

Mark Drakeford AM
Cabinet Secretary for Finance and Local Government
Welsh Government
Cathays Park
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10 April 2017

Dear Cabinet Secretary,

Reforming local government: Resilient and Renewed

Since the publication of the White Paper on 'Reforming local government: Resilient and Renewed', the Public Accounts Committee have reflected on a number of issues relating to its contents. As a result, we have a number of observations and concerns about certain elements of the White Paper, which are set out in the attached memorandum.

During the course of our work, we considered a number of areas such as the general power of competence and specifically looked at:

- Local authority income generation and charging
- Financial management and governance in Community Councils 2015–16
- Community safety in Wales
- Regional Education Consortia

I hope you find the Committee's observations useful during your analysis of the responses received to this White Paper.

I am copying this letter to John Griffiths AM, Chair of the Equality, Local Government and Communities Committee.

Yours sincerely,



Nick Ramsay AM
Chair



Public Accounts Committee

Response to the White Paper on 'Reforming Local Government: Resilient and Renewed' (10 April 2017)

1. Since the publication of the White Paper on 'Reforming Local Government: Resilient and Renewed' (the White paper) the Public Accounts Committee (the Committee) have considered a number of issues which relate to the contents of the White paper. As a result, we have a number of observations and concerns about certain elements of the White paper which are set out in this memorandum.
2. The Committee has not considered all of the proposals in the white paper in detail, as this falls in the remit of Equality, Local Government, and Communities Committee but during the course of our work have considered a number of areas such as the general power of competence and regional education consortia which will impact on the future of local government in Wales. We have sent a copy of this memorandum to the Chair of the Equality, Local Government, and Communities Committee.
3. In formulating this response, the Committee has considered evidence provided to us by the Auditor General for Wales (Auditor General), WLGA, Estyn, the Regional Education Consortia, Welsh Government officials, and Police and Crime Commissioners. The comments contained in this document are made solely by the Committee, and we understand many of these groups will be making their own representations on the White paper.

Key themes

4. Although formal powers or structures are beneficial to facilitate the delivery of regional working, there is still a need for better sharing of knowledge and best practice across Wales and move towards coterminosity of the regional footprint.
5. A clear purpose and direction needs to be articulated at the outset to those tasked with working regionally.
6. Consideration needs to be given to how the impact of the decisions made as a result of the White paper are measured to evaluate effectiveness.



Local Authority Income Generation and Charging

7. The Committee considered the Auditor General for Wales (Auditor General) report 'Charging for Services and Generating Income by Local Authorities', which was published in November 2016, at its meeting on 6 February 2017. The Welsh Local Government Association and the Director for Local Government in the Welsh Government gave evidence to the Committee.

The General Power of Competence

8. The Auditor General's report found that the Localism Act 2011 in England, which introduced the general power of competence, has:

"...encouraged authorities to develop commercial vehicles as a means of generating income, but this power does not exist in Wales which limits opportunities."¹
9. Although the report does note that there are some limitations to this power due to some exclusions in the Act, and limitations on what the individual can do.
10. The Committee acknowledges that the introduction of the general power of competence was welcomed by the WLGA during our evidence session, and we broadly welcome its introduction as well in order to ensure there are no constraints or barriers to innovation.
11. However, we believe that the introduction of this power must also be accompanied by a shift in the culture of local authorities. The Auditor General notes in his report that there are powers already in existence, which have limited evidence of use. The Welsh Government response to the report also highlights that 'authorities in Wales have wide-ranging powers to act in ways which improve or promote the wellbeing of their areas'², which are not being fully utilised.

Support for knowledge sharing and experience

12. The Committee heard a number of innovative examples of how local authorities across Wales and England are exploiting opportunities for income generation, although we were concerned that the witnesses were not able to provide examples at the Committee meeting.³

¹ Auditor General for Wales report Local Authority Income Generation and Charging, paragraph 1.13, February 2017

² Welsh Government letter 6 December 2016

³ [Letter from Graham Hinchey, Cardiff Council, March 2017](#)

[Letter from Welsh Government, February 2017](#)



13. We are keen to ensure that the best practice which is being developed and exploited is shared among all local authorities. The spreading of best practice is vital to ensure that all the opportunities available to generate income are maximised.
14. The Committee were concerned that in response to questions around whether there was more that could be done to share knowledge and experience, the WLGA appeared to suggest that there were limited opportunities due to the removal of the Local Government improvement grant.
15. We believe that more must be done to ensure that local authorities share their knowledge and experience, to facilitate regionalisation. The Welsh Government must ensure that the WLGA fully utilise all opportunities for sharing best practice between local authorities and the Welsh Government should send a clear message that complacency in the area is not acceptable.



