, rather than be walked away from.
- 4.7 The CSLGPS would like to see more shared services developed within and across local government and wants to see principles which reflect commitment to solve problems not dismantle services.
- 4.8 Cllr Peter Fox (PF) stressed that local government was not looking to dismantle but to review - he did not believe that anyone was opposed to more. PF addressed the CSF, saying that the issues that local government had had with the CSF's previous approach to regional working was the term 'mandatory'. He felt it was all about mutual respect between Welsh Government and local government to deliver a common outcome. He said that we must find a way to understand each others' perspectives and address any sticking points. He felt that local authority leaders have the legitimacy to deliver. Local government will continue to collaborate strongly, and the Growth and City deals show that relationships are developing and this should be recognised.
- 4.9 Cllr Rob Stewart (RS) cautioned on local government being misrepresented in this debate. Local Government want the freedom and the power to do what is

right for their local authority. It is about having a grown up conversation. The right to withdraw recognises that we can challenge ineffective collaboration. RS also raised the issue of footprints, citing the difficulties caused by different footprints, and stating it doesn't make sense with the education consortia and the economic development footprints being different. RS stated that if there is a way to achieve better outcomes for their residents then they should be able to do that.

- 4.10 Cllr Andrew Morgan (AM) stated that he would like to work with Welsh Government to agree which areas to collaborate on, such as HR and payroll. AM discussed issues related to joint transport plans, and made the case that we need to consider how things should work in ten years, not just focus on now. He believed that we should focus together on opportunities to collaborate in the delivery of services and of transactional 'back office' functions. AM also agreed that different footprints were unhelpful and that where things were being proposed regionally there needed to be a shared understanding of how services are going to operate and be managed, particularly to avoid duplication of functions of various boards etc.
- 4.11 Michael Plaut (MP) expressed the view that business was bemused by the current situation. People on both sides (WG and LG) want the best. So what is the ten year plan for delivering services? MP observed that there are good ideas and great things happening, but without a reasonable strategy we will all be here in ten years time discussing the same thing. It is important to pick a few areas to focus on and implement, but we need to have a strategy or we will get nowhere.
- 4.12 The Chair expressed doubts on the ability of the group to come up with a ten year strategy but recognised that work had already been commissioned by this group on regional bodies / partnerships and this would need to be looked at when available. He also believed that it was reasonable to accept that if collaborative arrangements were not delivering value for money then they should be reviewed.
- 4.13 The Chair stated the importance of this group identifying key priorities for joint working and collaboration.
- 4.14 AM again stated his concern that collaboration was only focused on service outcomes at the moment and that there were opportunities to utilise collaboration to make local government more resilient and robust generally. HR and Payroll was a good example of where opportunities exist and in some cases have been exploited. If the business case makes sense Local Government should do it. AM observed that in the time he has been a leader,

there has been no real discussion on shared services and no direction of travel from Welsh Government.

- 4.15 Reg Kilpatrick (RK) drew the group's attention to past experience of how collaboration can fail when one local authority walks away and the frustration that this can bring. He also agreed that the opportunity was greater now with digital advances for more collaboration that did not necessarily involve moving people but adopted more flexible, innovative working approaches. Reg believed however it was for local government to identify the opportunities which Welsh Government can then support, as opposed to previously when Welsh Government has suggested areas for collaboration which have not been welcomed by local government.
- 4.16 PF agreed that opportunities have been lost in the past where collaboration has broken down. He noted that austerity has required local government to be more creative in developing and driving resilience. Sharing of services and other functions should be welcomed and nothing should be off the table. PF believed there was a need to map what was happening already and scope and share good practice.
- 4.17 AM listed several examples of joint work and mentioned the land use planning function and how authorities help each other through the peaks and troughs of workload. The Vale of Glamorgan Planning Officers support with planning applications on behalf of Rhondda Cynon Taf. AM felt that rather than focusing on areas of disagreement, it would be better to identify areas where there is agreement and progress can be made.
- 4.18 RK mentioned the proposal in its early stages for a Wales Customer Contact Centre, to be piloted by Wrexham, Vale of Glamorgan and Rhondda Cynon Taf Councils.
- 4.19 PF observed that when the previous back office collaboration (ten authorities) collapsed, local government did itself a disservice in not making a success of it. Local government has grown and matured since then, and the current lack of money is a driver. It is not just about making financial savings, but also about building resilience. PF's authority would never have a problem linking with other authorities if they could deliver something better.
- 4.20 PF asked if the current situation could be mapped. He felt there were some great examples, such as the Gwent Shared Resource Service Wales. PF felt there was more to be achieved from a digital perspective. Legal and HR functions are useful examples of where local authorities could benefit from increased collaboration. PF felt it would be useful to scope out what is there, and also to identify good practice in England.

