



In Defence of Localism - Elected Government in Wales and the Impact of Austerity

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Discussion Document for
Consultation

Welsh Local Government Association

The WLGA's primary purposes are to promote a better local government, its reputation and to support authorities in the development of policies and priorities which will improve public service and democracy.

It represents the 22 local authorities in Wales with the 3 fire and rescue authorities and 3 national park authorities as associate members.

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Foreword

Any future reform of public service delivery in Wales must consider the Welsh public sector as a whole. While we acknowledge that local government itself must change as part of this wider process, such complex reform should be based upon a true consideration of the functions that are required rather than the structures that will eventually support them.

In presenting this paper, we hope to reclaim a vitally important debate on public service reform which has recently been reduced to an overly simplistic 'for and against' on local government reorganisation.

We would be grateful for your views. Please send your comments on this paper, and your thoughts on the role and function of local government to enquiries@wlga.gov.uk

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Introduction

1. It is noteworthy that the overused maxim "*may you live in interesting times*" is often purported to be a translation of an old Chinese curse. For local government in Wales over recent years this sadly resonates. The word "interesting" does not come close to describing the current context, the sheer scale of issues, or the task of transformation that lies ahead.

2. The financial and organisational sustainability of all public services in Wales will come into question over the next ten years as the squeeze on public spending continues. The viability of Wales' councils is potentially at stake and there are much deeper questions of how we shift services from badly outdated delivery models designed for growth to ones of prioritisation, responding to need and embracing innovation. These challenges pose fundamental questions about the nature of democracy in Wales and local government's place within that framework of democratic accountability and service delivery.

3. This paper sets out an argument for a localist approach to public service delivery. It argues that local public services must be provided within a democratic framework and that services are best provided when those who use them are directly involved in how they are delivered, managed and planned. Local government is seen as the tier of government closest to public service users and it is argued that councils should be empowered to deliver those services more effectively and efficiently over the coming years. This would require a mature relationship of trust between local and central government, where local government would be given

the freedom and flexibility to deliver services according to local circumstances while being held to account by Welsh Government for the outcomes delivered.

4. In setting out the financial challenges facing local government and the Welsh public sector as a whole, this paper also suggests that the viability and sustainability of public services is threatened unless an alternative approach to dealing with the austerity programme is considered. With this in mind, a range of alternative models for public service delivery are considered and discussed. The paper concludes with a commitment to continue to work in partnership with the Welsh Government to address and resolve these profound issues.

5. Since 1999 and the advent of the National Assembly for Wales, it has been accepted that central government sets strategy nationally and that local government delivers services locally in accordance with national strategy and circumstances within their communities. It is recognised that both central and local government have a democratic legitimacy in this process and that equilibrium must be found within the local-central relationship. That balance has shifted back and forth over the last 15 years but the equilibrium has more or less been retained. This balance has been supported by mechanisms such as the Local Government Partnership Council derived from the Government of Wales Act, and other related structures. As the financial and economic circumstances change, however, and the viability and sustainability of public services are threatened, the balance in central-local relations is also under threat.

The Current Context

6. It is often said in the business world that looking through the rear view mirror is often clearer than looking through the windscreen. While looking ahead is difficult the clues to future developments are to be seen all around us.

Communities across the west and north Wales coast saw the fierce impact of climate change in action during the winter storms. At the same time, communities in the *South Wales Valleys* are at the sharp end of a new model of welfare reform which is bringing to the fore the need to prioritise efforts to eradicate poverty in all our communities. Rural communities are seeing the decline of the Welsh language and in trusted community institutions while Wales' City-Regions, though growing rapidly, are struggling with a road infrastructure which means that the average trip along the M4, A55 and A470 can often be more of an odyssey than a journey.

7. Within the big statutory services provided by local government there are major challenges ahead. Everyone is familiar by now with the story told by the PISA tests, but while we tend to compare Wales' relatively poor performance with the better performing UK nations, the real challenge to our education system lies elsewhere. The top seven performing countries in the OECD PISA rankings are all in Asia and it will take decades for Wales and the rest of the UK to catch up with them.