Financial Management and Governance in Community Councils 2015-16

16. The Auditor General published his fifth annual report on the findings of the statutory audits of community councils in Wales in January 2017. The report found that:
- “Too many community councils in Wales receive avoidable qualified audit opinions and this is particularly the case with smaller councils.”⁴
17. The Committee were concerned to find that in the 2015-16 financial year the Auditor General qualified 30% of the community council accounts (which is over 200 individual councils), and that only 20% of councils had an unqualified opinion with no further matters for their consideration. The remaining 50% had an unqualified opinion but with other matters drawn to their attention. As the Public Accounts Committee, we find it unacceptable that such a high proportion of community councils have had qualified accounts during 2015-16, and we expect better stewardship of public money.
18. The Committee welcomes the commitment from the Welsh Government in the white paper to commission a comprehensive review of community councils, and believe that the findings in the Auditor General reports should be utilised to inform this review. We would expect to see several recommendations emerging from this review which require substantial improvements in the financial management and governance in community councils. We also expect financial management awareness training to be made compulsory for all Members of Community Councils, as there should be a collective responsibility for the timely and accurate production of these accounts.
19. Furthermore, the Auditor General stated the most common audit qualifications came about from failing to either:
- adhere to the statutory timetable for the accounts;
 - put in place arrangements to manage risk; or
 - to set an appropriate budget.
20. Given these reasons, particularly the failure to make proper arrangements for the management of risk, which has been a reoccurring reason in previous qualifications of community council accounts, the Committee has

⁴ Auditor General for Wales report : Financial Management and Governance in Community Councils 2015-16, Page 15, January 2017



concerns about the proposal in the White paper that the general power of competence would be provided to Community Councils.

21. While we understand the principle of incorporating the general power of competence for community councils into this legislation, the lack of financial responsibility within a significant number of community councils suggests that the vast proportion of community councils are far from ready for the responsibility. We would recommend that until the comprehensive review has been undertaken and the findings implemented, that the general power of competence should not be made available to community councils. Furthermore, following the outcome of the review – it should only be available to those councils who are able to demonstrate a clear strategy for using it, with appropriate safeguards and that this should be subject to regular review.



Community Safety in Wales

22. The Auditor General published a report on Community Safety in Wales in October 2016 which examined whether the Welsh Government, Police and Crime Commissioners and local authorities are working together effectively to tackle crime and other public-safety issues that have a negative effect on people's wellbeing. The Committee considered this report in December 2016 and wrote to the four police and crime commissioners seeking their views on the report.
23. Although community safety is not directly referenced in the White paper, the Committee believe it demonstrates some of the issues that can arise from cross cutting areas with complex and split responsibilities nationally, regionally and locally, which could be applied in the wider regional context.
24. The Auditor General highlighted a number of his concerns in his report about clear accountability and unclear leadership; a divergence of strategic direction and priorities; citizens being unclear on roles and responsibilities of those involved and resources being spread widely and not used effectively to either maximise impact or benefits for citizens. Much of which was echoed by the written responses from the Police and Crime Commissioners written evidence.
25. The Committee understands that the Welsh Government are undertaking a more fundamental review of the devolution settlement and the powers and duties of the different agencies engaged in community safety. However, we believe that the Auditor General's report and the responses from the Police and Crime Commissioners illustrates how simply creating boundaries without addressing some of the underlying powers and responsibilities will not itself either lead to improvements nor result in more efficient and cost effective delivery of services, and in reality it can make the situation a lot more complicated and service delivery less effective.



Regional Education Consortia – a model for regionalisation

26. Following the publication of the Auditor General’s memorandum which provided an update on progress in response to recommendations set out in his June 2015 report, ‘[Achieving improvement in support to schools through regional education consortia](#)’. The Committee agreed to look at the issues emerging from this, and to consider whether there were any lessons which could be learnt around regionalisation.
27. The Committee took evidence from all four consortia and Estyn at its meeting on 27 March. In addition to this, we undertook a survey with teaching professionals and received written correspondence from NASUWT Cymru. The Committee have a number of observations emerging from these sessions which we believe should be considered by the Cabinet Secretary when planning for regionalisation.

A Clear Mandate

28. The Committee were concerned that there has been a lack of clarity at the outset as to the role of the Consortia. While we recognise that there has been good progress in developing the role of the consortia since the last memorandum from the Auditor General, we were concerned by the evidence provided that the national direction for the consortia was not clear at the outset.
29. All the witnesses reflected that one of the key lessons to be learnt was that more time was needed at the start to set out aims and a direction for the regional bodies being established, as this had taken a substantial amount of time to address and had impacted on the ability to deliver.
30. When discussing what she thought could have been done differently, Hannah Woodhouse, Managing Director, Central South Consortium Joint Education Service told us:

“... getting the national model really clear at the beginning, before September 2012, in terms of responsibilities, budget, governance, success measures, capacity expectations.”⁵
31. Simon Brown, strategic director for Estyn agreed that the national model had been helpful in improving and that:

