

Local Government Scheme Annual Report 2017-2018

1. Introduction

- 1.1 Section 73 of the Government of the Wales Act 2006 (the Act) requires the Welsh Ministers to make a scheme setting out how they propose, in the exercise of their functions, to sustain and promote local government in Wales.
- 1.2 For the purposes of the Local Government Scheme (the Scheme), the following organisations form part of the definition of local government:
- County Councils and County Borough Councils
 - Community Councils
 - National Park Authorities
 - Police and Crime Commissioners
 - Fire and Rescue Authorities
 - Local Health Boards and NHS Trusts in Wales.
- 1.3 Section 73 of the Act also requires the Welsh Ministers to publish a report on how the proposals set out in the Scheme were implemented in each financial year. This report does so for the financial year 2017-18.

2. The Scheme

- 2.1 The Local Government Scheme was revised in 2017 and published in October 2017.
- 2.2 The new Scheme is framed in the context of the Well-being of Future Generations (Wales) Act and was developed in partnership with the Partnership Council itself. It reflects a shared agenda and agreed ways of working.
- 2.3 The new Scheme articulates a new relationship between Welsh Government and local government and reflects the distinctive relationship Welsh Government has with other bodies represented at Partnership Council.
- 2.4 The Scheme:
- encapsulates the principles which will underpin the way we work together in the future;
 - embodies the sustainable development principle and ways of working set out in the Well-being of Future Generations (Wales) Act 2015;
 - reflects the distinctive relationships between Welsh Government and the range of organisations to which the Scheme applies – as well as drawing together the common threads of how the public service as a whole in Wales will work together;
 - reflects reciprocal and mutually respectful relationships;
 - draws out the proper role of Welsh Government in setting the overarching framework in terms of policy, legislation and funding;
 - places emphasis on the importance of local determination of how things should be done; and

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- promotes an approach in which all parties see themselves as having a key role.

2.5 In reporting on the new scheme, the Welsh Government has co-produced this report with members and observers of the Partnership Council for Wales.

3. Partnership Council

3.1 The Partnership Council for Wales (the Partnership Council), together with its working groups, is the principal statutory forum for dialogue and collaboration between Welsh Ministers and local government.

3.2 During this financial year, there were three meetings and the key issues covered included: various updates in respect of local government reform; an update on the Ministerial Taskforce for the Valleys; an item on *Prosperity for All*; and a paper from the Third Sector which provided members with an update from their perspective on changes to partnership working.

4. Regional Working

4.1 During the early part of 2017-18, several discussions took place with local government at both official and political level to consider how the proposals for systematic and mandatory regional working as set out in the Green Paper *Reforming Local Government: Resilient and Renewed* might be taken forward.

4.2 The Local Government Reform Task and Finish Group met twice and its Finance Subgroup met once to explore the accountability and financial issues involved in moving to regional working on this basis. As this work progressed, it became clear that these challenges were considerable and local government expressed concern over some aspects of practical applicability.

4.3 In the later part of 2017-18, this work was ceased when the Green Paper *Strengthening Local Government: Delivering for People* was issued.

5. Green Paper

5.1 On 20 March 2018, the Cabinet Secretary for Local Government and Public Services published a Green Paper consultation *Strengthening Local Government: Delivering for People*. The Green Paper sought to engage communities across Wales in a debate about the future form of local government.

5.2 The Green Paper set out for debate three options for reforming local government and creating stronger, larger authorities through mergers. The three options were: voluntary mergers; phased mergers, with comprehensive mergers at the local government elections after next; and comprehensive

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mergers at the earliest opportunity. In each case, these mergers would be within a 'specified future footprint'. The Green Paper provided details about each option and set out the specified future footprint (or map) for the new local authorities.

- 5.3 The Green Paper highlighted other proposals including better recognition of the contribution of elected members, the potential scope for sharing services and additional powers and flexibilities for local authorities. The Green Paper also recognised the importance of continuing with clear and determined regional working by authorities.

