

LOCAL GOVERNMENT AND HOUSING COMMITTEE – 22 SEPTEMBER 2021

EVIDENCE PAPER

This evidence paper sets out my priorities for the local government elements of the Finance and Local Government portfolio; highlights progress being made implementing The Local Government and Elections (Wales) Act 2021, including in relation to Corporate Joint Committees; and highlights the joint working approach we have adopted.

PROGRAMME FOR GOVERNMENT

Our Programme for Government sets out a number of commitments specifically related to local government, which we will be delivering over the course of this Senedd:

- Seek to reform council tax to ensure a fairer system for all.
- Reform local government elections to reduce the democratic deficit.
- Expand our Access to Elected Office programme.
- Ensure that each region in Wales has effective and democratically accountable means of developing their future economies.
- Change the performance framework for local government to better enable innovation, transparency, and local ownership.
- Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services.
- Reduce the administrative burden on local authorities.

Some of the key actions to take forward these commitments are set out in this evidence paper. However, we recognise that local government will play a crucial role in making many of the Programme for Government commitments a reality.

COVID response and recovery

Through the Local Authority Hardship Fund we have provided significant support for local authority loss of income and additional costs arising from the impacts of the pandemic. The Hardship Fund made over £600m available to support local authorities in 2020-21, with final outturn against the budget forecast to be £597m, of which payments for loss of income account for £190 million. This supported all service areas and general cost increases (for example to allow for social distancing), as well as specific interventions such as supporting the social care sector, enforcement and safely reopening the visitor economy. This year's final budget included £206.6m for the Hardship Fund for the first six months of 2021-22. We are assessing the ongoing need, based on changing infection rates and the impact of the virus.

Given the UL Government's approach to COVID19 funding going forward, I do not anticipate continuing specific funding for the Hardship Fund in 2022-23. Authorities will need to plan now for changes in service delivery and demand as a result of the ongoing nature of our response to Covid-19 and our discussions on pressures and opportunities as part of the budget process will need to reflect this.

JOINT WORKING

As the Committee Chair noted in his letter, the Welsh Government has worked closely with local government and other partners throughout the COVID-19 pandemic, and it is our intention to build on these strengthened relationships.

I will chair a meeting of all Leaders and the full Welsh Government Cabinet at the start of October to discuss shared ambitions and priorities for Wales, and to consider how to deliver the Programme for Government commitments. This is a unique approach in Wales and one which there is a commitment to further develop.

This will build on the structures that already exist to support engagement between Welsh Government and local government, including the Partnership Council for Wales, the Workforce Partnership Council, Shadow Social Partnership Council, and the engagement structures that exist in individual portfolio areas.

I continue to meet with local authority Leaders regularly, joining Leaders at their WLGA Executive Board meeting on a 3-weekly cycle, with other Ministers also joining these discussions for appropriate items.

IMPLEMENTING THE LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021

General Power of Competence

The general power of competence will come into force for principal councils on 1 November 2021. I am making regulations which will require qualifying local authorities to prepare and approve a business case in support of the proposed exercise of the power before using the power for a commercial purpose.

The general power is also available from 5 May 2022 to community councils that meet certain eligibility conditions. I am preparing regulations to clarify the qualifications required by clerks and will be issuing statutory guidance to ensure that councils considering using the power are clear on whether they can, and how they should, approach doing so in an appropriate way.

Promoting access to local government

The Act included a number of reforms to increase public participation in local democracy and improve transparency. Work is currently underway, in collaboration with principal councils and the WLGA, to issue guidance on matters such as the duty to encourage local people in decision making, participation strategies, petition schemes and constitution guides. This work is also exploring which council meetings should be required to be broadcast in addition to full council meetings. All of these provisions come into force following the May 2022 elections, with the exception of the broadcasting of further council meetings. This is to enable sufficient time to explore the benefits and issues relating to particular meetings. This does not prevent councils from broadcasting additional meetings if they so wish.

