

Local government after the Assembly elections – what next?

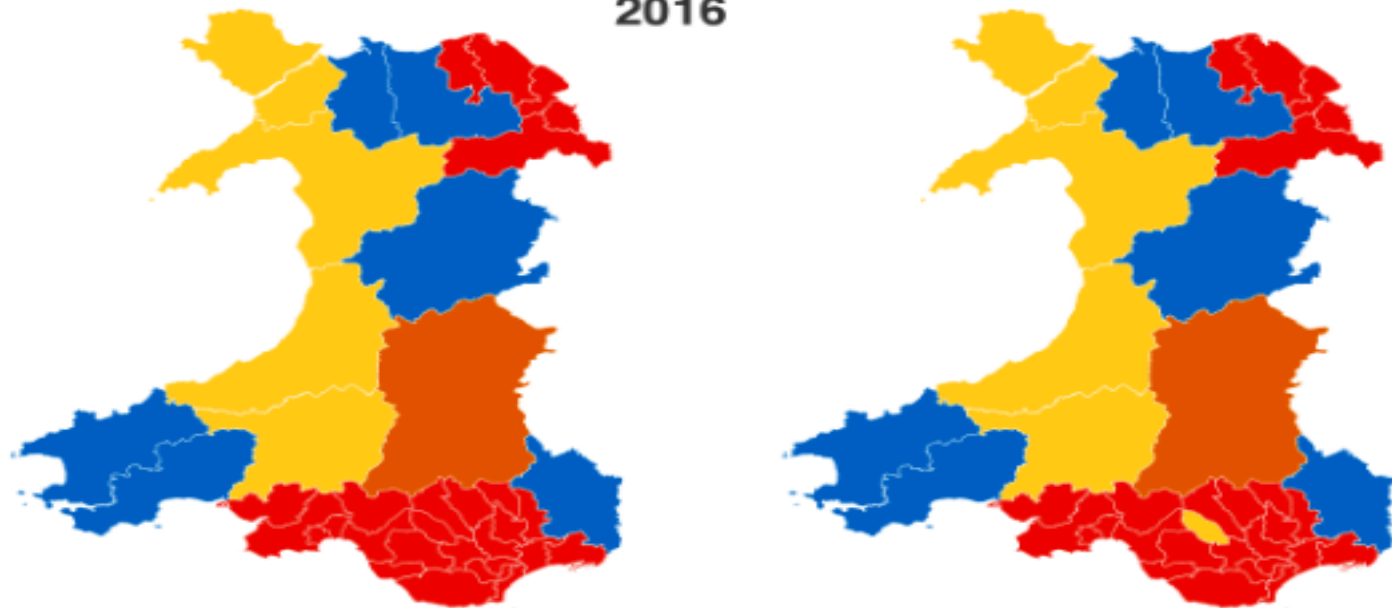


Steve Thomas CBE
Chief Executive WLGA
IRRV June 2016

Assembly Elections 2016

What happened? Not much really.

Past and present: Welsh Assembly constituencies



■ Conservative ■ Labour ■ Lib Dem ■ PC

Party Seats

Lab	28	<div style="width: 28px; height: 10px; background-color: red;"></div>
Con	6	<div style="width: 6px; height: 10px; background-color: blue;"></div>
PC	5	<div style="width: 5px; height: 10px; background-color: yellow;"></div>
LD	1	<div style="width: 1px; height: 10px; background-color: orange;"></div>

Party Seats

Lab	27	<div style="width: 27px; height: 10px; background-color: red;"></div>
Con	6	<div style="width: 6px; height: 10px; background-color: blue;"></div>
PC	6	<div style="width: 6px; height: 10px; background-color: yellow;"></div>
LD	1	<div style="width: 1px; height: 10px; background-color: orange;"></div>

Labour and Plaid – A 100 day deal but can hostilities be averted?