6. Additional Powers and Flexibilities

- 6.1 At the WLGA Autumn Seminar in November 2017, the Cabinet Secretary for Local Government and Public Services emphasised his commitment to empowering local government in Wales, with local authorities which have the freedom and powers to transform the places they are responsible for and, with partners, make a difference to their regions and Wales as a whole. The Welsh Government committed to working together with local government to co-construct this change, and to examine areas where local authorities could immediately be strengthened through additional powers, flexibilities or freedoms.
- 6.2 The Cabinet Secretary for Local Government and Public Services consulted local government to explore the way forward, inviting local authority leaders to suggest areas where further powers or flexibilities would aid them in their work providing services to people and communities. The Cabinet Secretary established a political-level Legislative Reform Group with the WLGA Political Group Leaders, to discuss powers and flexibilities and the scope of forthcoming legislation. The group met twice during early 2018.
- 6.3 The Green Paper *Strengthening Local Government: Delivering for People* also sought further views on the powers, freedoms or flexibilities local government should have.
- 6.4 Local government leaders have submitted proposals for powers, flexibilities or freedoms across a range of subject areas including finance, transport, education and skills, health and the environment. Detailed discussions will take place between the Welsh Government and local government to explore these proposals further during 2018-19.

7. Electoral Reform

- 7.1 The Wales Act 2017 granted legislative powers to the National Assembly for Wales to run and administer its own and local government elections.
- 7.2 The Welsh Government consulted in 2017 on electoral reform for local government elections, including extending the franchise to 16 and 17 year

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olds, foreign nationals and some prisoners: to make it easier for people to be included on the electoral register, the voting system and voting process. The consultation received nearly 1,000 responses.

- 7.3 In his statement to the National Assembly on 30 January 2018, the Cabinet Secretary for Local Government and Public Services announced that he intended to bring forward legislation to enable 16 and 17 year olds and foreign nationals to be able to vote at the next local government elections.
- 7.4 The Welsh Government also intends to legislate to explore electronic voting and counting, and voting on different days through a series of pilots.
- 7.5 These electoral reform proposals will be taken forward as part of the Local Government (Wales) Bill which the First Minister has announced will form part of the third year legislative programme (2018-19).

8. Funding and Settlement

- 8.1 Discussions on resourcing and on the distribution of Welsh Government funding to local authorities were undertaken throughout the year between local government leaders and other representatives and relevant Welsh Government Ministers. The Finance Sub Group of the Partnership Council provided the ongoing mechanism for more formal engagement on funding matters, including the distribution of funding between authorities through the settlement formula and the distributional implications of the transfer of specific grants into the un-hypothecated settlement. During this financial year, there were four meetings of the Finance Sub Group at which the group discussed local government budget pressures, local government reform and financial reform, and agreed the changes to the 2018-19 local government settlement, along with the work programme of the Distribution Sub Group for 2018.
- 8.2 In line with the published Welsh Government Budget, the Welsh Government provided indications for local government general revenue funding at the Wales-level up to 2019-20 and for capital up to 2020-21. Although local government has stressed, through the Finance Sub Group and more generally, its strong desire for longer term indications of Welsh Government funding, especially in relation to the core un-hypothecated funding (revenue support grant and distributed non-domestic rates). The Welsh Government may only publish spending plans in line with its settlement from the UK Government. This, together with the lack of certainty in respect of Welsh Government's own funding from UK Government for the remainder of the current spending review period, means that it was not possible to provide reliable, longer term indications.
- 8.3 The Welsh Government recognised the essential services provided by and through local government in its budgetary decisions in October and December 2017. Education and social services are critical to the long-term benefit of people in Wales and the Welsh Government agreed with local

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government that these areas should receive additional resources in the Welsh Government's budget. Local government presented a detailed case outlining the pay, demand and inflationary pressures faced by local authorities of £212m in 2018-19, nearly 4% of net spending, rising to £762m by 2021-22. The overall core funding for local government increased by 0.2% in cash terms for 2018-19. Welsh government recognise that local government still face significant pressures. The final budget included an additional £28.3m over the provisional settlement as a result of the Welsh Government's Final Budget allocations, the increase in the capital limit for charging for residential care, and to support the provision of targeted discretionary relief by local authorities for local businesses and other ratepayers. A further £0.8m was provided to ensure that no authority saw a cash reduction in its core un-hypothecated funding of more than 0.5% compared to the previous year.