I am preparing guidance for community councils that will cover the new requirements to assess their training needs, publish annual reports and allow members of the public reasonable opportunity to contribute to the business of the community council meeting. The intent is the combination of these new duties will make the work of community councils more transparent, and encourage them to engage their communities more.

Corporate Joint Committees (CJCs)

Regulations establishing four CJCs in Wales (“the Establishment Regulations”) were made on 17 March 2021 with the CJCs established from 1 April 2021. In line with the local government expressed preference, these CJCs are coterminous with the City and Growth Deal Regions. In the first instance, these CJCs have been given functions relating to transport, strategic planning and economic development. In agreement with the constituent councils of the CJCs these three core functions commenced on 28 February 2021 in South East Wales and 30 June 2021 for the other three regions.

The Establishment Regulations were accompanied by a number of high priority Regulations / Orders which ensured that from day one the CJCs were subject to the duties which you would expect to apply to public bodies in Wales and have the appropriate governance and oversight you would expect from a public body. Further subordinate legislation is in the process of being made to fully complete the application of local government legislation to CJCs, in line with the principle that CJCs are treated as a member of the ‘local government family’ and largely subject to the same powers and duties as local authorities in the way that they operate.

I note the Committee has a particular interest in the provision of funding to support the establishment of CJCs and the estimated costs for establishing and running them. I have made £1m available to support the establishment of CJCs in 2021-22. The funding aims to support regional transitional planning arrangements and enable preparatory work for the establishment of CJCs to begin. Each region may require support on different aspects of establishing their CJC, subject to what they already have in place for their existing regional collaboration mechanisms. To date (as at 27/08/21) funding has been agreed for the South West Wales region and their first claim is being processed; a funding award letter has been issued to the Mid Wales region; and funding award letters for the South East Wales and North Wales regions are currently being finalised.

The Establishment Regulations were accompanied by a comprehensive Regulatory Impact Assessment, however, as noted by the Committee Chair, it was only possible to estimate a range of potential costs given that much of it is dependent on decisions each CJC will take about how they wish to operate. The impact on local authority staff resource and finance will also be determined by the decisions each region makes about how it wants its CJC to operate. This is something we will continue to explore, with local government, as the CJCs take shape. It is worth noting that each region is already operating, and has senior officers supporting a variety of regional collaboration arrangements (for example the City and Growth Deal boards and regional transport working groups) and the expectation is that CJCs offer the opportunity to rationalise and consolidate these arrangements. In some cases, such

as in the South East, the work to establish the CJs has already been incorporated into the existing regional programme offices.

New performance and governance regime

The regime provides for a more streamlined, flexible, sector-led approach to performance, good governance and improvement. It creates a framework which supports councils, through an ongoing process of review, to think about their performance and effectiveness now and for the future; to encourage more inquisitive organisations willing to challenge themselves to do more; and to be more innovative and more ambitious in what they do. This will build on and support a developing culture in which councils actively seek and embrace challenge, whether presented from within the council, for example through scrutiny procedures, or externally.

The Act requires each council in Wales to keep under review the extent to which it is meeting the 'performance requirements', that is the extent to which:

- it is exercising its functions effectively;
- it is using its resources economically, efficiently and effectively;
- its governance is effective for securing the above.

The mechanism for a council to keep its performance under review is self-assessment, with a duty to publish a report setting out the conclusions of the self-assessment once in respect of every financial year. The first self-assessments will be prepared in relation to FY 2021-22. Self-assessment will be complemented by a panel performance assessment once in an electoral cycle, providing an opportunity to seek external insights (other than from auditors, regulators or inspectors) on how the council is meeting the performance requirements. The duty to undertake a panel assessment starts after the local government elections next year.

Sector led improvement

A range of work is underway to strengthen the autonomy and effectiveness of local government and support them in the delivery of the Act and the aspirations in the Programme for Government.