The New Welsh Government – Cabinet Secretaries and Ministers

CABINET SECRETARIES



Carwyn Jones
First Minister



Ken Skates
Economy and
Infrastructure



Kirsty Williams
Education



Mark Drakeford
Finance and
Local Government



Lesley Griffiths
Environment and
Rural Affairs



Vaughan Gething
Health, Wellbeing
and Sport



Jane Hutt
Leader of House /
Chief Whip



Carl Sargeant
Communities
and Children

MINISTERS



Julie James
Skills and Science



Alun Davies
Lifelong Learning
and Welsh Language



Rebecca Evans
Social Services and
Public Health

Rod Stewart was wrong as “The first cut is clearly not the deepest”



Welsh Budget 2016/17

Total managed expenditure £15.9bn

Health and Social Services	£7.1bn – up 4.1%
Local Government (inc Schools)	£4.4bn – down 2%
Education & Skills	£2.1bn – up 1.1%
Economy, Science & Transport	£977m – up 5.9%
Communities	£677m – up 10.7%
Natural Resources	£369m – up 2.6%
Central Services/Administration	£315m – up 3%

Source: Welsh Government

Medium Term Planning Assumptions

Scenario 1 = Emoji Meltdown

Pessimistic scenario could be envisaged where, the NHS is protected for inflation, and so are all other non-LG budgets. Austerity continues. Possible post Brexit shock to the public finances

Aggregate External Finance (AEF) reduces by 2.0% in 2017-18, 2.6% in 2018-19 and 2.6% in 2019-20.



Medium Term Planning Assumptions Scenario 2 = Emoji Neutral

A more favourable scenario is to assume that there is 'medium' protection for non-Local Government Budgets.

This time the NHS receives more generous uplifts based upon general (GDP) inflation over the SR period. All other budgets are held cash flat, allowing AEF to reduce by 0.6% in 2017-18, 1.0% in 2018-19 and 0.9% in 2019-20



Medium Term Planning Assumptions Scenario 3 = Emoji Party Time!

Under the most optimistic scenario there is 'weak' protection for non-Local Government Budgets. Under this scenario, the NHS receives future increases based on a 'consequential' of the increase to the English NHS through the lifetime of the Parliament.