8. Finally, across Wales we have the great news that people are living longer and fuller lives. In 2008, 18 per cent of the population was over the age of 65; by 2033 this is expected to rise to almost 26 per cent. The issue however is not one of living longer but of ageing well.

9. Responding to these changing circumstances will require a new model of social care and an NHS that is less preoccupied with hospital provision and able to shift towards a renewed emphasis on public health and prevention. The concept of *Prudent Health Care* captures this idea and local government has a key role to play in addressing the wider social and economic determinants of health inequalities in our society.

The Growing Funding Crisis

10. All these challenges occur in the most sustained period of austerity since the Second World War. Across the UK, it is local government that is bearing the brunt of these cuts more than any other service.

11. While it is fair to say that local government in Wales has received better revenue settlements than elsewhere during this period, it would be fundamentally wrong to assume that local government has avoided cuts over the past five years. Taking one example over that same period Cardiff Council has cut £120m from its revenue spending. All Welsh councils experienced a cut of 5.6% in real terms in 2014-15 with further cuts to follow. Local government now finds itself in a "zero sum game" with funding decisions essentially shifting resources between local government and health. At the same time some of local government's larger services are subject to a level of protection that places an unbearable squeeze on smaller unprotected services.

12. The implications of these funding cuts in Wales have been analysed in the report "Local Government Expenditure in Wales - Recent trends and future pressures" which was commissioned by WLGA from the Institute of Fiscal Studies in October 2012. The report looks in depth at the impact on other services of applying preferential status to the budgets of larger services.

13. The report argues that, "if the Welsh NHS is protected from further cuts after 2014-15, our assumptions mean that Welsh unitary authorities would face a reduction in spending power of 4.1% per year, on average, in 2015-16 and

2016-17 if further welfare cuts are made, or 5.7% per year if no further welfare cuts are made. These falls are very substantial and mean the authorities' spending power would be 10% or 13% below its 2012-13 level by this date" (Institute of Fiscal Studies, page 48)

14. The financial plight of local authorities is gaining enormous media attention in Wales and recent local authority budget setting decisions were covered with an almost morbid fascination. The word "council" is rarely heard without the appendage "cash strapped" in contemporary reporting. Of course, this should come as no surprise as some £280 million has been cut from services this year. The WLGA estimates that by 2017-18 there could be up to a further £860m in cuts. In all probability this will mean thousands of further job losses and land a further blow on Welsh communities. Given the reliance on the public sector for employment, the cruel irony for Wales could be that an upturn in the UK economy coincides with a decline in public services and jobs.

15. For councillors, budget processes are becoming excruciating in terms of choices and devastating in their impact. No one seeks election to confront their communities with the removal of precious public services. Councils across Wales have engaged more than ever in intense discussions with council tax payers about what matters most to them and how to pay for the services the public want and value.

16. Local authorities must set balanced budgets however, and this means that concepts such as "continuous improvement" across every service area

are now becoming increasingly meaningless. Consolidated improvement and managed decline may be the more accurate descriptors of future service provision. By definition you cannot improve a service that you are about to close down and the debate in many councils now revolves around the question “what should we stop doing”.

17. There are those who would urge local government to resist these cuts and to continue to protect all of the 500 plus discreet functions traditionally delivered by councils in Wales. This unfortunately is not a feasible proposition as such exhortations fail to recognise the scale and nature of the challenge ahead, particularly if current levels of austerity continue.

18. Another option is to centralise further with central government to increase its role as a provider. But does this mean that democracy in Wales is a “one size fits all” with government more centralised, more top-down, more statist and less accountable? The alternative is to seek a solution which is more attached to community interaction, more engaged and empowering of citizens.

19. The WLGA has long argued that decisions about how services are organised and managed should be taken as close to the point of delivery as possible and that those who use public services should have as great a say as possible in the way in which services are delivered. This means being comfortable with the principle of decentralisation and the idea that a matter ought to be handled by the smallest, lowest, or least centralised authority capable of addressing that matter effectively.