I am providing funding for a sector-led improvement and support programme, run by the WLGA, which supports local authorities, their members and senior leaders in improving and transforming service delivery, local democracy and member development, and corporate governance and performance. It balances individual local authorities' improvement needs and priorities with a wider strategic agenda for collective improvement. Activities supported as part of the sector led improvement and support programme are agreed annually and may vary from year to year, reflecting the individual improvement cycles or needs of local authorities, electoral cycles and the commencement of legislative requirements.

I am also supporting the transformation of digital services and skills in local government including funding the Local Government Chief Digital Officer (LGCEO) and supporting delivery team, based in the WLGA. The LGCEO will provide

leadership for digital transformation in local government, build on and grow the good work that is already underway, and support local government to build capacity and capability to take forward innovative technology and data-led approaches to service delivery and public engagement.

To date I have made over £1.6million available through the Local Government Digital Fund to support local government digital projects which aim to solve common problems collaboratively and deliver user centric digital services.

I will also be making funding available towards the cost of establishing a Digital Officer for Community and Town Councils. This role will be a dedicated resource to identify, share, promote, and champion a joined up approach to digital initiatives and their delivery across the sector. Realising that digital technology presents the potential to save money and provide better services.

I will be continuing to seek to strengthen financial management and governance in community and town councils. We are working with Audit Wales, One Voice Wales and the Society for Local Council Clerks to co-develop a self-assessment tool for councils to use to strengthen their governance. We will continue to incentivise training for clerks and councillors. More specifically, and recognising the key role clerks play, we are providing full funding for them to complete the Certificate in Local Council Administration and have sector-specific qualifications to underpin their work.

Local Government Funding and Finance Reform

We have reflected the priority we give to local government through our budget allocations, with increases in settlement funding in 2020-21 and 2021-22 of 4.3% and 3.8% respectively, on a like-for-like basis. Along with health, funding for local government continues to be a priority for the forthcoming financial year. Engagement with local government leadership is a critical element of our budget planning. Our standing Finance Sub Group (FSG) of the Partnership Council for Wales enables local government to set out to Ministers the pressures and challenges local government faces and to discuss collective priorities for delivery of services to the people of Wales. This also provides an opportunity for discussion on, and agreement to, work on the local government settlement funding formula.

To build a stronger, fairer and greener Wales we want to work with local government across the range of our priorities set out in our Programme for Government – to progress decarbonisation, increase social housing, reform social care and provide for the real living wage for social care workers, to cite but a few.

In addition to the local government settlement, specific grants have a role to play in delivering joint Welsh Government and local government priorities. These will need to be considered alongside the settlement, as part of the wider package of funding for local government.

We recognise that this year's budget timetable – driven by the UK Government's Comprehensive Spending Review (CSR) and the need for proper scrutiny through the Senedd – poses challenges for local government. As we did last year when the timetable was similar, we will do all we properly can to maintain close working

relationships and shared information as we develop our spending plans for 2022-23 and beyond. We are keen to provide local government with firm indications of future settlements and the extent to which we can provide this will be governed by what comes out of the Comprehensive Spending Review. Officials are exploring options for indicative multi-year settlements, should the financial information allow.

The *Programme for Government* also includes important commitments to reform the council tax system to ensure a fairer system for all, and to make the case for clear and stable tax devolution. A number of future reforms will also be required to non-domestic rates. The local taxes are vital revenue streams which ensure the continued sustainability of local services to our communities, but they also make key contributions to our wider ambitions for a stronger, greener and fairer Wales. I intend to engage openly on these matters as they are developed, building on the extensive evidence base published earlier this year in a *Summary of Findings on Reforming Local Government Finance in Wales*:

<https://gov.wales/reforming-local-government-finance-wales-summary-findings>.

Our work on the reform of council tax will also incorporate our commitment to strengthen the autonomy and effectiveness of local government.