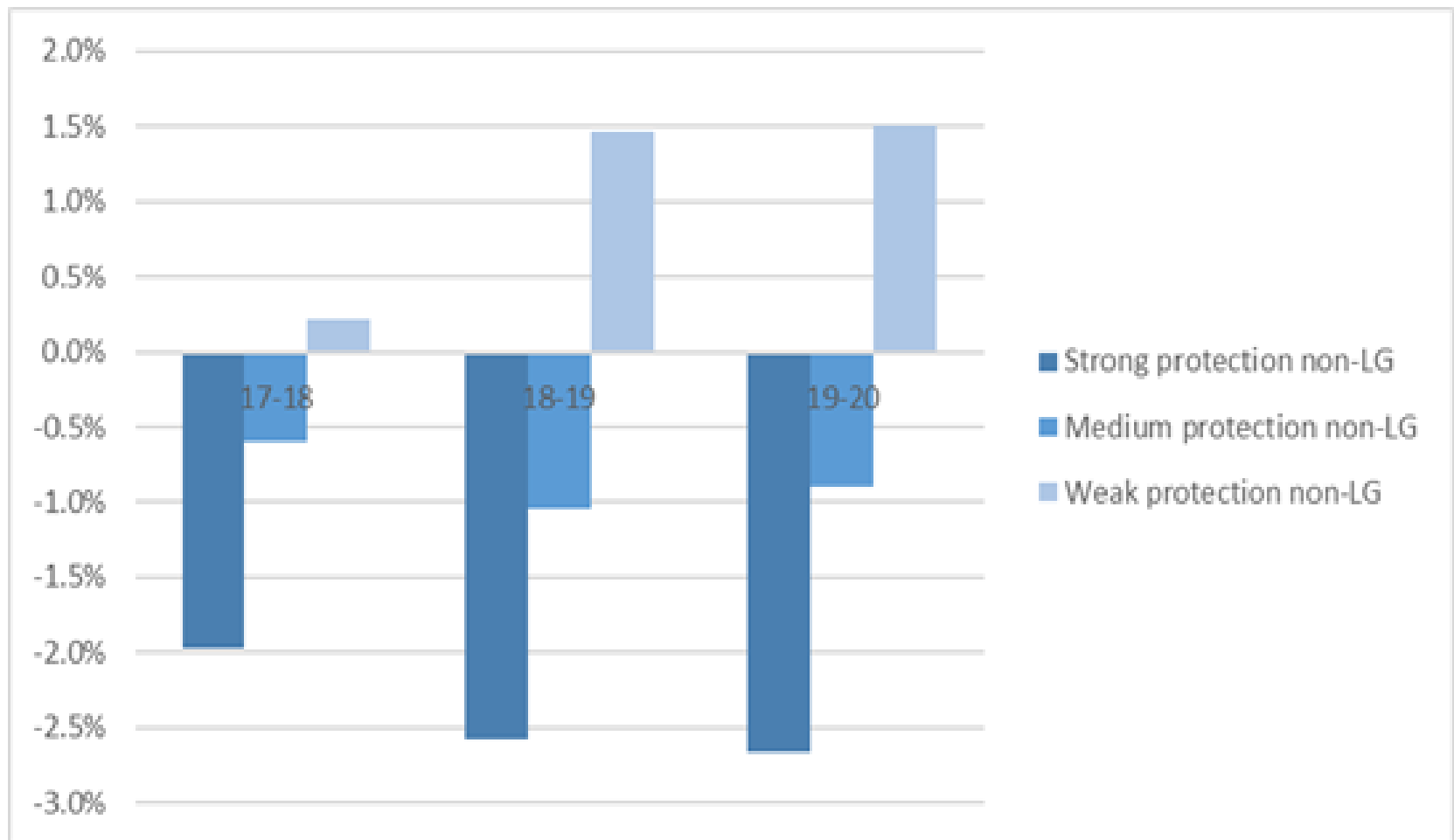
All other budgets are held cash flat, allowing AEF to increase by 0.2% in 2017-18, 1.5% in 2018-19 and 1.5% in 2019-20. **This scenario roughly aligns with the OBR forecast. Since the Autumn statement the position of the Welsh budget has improved further.**





Finance – Are witnessing the decline an to “Ultra Austerity” – What about the “punishment Budget”?

Summary: Modelled changes to Aggregate External Finance (AEF) to 2019-20, under 3 scenarios





Independent Commission on Local Government Finance- Prof Tony Travers

Key Recommendations

- **Welsh local government needs to have greater tax capacity**
 - Council tax to remain a local tax
 - Possibly subject to sub-national decisions about revaluations and banding
 - NDR to be localised
 - Off-setting reduction in government grant
- **The system of grants needs a complete overhaul**
 - Fewer specific grants
 - Greater year-on-year stability, certainty
 - Multi-year settlements
 - Independent Grants Commission
- **The system should incentivise economic growth**
 - Councils to keep up-lift in NDR yield; possibly part of council tax base growth (*still to be finalised*)
- **Welsh government should legislate to allow councils to use smaller revenues, eg:**
 - Tourism tax
 - Environmental taxes
 - Road charging
 - Public health incentive taxes

But only if an authority chooses to do so

All such revenues to be retained locally without any adjustment to government grants



Let us chill a moment.....



Williams, Draft Local Government Bill – The end of the “Back to the Future” Options?

PROPOSED NEW COUNCIL MAP

BASED ON 8 LOCAL AUTHORITIES



LGR - What Next?