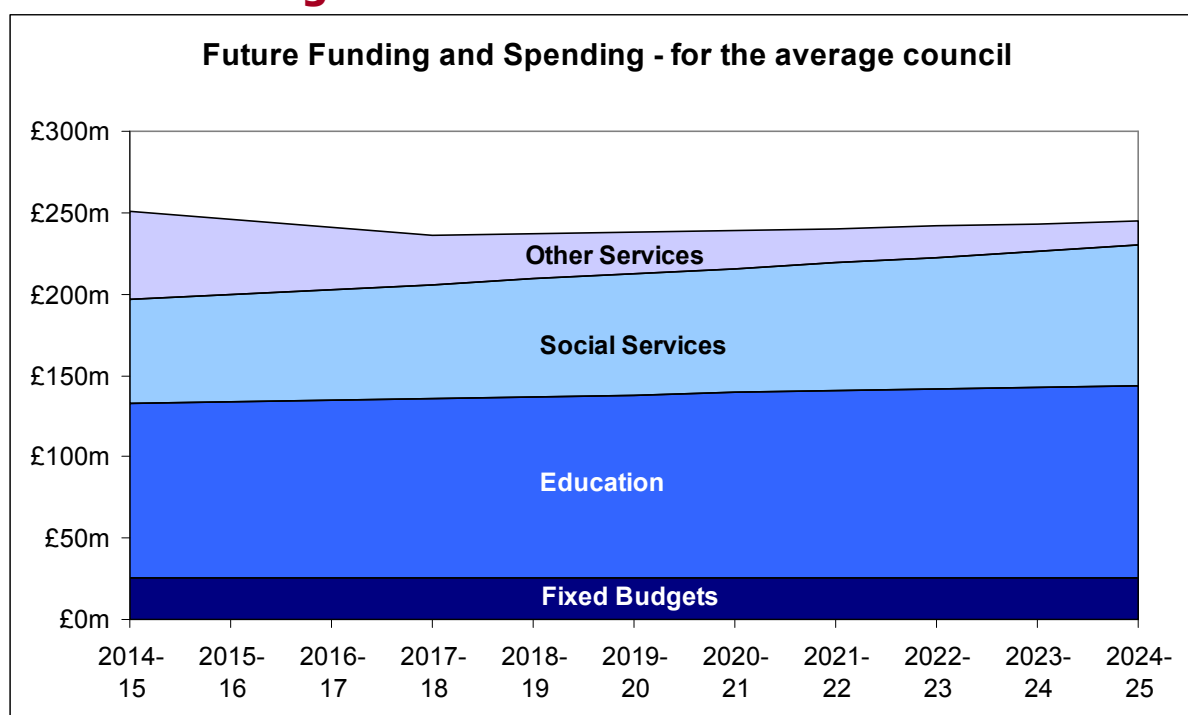
The “third rail” of Welsh politics

20. American politics has the concept of the “third rail” - the third rail refers to the charged middle rail of an electrified rail track - which is used as a metaphor for any issue so controversial that it is “deadly” or “untouchable”. The “third rail” of Welsh Politics is the growing tension caused by the need to protect large services like health and education and the impact of this on unprotected services in areas such as leisure, parks, libraries, arts, roads, environment, planning and transport etc. These are all areas of service that the public cares passionately about but questions must be asked about their sustainability in the future.

21. A recent report by Mark Jeffs of the Wales Audit Office, published for the think tank Welsh Public Services 2025 was entitled, “Future Pressures on Welsh Public Services” argues that it is imperative that we address these issues now as the trajectory of health spending related to demographics is ever upward. For example, he presents a best and worse case scenario based on funding forecasts. In this context what would it mean if spending on the NHS rises from 42% of the Welsh Government’s present revenue budget to a best case of 57% and worse case of 67% in 2024-25? The graph on the following page shows the impact of the squeeze on unprotected services based on these assumptions for an average council. In effect it means that by spend on services as wide ranging as leisure, libraries, transport, environmental health, trading standards and so on would have reduced to a quarter of current levels.

22. Such a scenario would deprive individuals and communities across Wales of much needed and valued public services. It is incumbent upon us collectively therefore to consider alternative models of delivering services. Not to do this would inevitably leave Welsh communities with a local government sector that is essentially an empty vessel devoid of previously cherished functions.