⁵ Record of Proceedings (RoP), 27 March 2017, Paragraph 115



“... one of the issues with the national model when it first emerged in 2012 was it was a model that was developing quite quickly and some of that clarity wasn’t there in the original model.”⁶

32. The Committee agrees that there needs to be a clear national direction, but believes there should be flexibility within the system, rather than an overly prescriptive approach, on how to deliver the national picture. Each region has different challenges to address e.g. rurality, Welsh language provision and for regional working to be a success, but we believe flexibility under a national strategy is critical.
33. The Committee was concerned that during the initial period of establishing the consortia, there was a sense of competition between the bodies. While we welcome that they now work together with a sense of co-operation, we still are concerned about how the consortia are working together and sharing knowledge. For example, there appeared to be little cross consortia knowledge about the research projects ongoing within each consortia.
34. In moving forward with any regionalisation of further services, we believe that the lesson should be learnt from the experiences of the consortia and a clear guidance and frameworks should be established by the Welsh Government for those charged with delivering regionally to work towards at the outset.

The Regional Footprint

35. The Committee explored with witnesses about the risks and benefits of a change to the regional footprint for the consortia in any future changes to the regional structures in Wales.
36. The witnesses highlighted that there were a number of risks to changing the existing structures as this may erode the positive progress made by the consortia to educational improvements. Furthermore, there were concerns that changes may be made to the structure of regional educational consortia to address some of the issues in the local government structure, as the focus for any changes to the consortia should be based around educational improvement.
37. We heard evidence that there are significant concerns about the number of good school leaders and the potential risk of staff ‘churn’ due to an unstable environment, which is potentially destabilising. The Committee believes that it is important to set a clear path for the regional structure

⁶ RoP, 27 March 2017, Paragraph 361



over the medium to long term to provide the necessary security, for those involved.

38. There was some agreement among the witnesses that there was a clear benefit to coterminosity with existing services in any regional model moving forward. The Committee received no clear evidence as to whether it would be better to follow the local health board structure or the economic development regions- although Estyn did suggest there is some benefit to the utilising the economic boundaries, because:

“...if you think of pre-16 education going through into post-16, and an alignment, so that you’ve got schools and post-16 providers mapping the skillset in a region to the economic skills of a particular region, using labour market information ultimately, the economic footprint on an economic model tends to make sense, because you’re then developing learners who’ve got the necessary skills for the economic market within their region, assuming there’s not a lot of cross-Wales movement of labour at the moment.”⁷

39. Given that the consortia have been established and appear to be improving and maturing, we believe there is value in maintaining this structure (while recognising there may be some small adjustments).

Governance and Accountability within a Regional Structure

40. The Committee raised a number of concerns about the relationship between local educational authorities and regional educational consortia, and whether there is enough clarity between their roles to allow for sufficient accountability to the electorate.
41. Leadership is key in order for regional working to be a success. It is essential that elected members are engaged with the process and understand their role in the scrutiny process.
42. The responses from the witnesses highlighted that this was a live issue which is still under consideration and development. As a Committee we would urge that thorough consideration is given to the governance arrangements to ensure that responsibilities are clear and that the responsibility of the local representatives to the electorate remains clearly traceable.

⁷ RoP, 27 March 2017, Paragraph 273



43. Estyn have not made any inspection judgements on the impact of the consortia, and during the evidence session, outlined a number of difficulties with separating the achievements of individual schools versus the impact of the consortia. They indicated that it would not be looking to do so in the near future.
44. We believe that consideration needs to be given to how to judge the success/impact of regional working where this still sits alongside local responsibilities. In the case of education, individual schools have a significant influence and are ultimately responsible for decisions, which makes identifying the impact of the regional consortia, at best, complicated.
45. In addition, the survey undertaken by the Committee highlighted that many within the teaching profession have little knowledge/appreciation of what the consortia deliver. While recognising the argument put forward by our witnesses that school improvement and positive results are what matters, we believe that in order for regional working to be a success it needs to be recognised as having a positive impact.



Conclusion

46. In conclusion:

- The introduction of the general power of competence for local authorities is broadly welcomed by the Committee to ensure there are no barriers to innovation. We believe the introduction of general power of competence should be accompanied by a shift in culture with local authorities, to be willing to utilise fully the powers within their control, and greater sharing of best practice and knowledge.
- The general power of competence for community councils should only be made available to those councils which can demonstrate strong financial management and a clear strategy for its utilisation. The devolving of this power should only happen following the comprehensive review of community councils (referenced in the White Paper).
- Evidence from the establishment of the regional education consortia clearly points to the need to establish a clear mandate and direction from the outset when establishing regional structures. Furthermore, consideration needs to be given to how the impact of regionalisation is measured and communicated, which is evidenced by the lack of clarity over what regional consortia have delivered and the negative response this generated.
- The Committee believes that going forward the aim should be for as much coterminosity as possible between regional structures. This is the simplest approach for the public to understand and to administer.