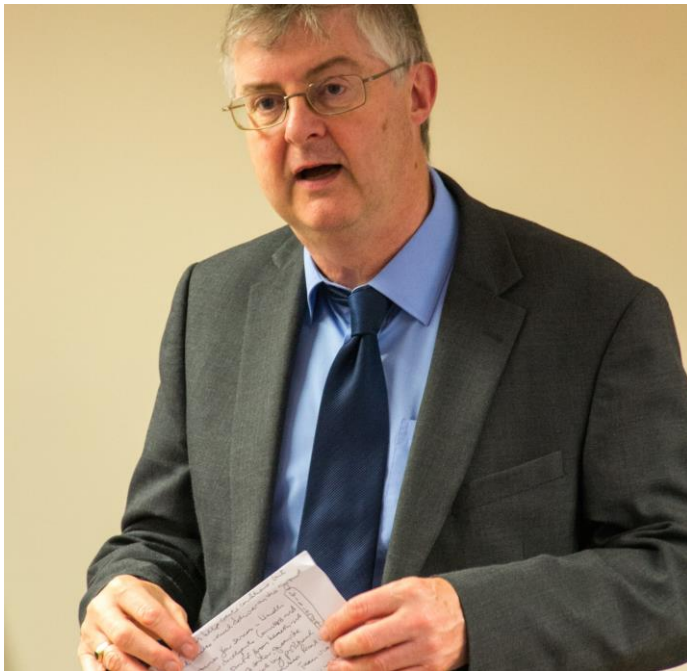
~~Plan A~~

~~Plan B~~

Plan C

New Cabinet Secretary for Finance and Local Government

LGR - The thoughts of Professor Mark Drakeford



"Not committed to any particular solution... we've got to be prepared to have a wider sort of conversation".

"People are very willing to agree that there are challenges facing local government that have to be faced up to and have to be solved,"

"Lines on a map is part of it, but only one part of it".

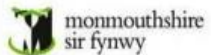
"The reality is that we couldn't in the last assembly - and we know that we couldn't in this assembly - summon the votes together to put that map into legislation.

"We must accommodate ourselves to that reality and find a different way forward."

Facing the future? Possibilities across Wales



Cardiff Capital Region City Deal



Isn't there a more meaningful and important debate – The integration of health and social care, regeneration and the future of skills?

Manchester -City State Renaissance - DevoManc

10 councils Combined authority – Elected Mayor

Devolution to councils of central government budgets. To tackle #DeadhandofWestminster

The Greater Manchester combined authority takes control of public service reform through apprenticeship grants, further education, some welfare funds **and the integration of health and social care.**

£22 billion budget potential for the region but £2bn shortfall

Can Wales emulate this? Do we want to?



Local Government - Joe and Josephine Public to the Rescue?



- **Give paternalism a decent burial but recognise the default role of public services.**
- **Public responsibility – paying more for valued services. The most successful European countries all have tax rates expressed as a % of GDP over 40%**
- **Community mutuals as the way forward? Keith Edwards Review**
- **Community trusts –Leisure & Libraries**
- **The active citizen – running theatres. Cinemas and libraries**

Dangers of the new models – “The Brynmawr 50 Shades of Grey Riot” as reported in the Daily Mirror 23rd Feb 2015