Future Funding Scenarios



A New Model for Local Government in Wales

23. Last year, the WLGA held a joint conference with the LGA in England to examine experiences of a new model of *cooperative councils* that is emerging in England, particularly in the north-west. This approach argues for a new settlement between citizens, communities and the state which would engage all in sharing the responsibility for achieving better social outcomes. Reformed public services would foster a new spirit of social citizenship, characterised by social responsibility, reciprocity and resilience. Forging them would require fundamental and long term change, developed – critically – in open dialogue with citizens. Councils across Wales have started similar dialogue in many areas but it needs to go further.

24. Councils will increasingly look beyond their own boundaries as they redesign services. The emergence of Waste Procurement Partnerships, School Improvement Consortia, a National Adoption Service, Shared Legal Services across a range of authorities, a National Procurement Service and much more all contradict the prevailing view that collaboration has been a failure. Other partnerships also see deeper public sector relationships being forged. These include the Western Bay Project in social care and the Gwent Frailty Project providing a platform to integrate health and social care, helping councils and the NHS to invest in prevention.

25. The publication of the Future Generations Bill in Wales has called for a vigorous “national conversation” on such issues, including the future of Wales and its long term development path. This debate has been avoided for far too long and the WLGA believes that we have a collective responsibility to address these issues and seek to tackle systemic problems. The themes set out in this document are seen as a contribution to that wider debate.

26. The scale of the challenge local government faces cannot be avoided or deferred. Choices for local government include more rigorous approaches to demand management and prevention, new and innovative approaches to delivery and in many cases ceasing to deliver some services altogether. If the current WLGA estimate is right and local government has to cut up to £860m from its revenue budgets in by 2018, then these issues have to be addressed and resolved.

27. In light of these circumstances, the future affordability of the Welsh Government’s “progressive universal” policies and services within local government will also need debate. For example the reimbursement rate for concessionary fares has been reduced from 73.59% to 64% in 2014-15 and the available budget is set to continue to decline, from £65m this year to £61m in 2016-17. Coming on top of a 25% reduction in bus funding between 2011-12 and 2013-14, this inevitably means

that bus operators are cutting back on services. Due to their constrained financial position, local authorities are simply not in a position to inject funds to keep marginal services running. What will it mean for the sustainability of the concessionary fares scheme if increasing numbers of bus routes are closed?

28. In terms of new approaches, it is becoming apparent that traditional local authority functions such as leisure are rapidly moving from being services delivered in house to being externalised services delivered through new models such as community trusts and mutual’s. Similar developments are happening in libraries, theatres, museums, public toilets and other community facilities. In England, this has led to a debate on the establishment of the *strategic enabling council* - with most local authorities moving some way down the road towards a slimmer strategic core with more services delivered at arm’s length through a wide variety of delivery bodies including the private sector.

29. In Wales, the tradition is different and probably far closer to the model recently put forward by the Association of Public Service Excellence (APSE) namely the “Ensuring Council”. This proposes an authority with a strong public sector ethic but with a willingness to examine other delivery mechanisms that are not for profit and which reflect a cooperative basis.

THE ENSURING COUNCIL | THE ENABLING COUNCIL

ORGANISING PRINCIPLE	ORGANISING PRINCIPLE
Stewardship of place - In-house provision of core services and public employment - Maintenance of core capacity within the sector - Collaborative relationships - Local representative and participative democracy - Collective community outcomes - Joined up services meeting the needs of local communities and delivering wider strategic objectives	Strategic Commissioning - Expresses an explicit preference for the private and voluntary sectors as service providers - Divestment to alternative service providers - Contractual relationships - Market democracy, individual choice and personalisation - Individual user outcomes - Fragmented services that lack the overall strategic co-ordination to deliver on wider policy objectives <i>Source – APSE 2013</i>

30. The WLGA has been in extensive discussions with the Wales Council for Voluntary Action (WCVA) over recent years to examine social impact bonds and partnership based service delivery models. The WLGA is also discussing with the Wales TUC and colleagues in the wider trade union movement how to reconcile new models with the concerns of their members and to ensure robust social partnerships can be built that can provide the necessary employment assurances. The WLGA has just signed a MOU with *One Voice Wales* to examine how we can enhance the role of town and community councils. This work is significant, but it is in its early stages and cannot offer the answer to all our ailments. As it stands, for most local authorities, strategies based on pragmatic downsizing, significant internal reform, bearing down on costs and exploring innovation remain the most common solution.