- 4.21 Cllr Hugh Evans (HE) believed that there was a need for a shared understanding of what collaboration means. What were the desired outcomes? Have to recognise however that some shared approaches have not always worked, such as the first attempt to create a joint Head of Highways post. HE felt that a lack of proper planning was the cause of the failure.
- 4.22 The CSLG&PS expressed a strong interest in collaborative approaches and believed that collectively we face an important and powerful opportunity. He saw value in local government creating national services for some functions, particularly where there is increased automation or digitisation. In ten years time, artificial intelligence will mean that some of the current functions will no longer exist. Presently the only shared function on a national stage in local government is the WLGA. This is an opportunity to develop shared approaches around the WLGA to take advantage of the opportunities before us. We need structures that help us to deliver at this level and we need to set priorities that are driven by future budgets and opportunities for digitisation. The establishment of a Chief Digital Officer for local government will be very important in achieving this.
- 4.23 RS believes that local government needed the freedom to identify and deliver on the opportunities that exist in the services and functions for which local government is responsible. He reiterated that it was the 'mandatory regional working' element of the CSF's (then the Cabinet Secretary for Finance and Local Government) White Paper proposals that he had an issue with. He felt that Welsh Government dictating such change to local government was not the best way to gain buy-in.
- 4.24 The Cabinet Secretary for Finance stated that in 2016 when he was the then Cabinet Secretary for Finance and Local Government, he had been struck by three things: the enormous amount of collaboration going on; the appetite amongst local authority leaders to do more; and that every local authority leader he had spoken to had a story to tell of collaborative projects that had failed at the last moment because one party had walked away.
- 4.25 The CSF thought it was important to design a structure that gives confidence that once local authorities have decided that collaboration is the right course of action, that it would not be undone by a party pulling out. The collective would need to be protected from individual choices. He believed there was a rich list of ideas for collaboration in the paper but it would be useful for the next step to be to agree that over the next five to ten years these are the areas to focus on. It was also important to be clear that no party could then pull out of it.

- 4.26 RS cited the City regions as a good example of collaborative working. Despite disagreements, all authorities are still there, nobody is forced to stay, but see the benefits of remaining.
- 4.27 ED pointed out the problems associated with the National Procurement Service and how authorities failed to achieve the expected efficiencies, but paid more for some services than they could have otherwise achieved.
- 4.28 The Chair summarised the discussion and highlighted the following **action points**.
- This work must be local government-led – AM suggested local government leaders identify three or four areas to focus on for collaboration/shared services
 - WLGA would map out existing partnerships / collaboration approaches and highlight best practice
 - That local government would put forward a list of priorities for collaborative working by the next meeting.
- 4.29 The Chair said there was not the opportunity to take discussion points on voluntary mergers at this meeting due to limited time.

Paper to note – Additional Powers and Flexibilities

- 5.1 The Chair noted that this was a paper to note and would not be discussed in any detail, however invited comments. There were no comments made, so the Chair said he welcomed any comments from members to be sent to the secretariat, being mindful of the legislative timetable.

Actions

Service Change and the Financial Position – Financial Framework

- The Chair asked **the secretariat to look at and map** the various finance sub groups and mechanisms for the next meeting and then the group could consider some proposals on how to take this forward.

Collaboration and shared services

- The Chair summarised the actions by the next meeting:
 - This work must be local-government led – AM suggested local government leaders identify three or four areas to focus on for collaboration / shared services
 - WLGA would map out existing partnerships / collaboration approaches and highlight best practice
 - Local government would put forward a list of priorities for collaborative working by the next meeting.