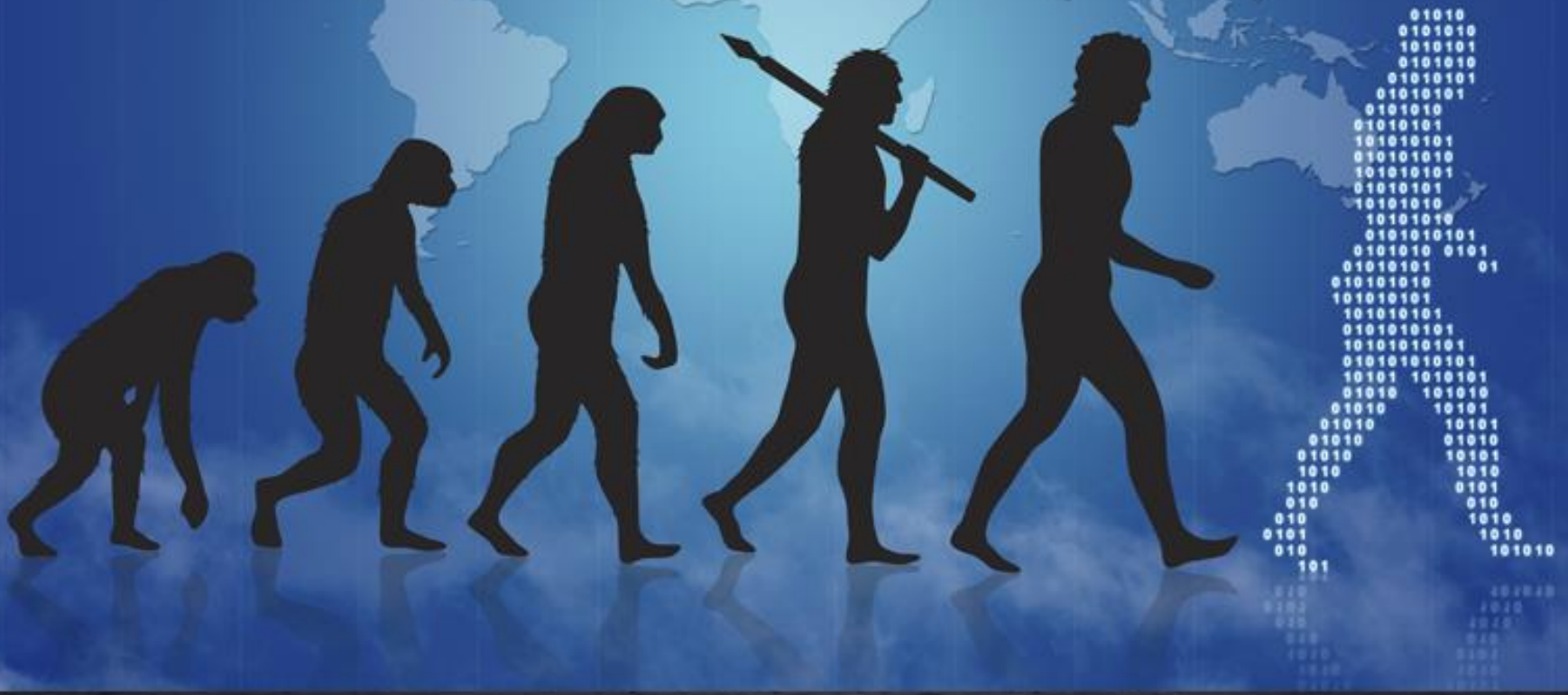


- **“A group of “drunken and disruptive ladies” were kicked out of Wales' oldest cinema during a screening of raunchy hit flick “Fifty Shades of Grey”. The women became rowdy during a Saturday night showing at the community-run Market Hall in Brynmawr.**
- *“we weren’t expecting to experience the phenomena that has hit cinemas across the UK – some drunken, very excitable and disruptive ladies”!*



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Digitalisation – The next stage of service evolution





The lexicon of the good years is dead - do more with less, continuous improvement blah blah blah

WHATS YOUR OPERATING MODEL?

- **Adaptive innovation:** organisations creatively redefine their role and are able actively to affect their operating environment, working in close partnership with others and looking for new opportunities
- **Running to stand still:** organisations are led and managed well and can see a positive future, provided that they can keep up the current pace and that there are no major shocks
- **Nostril above the waterline:** organisations are only able to act with a short-term view, their existence is hand to mouth and even a small external change might seriously challenge their viability
- **Wither on the vine:** organisations have moved from action to reaction. Their finances and capacity are not sufficient to the task and they are retreating into statutory services run at the minimum levels or handing back the keys

Rambling Conclusions

- **Let's have clarity on the direction of travel – structures**
- **Funding - On the current trajectory we are in danger of having a public sector in Wales which largely comprises schools and hospitals.**
- **Preventative services like Housing, Environmental Health, housing, transport, leisure cannot take all the cuts strain.**
- **Future Generations Bill – Well Meaning or Impactful?**
- **Key message - Focus on place not structures**
- **We live in a world where joining up systems is everything and form following function is the way forward.**



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Thanks for listening

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