31. The reality is that in the immediate future, some of our services could be

shrunk by between 35% and 45%. A recent survey by the Wales Audit Office, for example, recently registered cuts of 20% in one year within some environmental services departments. When funding and services are cut by this order then it becomes impossible to retain the same level of provision. The status quo cannot be sustained magically when the service has been cut by 35%. Despite the well publicised examples of alternative approaches and innovative models this has still been the predominant response in England. As the New Local Government Network observed in a recent study:

32. "We expected to uncover a huge amount of innovation and divergence as councils plan for the future. It seemed likely that we might uncover many more 'easy councils' and 'co-operative councils' quietly reforming themselves away from the limelight. In fact, there appears to be surprisingly little of this kind of high concept reform"

Public Services Delivery and Governance

33. The WLGA recognises that the publication of the report by the Commission on Public Service Governance and Delivery chaired by Sir Paul Williams in January 2014 has attempted to address many of the issues raised in this analysis. The Williams report is a large and detailed study of the state of Welsh public services and it reiterates clearly that the sustainability of public organisations is under threat because of the dramatic fall in finances. It makes some very useful recommendations about shredding complexity, concerted efforts to improve culture and leadership, de-cluttering funding arrangements and downsizing the machinery of bureaucracy built up by the Welsh Government in support of its various policy initiatives.

34. Since the advent of the National Assembly, Wales has seen a huge growth in policy initiatives supported by individual dedicated funding streams. Specific grant funding amounted to £402m in 2003-04 and by 2012-13 it had more than doubled to £859m. The cost of administering, monitoring and auditing these myriad schemes is unknown but a recent report by the WAO into Grants Management estimates that it is somewhere between 5% and 10% of the value of the funding. This is simply unaffordable.

35. Unfortunately, nearly all of the 62 recommendations of the Williams report have become overwhelmed by the focus on the four recommendations proposing the reorganisation of local councils. A substantive report on the future of public services in Wales has in effect been reduced to an argument for and against local government reorganisation. An

inevitable debate about structures rather than services has regrettably followed. Six months after its publication, the status of the report is unclear and the Welsh Government has not responded formally to the recommendations proposed by the Commission. The timescale and the deadlines proposed in the report have inevitably slipped, and as time passes there is growing uncertainty across local government about its future configuration. In the mean time, the funding crisis continues to grow.

36. The WLGA recognises the need for a robust debate on the future shape of local government and is eager to play its full part. That debate must set out a new vision for local government and must define the relationship between central and local government. It must also include a robust analysis of financial implications of any structural change. The Williams report's brief did not include such a study and the report's analysis of costs is largely a critique of work undertaken by the consultants Deloitte. Following a seminar in early 2014 the WLGA has commissioned a full independent analysis of the potential financial implications of restructuring from the Chartered Institute of Public Finance (CIPFA). This work must be at the heart of any new vision for local government in Wales.

37. The need to set out the future role of local government was recognized by the former Minister for Education, Leighton Andrews AM, in a debate on the Williams report in the Assembly on the 28th January 2014 when he stated:

38. "Where I think the commission's report is somewhat weaker is in the area

of democracy. It does not give us an analysis of the appropriate role of local government or the appropriate relationship between local and central government.... The issue of the functions of local government is also an area that is not addressed effectively within the Williams commission report. Answering these issues will be critical to building a consensus for reform across Wales..... What is the role of local government? If you are going to develop a reform programme for reorganisation, you have to have a clear vision for local government going forward".

39. The recently published Commission on Local Democracy undertaken by the Council of Scottish Local Authorities (COSLA) addresses many of these issues within the Scottish context. Rather than focusing on structures, centralizing and contested arguments around scale, the COSLA Commission proposes a bottom up approach and provides a critique of the centralist philosophy. It is very much a reassertion of the principles of local democracy.

