



Cross Party Group for North Wales Grŵp Trawsbleidiol Gogledd Cymru

Note of the Meeting of the Cross-Party Group for North Wales in the National Assembly for Wales, Tuesday 18th June 2019

Present

Llyr Gruffydd AM (in the Chair), Sian Gwenllian AM, Darren Millar AM, Mark Isherwood AM, Rhun ap Iorwerth AM, Mandy Jones AM

Stephen Jones (WLGA) Secretary and Sponsor Representative, in attendance.

Speakers: Chris Llewelyn, Chief Executive, WLGA, Jon Rae, Director of Finance, WLGA and Iwan Prys Jones, North Wales Economic Ambition Board

1. Welcome by the Chair

The meeting was opened by Llyr Gruffydd AM.

2. Briefing on Local Government Issues

Introduction

Chris Llewelyn thanked the Group for the opportunity to discuss local government with Members of the Assembly.

Working collaboratively will deliver better outcomes.

Chris Llewelyn offered to meet individual (party political) groups in the assembly to deliver a similar briefing.

Rhun ap Iorwerth raised the cancellation of a proposed WLGA briefing on Local Government Finance for all Assembly Members at the time of the last Local Government Settlement. There was some ill-feeling regarding the cancellation which was perceived as the result of a back-room deal on the Revenue Support Grant for Local Government between the Government and the WLGA Labour Group.

The cancellation of the proposed meeting with AMs was recognised as a misjudgement that will not be repeated. The Association seeks ongoing and consistent communications in the future.

Finance is a key issue as the revenue support grant is not keeping up with increased demand for services, increases workforce costs and inflation in the supply of goods and services

Finance Briefing

Jon Rae gave a presentation on Finance. (The presentation is attached and includes information on Local Government Reform Proposals).

Council Services matter. They support the vulnerable, make life in the community better and contribute to the economy.

Ten per cent of the workforce in Wales work in Council or school employment. The cost of salaries is £3.5bn, much of which is spent locally.

The net spend of Councils is £6bn.

Local Authority budgets have been reduced in cash terms, driven mainly by reductions in the Rate Support Grant. In the period 2009/10 – 2019/20 Rate Support Grant (the main source of funding for Council expenditure) has declined by 22%. If schools are taken out, that figure goes up to 35%.

In the same period funding for the NHS has increased (in cash terms). Whilst the pressures on the NHS are recognised by Councils there is a significant disparity in the treatment of the two sectors to the detriment of local government.

Chris Llewelyn reported that the public highly value council services but do not always appreciate who provides the services. Non-statutory services like libraries, parks, leisure centres and community halls are important to the community but are squeezed by “statutory services”, especially social services.

Schools Services were partially protected in the period 2009/10 to 2019/20. Overall education spending has declined by 10%. Social Services spend has not declined due to the increasing number of older people and vulnerable children. Social Services expenditure has increased slightly.

This means that services outside Social Services and Education have faced very substantial cuts in funding. The WLGA’s work has also revealed that Welsh Local Government has not fared any better than Local Government in England (It is an urban myth that Welsh Councils have not been cut as much as English Councils). English Councils have had more cuts to Social Services and Education compared to Wales.

Welsh Councils are looking at regular inflation increases of 4-5% per annum on their budgets driven by a mix of increasing demand and increased workforce costs (pay awards and increasing costs of pensions).

Workforce costs are driven by national pay deals and other factors (like actuarial valuations of pensions assets) which are outside council control.

Social Care costs are escalating at a rate very similar to the growth in demand for NHS Services, around 5 – 6% in cash terms.

These substantial increases in the costs of delivering services are occurring in an environment of overall flat cash RSG settlements. This leads to Councils having to find big savings every year. In the future a greater proportion of savings will be by way of service cuts and job losses that will impact on the community and partners (like the NHS).

Discussion and Questions

North Wales AMs, led by contributions from Darren Millar and Rhun ap Iorwerth, expressed concern that the Local Government RSG Formula is reducing the resources available to North Wales' Councils. This was evidenced by North Wales Councils being amongst the recipients of the lowest grant allocations (with cash, grant cuts in the context of a small cash increase in the overall grant pool).

Mark Isherwood queried whether the formula gave enough recognition to the number of old people (in Conwy for example) or the costs of tourism (overnight visitor days).

There was a clear desire on the part of AMs for North Wales to fare better (more fairly) in the distribution of grant increases in the future.

Chris Llewelyn responded that the policy of the Association is to avoid discussion of the formula and to focus on increasing the size of the grant pool (in contrast to debating how to distribute a shrinking pool).

The reason for this is that the formula is a complex issue which cannot satisfy everyone, all of the time. Changes in the formula to keep one interest group happy will lead to detriment to another group, which will then agitate for change, and so it will go on, a cycle of "beggar thy neighbour" with no stability in funding outcomes for anyone.

The main drivers of the distribution formula are population growth (for different subsets of the population too, e.g. schoolchildren and older people) and deprivation. There are weightings for sparsity as well.

Sian Gwenllian reported that the CEO of Gwynedd (a member of the national working group dealing with the distribution of RSG) advises her to focus on increasing the overall amount of RSG and to avoid the formula debate.