- 8.4 The Welsh Government and local government consider that, as a matter of principle and good governance, communications between local government and the Welsh Government on funding matters, as in other matters, should be clear and transparent. This includes clarity on the relationship between individual ministerial portfolio announcements and actions and the overall core funding. These principles and commitments are outlined in the Partnership Scheme.
- 8.5 Local government expressed concern during the 2017-18 budget setting process about the clarity, transparency and timeliness of several funding decisions and announcements. In general terms these concerns related to the way in which statements around 'additional funding' were open to misinterpretation and both Local Government and Welsh Government worked to resolve some of these issues in time for the final settlement.
- 8.6 There were more specific concerns about the lack of clarity regarding individual grants and transfers into the RSG. This was the case for elements of the Education Improvement Grant, for example the funding for minority ethnic and Gypsy, Roma and Traveller learners. Welsh Government funding for local government is delivered through a highly complex system, involving many different funding sources in a dynamic and evolving Welsh Government budgetary process. Consequently, it can be a challenge to publish single sets of simple authoritative data, particularly for historical comparisons. The 2018-19 settlement was especially complex, which has made us aware of the need for better and earlier sharing of information between us; and the need for agreed presentations of the data.

9. Financial reform

- 9.1 *Taking Wales Forward* includes a number of commitments about reforming the funding framework for local government. In particular, the Welsh Government believes local taxes can be fairer and more progressive while sustaining funding for vital services and supporting businesses. The Welsh Government has set in train a programme of work to deliver a package of

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short, medium and longer term reforms in recognition of the complex nature of the current systems and the timelines required to deliver change.

- 9.2 On 10 October 2017, the Welsh Government published details about the work programmes and will be issuing a progress update in October 2018. A great amount of short term reform has been achieved since 2016. This includes:
- a national awareness campaign to maximise uptake of vital support for households in meeting their council tax liability;
 - work with local government to encourage the exemption of care leavers from paying council tax up to age 25;
 - consultation inviting views on removing the sanction of imprisonment for enforcing council tax debt;
 - the review of non-domestic rates revaluation exercises and the provision of a range of transitional support;
 - Small Business Rates Relief in place for 2017-18 and put on a permanent footing with improved targeting for 2018, supporting Welsh Government priorities such as the 30-hours free childcare offer; and
 - consultation about measures to tackle non-domestic rates avoidance.
- 9.3 For medium-term consideration the Welsh Government is exploring future improvements to Small Business Rates Relief beyond 2018 and will be announcing legislative and policy changes to tackle rates avoidance. An evaluation of the success of the council tax awareness campaign and development of improvements to local enforcement procedures is also planned as well as exploring better ways to undertake property revaluation exercises.
- 9.4 Over the longer term, the Welsh Government intends to explore different approaches to raising local revenue, looking internationally at the best examples. The ideas include looking at whether taxes in the form of a land value tax or a local income tax might bring benefits to taxpayers and the Welsh economy. An external working group is providing expert advice to the Welsh Government in taking forward this work.
- 9.5 Local Government is pleased to work in partnership with the Welsh Government through the Tax Advisory Group. Devolved Taxes had generated a lot of interest in the local government sector as a way to generate more sustainable sources of funding for local services and influence the behaviour of tax payers.

10. Public Services Boards

- 10.1 Positive progress has been made by Public Services Boards to meet their obligations under the Well-Being of Future Generations (Wales) Act, with a range of support from the Welsh Government. Every board has now published its local well-being plan, setting out their shared priorities and the action they intend to take.

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- 10.2 The focus now turns firmly to delivery – with Public Services Boards seeking to demonstrate the impact that this kind of collective action can have through immediate results as well as longer term change.

11. Policing

- 11.1 Although the responsibility for policing policy and delivery remains non-devolved, the Welsh Government has worked closely with the Police and Crime Commissioners (PCCs) and Chief Constables in Wales. Ministers regularly meet with PCCs and Chief Constables to agree priorities across policing and Welsh Government strategic and operational matters. The Welsh Government has continued to work closely with the police in relation to tackling crime, focusing on counter-terrorism, reducing anti-social behaviour, tackling issues of youth crime and action to reduce the rate of offending and re-offending.
- 11.2 The Welsh Government has also started to develop approaches to tackling serious violence and serious and organised crime.