40. As it states: "*Over the decades, we've seen a culture in which more and more services and decisions been taken away from local communities and put into the hands of distant bureaucracies. As a country, we have got so used to this approach that we've come to think of it as the only way to improve public services, even though that has meant that for most people decisions are now taken far away from where they live their lives. That kind of thinking won't see us through for much longer. People are losing trust and confidence in democracy, and fewer and fewer are choosing to vote. Not only that, but this top down way of working hasn't produced the results that Scotland needs or tackled the local challenges that people face".*

41. This sentiment clearly resonates in Wales particularly as the contours of devolution have developed over the last 15 years.

The Constitutional Settlement in Wales

42. The outset of devolution saw a settlement that recognised the constitutional importance of all tiers of elected government. The Government of Wales Act 1998 obliged the Assembly “to promote local government”, establish a Partnership Council and report annually on local government performance. The Scotland Act 1998 contained no such provisions. This was a clear attempt in Wales to codify the place of local government in the devolved setting and to provide a counter balance to the inevitable centralising dynamic of a new tier of government. The need for checks and balances within any democratic system is widely recognised and this was an attempt to build those principles into an emerging system.

43. The Government of Wales Act left existing local government powers and responsibilities untouched. The strongly declared, implication was that the new Assembly would complement not compromise local authority autonomy. Section 73 of the Government of Wales Act 2006 (“the Act”) prescribes that Welsh Ministers must produce a scheme setting out how they propose to sustain and promote local government in Wales.

44. The last ‘Local Government Partnership Scheme’ was published in 2008, over six years ago. With the passing of time, the focus and appreciation of the importance of this agreement appears to have diminished. As a result, the annual publication of a summary document of the scheme’s progress is now largely a formality and many councillors are unaware even of its existence.

45. Inevitably the balance in local central relations has shifted. The 2009

referendum that granted the Assembly further legislative powers strengthened central government’s position in relation to local government and the major public services. This was reinforced by the separation of the National Assembly into a legislative and executive in the form of the Welsh Government. The tone of central-local relations has changed significantly as a consequence. Over time, the Welsh Government has developed a more centralised and assertive approach to public services and the focus has switched from being strategic to being operational. Increasingly, service providers are being held to account by the Welsh Government for operational aspects of service delivery which has traditionally been the preserve of the regulators and the inspectorate. Although local government is democratically accountable and has its own popular mandate, there is a sense in which it is seen as the junior partner and must be subjected to an additional level of accountability.

46. It is undoubtedly the case however that Wales sees a much greater level of partnership working between local and central government than other parts of the UK. The WLGA has welcomed the relative protection that has been applied in recent years to the local government settlement in Wales in comparison to England. There have also been significant achievements in the major service areas. The recent passage of the Social Services and Well Being Act sees the function of social care fully retained in local government following extensive dialogue between Welsh Government and local councils. Local authorities in Wales continue to run education and retain their statutory responsibility. The recently

established National Model for Regional Working is an example of the partnership between local government and the Welsh Government and the increasing trend towards the shared construction of policy. The 21st Century Schools Programme is another example of shared construction that means Wales compares favourably against the cuts experienced in England.

47. Yet despite these achievements, the push for centralisation continues. There remains an ongoing debate about what should be the functional base of local government. There are also suggestions that some functions could be removed if local government reorganisation does not occur. For some reason, the successes of shared construction in these big policy areas do not translate into a wider or more positive debate about "localism".

48. As a consequence, there is the emergence of a contradictory phenomenon of centralisation within devolution. At a time when the functions of central government are being moved closer to the people, the functions of local government are in danger of being moved further away. This has led Paul Griffiths, the special adviser to former First Minister Rhodri Morgan, to observe that:

49. "If the Williams recommendation of just 10 local authorities is implemented, our most local unit of government will have an average population of over 300,000 people. The distance between community and government will be bigger in Wales than in any other part of Europe".