The WLGA representatives suggested: -

- Seeking greater overall funding growth for the RSG
- Multiyear settlements to provide some certainty and the capacity to plan change better which by enabling transition planning can avoid some reactive cuts
- Providing further information on the main drivers of the distribution formula

The WLGA representatives summed up: -

- Local Councils have endured over 10 years of austerity
- Broadly speaking they have succeeded in maintaining service levels and absorbed the cash cuts by making significant savings and increasing revenue from Council Tax and other sources. (Gwynedd was cited at how this was done over 10 years)

- Councils are running out of efficiencies and they will be unable to substitute for cuts in RSG in the future – a tipping point has been reached, big cuts will result if the current Welsh Government policy of putting cash growth in WG budgets in the NHS continues
- The Sector seeks support to fund inflation via the RSG.
- Social Services must be an equal partner to the NHS and funded like the NHS

There followed a brief discussion of **Local Government Reform**.

Derek Vaughan led a joint Local Government and Welsh Government Working Party which has now reported. The WLGA is broadly supportive of the approach proposed by the Working Party to the Partnership Council provided it is applied on a voluntary basis.

A feature of the work of the working party was to rediscover how much joint working and collaboration takes place between authorities to provide operational resilience and improvement.

Shared services are not an end in themselves and should only be adopted where there is a positive business case and demonstrable benefits for them.

Mark Isherwood reported that Peter Fox (Leader, Monmouthshire) had briefed colleagues that Councils should not be forced to collaborate. He sought assurances that WG would not be forcing collaboration on Councils.

Mark also urged that Councils do things differently

Chris Llewelyn responded that Councils have a good record on collaboration. They responded to the Welsh Government on Education Consortia. They are working together in:

- Regional Partnership Boards to deliver integrated health and social care services.
- City Region and Local Growth Boards to deliver economic development and growth

There are many examples of collaboration to deliver savings and meet operational needs. The financial climate gives Councils an incentive to work together where they can.

Larger collaborations bring with them significant restructuring costs which is why the smaller operational collaborations are more popular given they are easier to implement quickly without upfront costs.

Councils need to ensure that any collaborations are locally accountable and able to be scrutinised by Elected Members. The views and needs of service users also need to be factored into proposals.

The need for Councils to do business differently is underpinned by the requirement to save 4-5% of the budget in the next few years. There is also a need to develop approaches that “prevent” future demand.

Update from the North Wales Economic Ambition Board (NWEAB)

Iwan Prys Jones gave an update on the North Wales Growth Deal.

The NWEAB and the two governments are aiming to complete Heads of Terms (HoTs) by the end of July. A draft set of HoTs will go to the NWEAB Meeting on the 26th July 2019.

Increasing GVA growth was key to the thinking behind the Growth Bid. Over the long-term North Wales has had a stable relationship with overall UK GVA at around 70% - 75% with some variation across the region. In recent time Wrexham and Flintshire have seen significant growth that has not been matched across most of the region.

The NWEAB is trying to address the different challenges in the region where:

- North east Wales is short of Sites and Premises and skilled workers to enable continued growth
- North West Wales continues to experience sluggish growth and needs stronger intervention, particularly in the light of the delay to Wylfa Newydd.

The Board has a good strategy and is in the process of utilising the Growth Bid as a tool to address some of the challenges facing the region, e.g. the shortage of sites and premises.

The Growth Bid has limitations. It cannot support initiatives requiring revenue funding (like skills and supporting businesses) or investment in “big” transport infrastructure.

The Bid is a platform for development but is not a comprehensive strategic response to the needs of the region.

The current funding available is £240m with £120m from each government. There are discussions ongoing to secure an additional £40m to mitigate the delay to investment in Wylfa Newydd.

The Bid is proceeding in Phases: -

- Phase 1: With projects having specific cash allocations
- Phase 2: With programmes having flexible allocations (not projects)

Phase 1 Projects are: -

UK Government Funded	Welsh Government Funded
<ul style="list-style-type: none">• Digital Infrastructure	<ul style="list-style-type: none">• Sites and Premises Programme
<ul style="list-style-type: none">• Trawsfynydd – Preparation for SMRs	<ul style="list-style-type: none">• Holyhead Port (North Wales Gateway)
<ul style="list-style-type: none">• Bangor (Nuclear) Research Institute	
<ul style="list-style-type: none">• Smart Energy	

The governments are funding the Phase 1 Programme equally. The 2 WG Programmes equal the 4 UKG Projects in cash value.

After HoTs work will begin on detailed business cases.

The NWEAB is setting up a structure of sub boards: -

- Transport
- Digital
- Sites and Premises
- Energy

These will be serviced and supported by the Programme Office. The Board is recruiting to a director post and plans to recruit several posts to work on Business Cases, all of which will sit in the Programme Office.

Sian Gwenllian reported that the region should be looking for an alternative “flagship” investment to Wylfa Newydd. There is an over-reliance on the nuclear sector and Wylfa Newydd in the region’s thinking.

Llyr Gruffydd reported that the overall value of the bid cash (£120m times 2) is insufficient. There needs to be more focus on securing substantial infrastructure investment.

Rhun ap Iorwerth reported that the Morlais scheme (part of the potential Smart Energy Programme should the additional £40m be agreed) is time sensitive and needs early inclusion in the programme if it is to proceed.

Iwan Prys Jones responded that the Sites and Premise Programme represented major infrastructure investment within the Bid. It includes infrastructure for business parks/industrial estates, housing development and tourist asset investments (expanding facilities like Bounce Below and Zip World).

Mark Isherwood queried the timeline for the SMR investment. Iwan advised it is partly reliant on the energy review white paper due in the autumn of 2019.

Mark also wanted an update on the progress of discussions to devolve from Welsh Government to the NWEAB.

The response focussed on developing a partnership between the NWEAB and the Welsh Government to agree priorities and to determine who delivers what at which level. The partnership approach will be applied to Transport, Business Support and Inward Investment.

Any Other Business

There was no other business.