50. The table below graphically illustrates this point.

Table 1: Municipal Governments at the most local level

Country	No. Councils at Lowest Tier	Population
France	36,786	65,633,194
Austria	2,354	8,451,860
Spain	8,167	46,704,308
Estonia	226	1,324,814
Germany	11,252	82,020,578
Italy	8,092	59,685,227
Norway	428	5,051,275
Finland	320	5,426,674
Latvia	119	2,023,825
Belgium	589	11,161,642
Sweden	290	9,555,893
Netherlands	408	16,779,575
Lithuania	60	2,971,905
Denmark	98	5,602,628
N. Ireland	(15 from 2015) 26	1,823,600
Wales	22	3,100,000
England	353	53,493,700
Scotland	32	5,295,000
EU27	89,149	501,465,000

Source: Council of European Municipalities and Regions (2013) *Local and Regional Government in Europe*
http://www.ccre.org/img/uploads/piecesjointe/filename/FINAL_CEMR_factsheets_2013_EN.pdf

51. Despite the European evidence it seems that in Wales we are becoming ever more centralist in our thinking. Councillor Bob Wellington, the Leader of WLGA highlighted this trend in his speech to the 2013 WLGA Conference when he stated,

52. "There seems in some quarters to be a proposition widely circulating in Wales that we would all be better off with less local government. You've heard the argument, it goes that Welsh Government could run schools, let the NHS undertake social care and then divide the rest up between various quangos and other organisations. My question back to those wise pundits who propose this is a simple one, are we that scornful of local democracy? Well exercised local power can mitigate the follies of the centre. My colleagues in Cardiff Bay rightly state that one of their current key purposes is to constrain the impact of the excesses of Westminster government and its programmes. We know that our Assembly colleagues often complain that the Westminster does not listen or show respect to them. Central governments can be a bit like that."

53. Local democracy is not an abstract political concept that local government has a vested interest in preserving and promoting. It is a characteristic and feature of Welsh society that Welsh communities still cherish. The public want local government and local decision-making over the matters and services that they care about most. Councils and councillors have a better understanding, are more accessible and more responsive to local communities' needs.

54. The public place greater trust in councils and councillors than in any other tier of political representation. A recent

UK-wide survey shows that 76% of people trust their local councillors most to make decisions about how services are provided in their areas whilst only 9% trusted national politicians. Similarly, 77% trust their council most to make decisions about how services are provided in their area, whilst only 13% trust central government.¹

55. Despite some well-publicised service challenges in a number of authorities, satisfaction ratings with local government services are higher than those for the Welsh Government. The latest National Survey for Wales shows that 57% of people said that their local authority provided high quality services and the satisfaction rating for education is 6.4 out of 10 compared to 5.8 for the Welsh Government.²

56. The Williams report has offered up a variation on the localist approach linked to structural reform. This argues for more democratic input into all Welsh public services, the dismantling of costly control mechanisms like specific grants, properly costed legislation and the possibility of devolving more functions to local government. In a similar vein, the First Minister has also recognised that the process of devolution extends beyond the National Assembly when he stated in the Plenary Session on 28th January 2014 that: *"I spend a lot of my time arguing for powers to be devolved from London to here. I am fully aware of the fact that the same argument applies to devolving powers to local authorities, as long as they are able to deal with those powers."*

¹ LGA Survey January 2013 – http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6175790/NEWS

² Welsh Government – National Survey for Wales [April 2012-March 2013] - <http://wales.gov.uk/statistics-and-research/nationals-survey/?lang=en>

57. This is a clear recognition that decisions about how public services are managed and provided must be taken within a democratic framework, and more importantly, as close to the people who use them as possible. Once the Welsh Government's response to the Williams recommendations is published, the debate about empowering local government can begin in earnest. Whilst there have been suggestions about a larger role for local government in the NHS and the broader public health function, there is as yet no real substance to this discussion. The longer it takes to initiate this discussion and the process of reform, the less intrinsic resource benefits it yields as ongoing austerity means that budgets continue to decline.

58. The IFS report commissioned by the WLGA highlights that the most severe budget challenges are in the forthcoming three financial years up to 2018. The danger is that if local government reorganisation does not occur until 2020, it will have been overtaken by the impact of the cuts in public spending. Services will have been redesigned, reconfigured or cut in an immediate and more arbitrary way rather than being managed and planned. The scale of the current austerity cuts throws the relative modesty of the Williams projected savings of £60-80 million per annum into sharp focus. Taking just three authorities across Wales, the cuts in these councils during the current year alone have already exceeded this figure:

Financial Cuts 2014-15
Example South, Mid and North Wales

Cardiff	£50m
Powys	£20m
Flintshire	£15.5

59. Lynne Neagle AM also raised a further point about continuity with existing initiatives and the impact of the Williams report, during the Assembly debate on 28th January 2014 when she commented:

60. "Is there not an obvious danger that embarking on a long, complex and potentially very fraught process of local government reorganisation will derail that journey of improvement before the changes that we have put in place to try to fix the problems have even had a chance to bed in?Meanwhile, the fact that Ceredigion is currently our best performing local authority in terms of education and, yet, is also one of the smallest, should be enough in itself to strike a note of caution among those who dogmatically insist that bigger is, by default, always better"

61. In advance of the 2015 General Election, a cross-party debate is occurring in England on giving more power and freedoms to local councils to enable them to make changes locally. This is deemed to be vital in order to design and deliver more efficient public services and help local areas innovate and, in particular, promote growth. A similar debate needs to occur in Wales.

62. Local government has been central to the development of devolution in Wales and has been a constructive force in the partnership governance that has shaped the first decade of devolution. Welsh local government remains committed to continuing this partnership and working with the Welsh Government to reform public services and respond to the unprecedented challenges that face our communities.

63. As part of this shared commitment, Welsh local government will:

- Engage in constructive debate around structural reform of local government and will continue to lead and deliver the wider public service reform agenda.
- Promote and support the local contributions to the long-term national strategic vision for Wales which will be articulated through the forthcoming Future Generations Bill.
- Deliver specific local contributions to the Wales Programme for Government, through successful delivery of Outcome Agreements.
- Continue to lead on self improvement and a collective sector-led approach to identifying and responding to improvement challenges faced by individual authorities.
- Build on progress around improving engagement, challenge and scrutiny within the local democratic process, with a particular focus on improving the diversity of democracy ahead of the next local elections.
- Honour all existing specific service based commitments.

64. In order to deliver these commitments, Welsh local government needs greater flexibilities, freedoms and clarity from Welsh Government, including:

- The transfer of all specific grants into the RSG and a restatement of the commitment to reduce the burden of service plans.
- A robust financial process to cost the impact of new legislation and burdens based on the principle that local government only assumes implementation for new responsibilities which are fully funded.
- A review of the balance of funding and local government financial regime as part of the Silk Finance and Tax-raising reforms.
- The introduction of the power of general competence for councils in Wales which was introduced in England through the Localism Act 2011.
- An acceptance that “managed difference” and local variation are at the heart of local democracy. This means that local services and solutions will be different for different communities.
- Establishment of a dedicated group under the auspices of the Partnership Council to examine what areas of public service delivery should be placed under local democratic control.
- The establishment of a Staff Commission to examine the implications of local government reorganisation and look at workforce planning and transfers across all sectors.
- A proper codification of central-local relations and responsibilities in Wales.
- Fully respect and apply the principles of the European Charter of Local Self Government.
- That Welsh Government should re-establish a process to understand financial pressures within local government prior to the publication of the settlement, on the proviso that this is not a commitment to full funding of those pressures.
- That Welsh Government should fully commit to the principle of introducing three year financial settlements to give greater stability in terms of resource planning.

Conclusion

65. It is vital that the relationship between Welsh Government and local government is better and more clearly defined. The previous experience of formal partnership agreements, concordats and memoranda of understanding to cement such approaches have inevitably disappointed and not worked. A completely new approach is needed that moves the focus towards a redefinition of the relationship between councils and their communities – providing services with local people, rather than for them.

66. The dividing line is a clear choice between two approaches –

- **CENTRALIST** - that local government is primarily in existence to administer, provide and oversee the provision of public services and therefore must be regulated and controlled – as far as any constitution allows - by the centre; or
- **LOCALIST** - that it is a democratic body charged with the role of governing its locality and representing (and defending) it and its needs to the centre, in which case it must have autonomy and financial security and control over its own locality.

67. Founded on the principles of community of interest, access and accountability, local government remains closest to the people, both in proximity and value. Despite this important role, it is frequently taken for granted and, in some instances, widely misunderstood. It is the unanimous view of the leaders of the 22 local authorities in the WLGA that the localist approach offers the best way forward in terms of protecting our communities and enhancing democracy across Wales.