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Demand Change: The Local Government View

**Daniel Hurford, Head of Policy
3rd July 2014**



Set the Strategic Overview

- Williams and Mergers
- Funding Challenges
- Local Government Response
- Learning from England
- In Defence of Localism



Once upon a time there was a man called Williams...

There are 3 main (interconnected) barriers affecting public service governance and performance:

- **Culture**
- **Capacity**
- **Complexity**

145 recommendations, but crucially:

'Structural change not the answer... there is no evidence that simply changing structures would achieve the changes in inter-organisational relationships, organisational cultures and individual behaviour that is needed'

Beecham Review - 2006



What Williams really said...

The Commission found a '**need for a step change in the performance and delivery of public services in Wales.**'

The Commission made 62 recommendations under 5 headings:

1. Complexity
2. Scale and Capability
3. Governance, Scrutiny and Delivery
4. Leadership, Culture and Values
5. Performance and Performance Management

Only 4 of the recommendations related to reorganisation...



Williams' Reorganisation Recommendation

“Urgent reform to minimise the risks arising from small scale...is therefore essential...we therefore recommend merging the 22 local authorities we have into larger units.

It...will allow for timely implementation and the least possible impact on the delivery of front-line services.”



Timescales?

July-Sept – Labour Party Consulting on Williams ‘Map of 12’ (scope for mergers across LHB boundaries ‘in exceptional circumstances’)

July 2014 White Paper on Devolution Democracy and Delivery [with a map?]

2014-16 Paving legislation (allowing voluntary mergers)

2016 Assembly elections

May 2017 LG Elections

May 2018 LG Elections for voluntary merged LAs

2019 Shadow elections?

2020 New LAs?



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In the meantime...

- Councils dealing with a £250m shortfall in 2014-15
- By 2018, councils face a budget shortfall of up to £900m
- Against a backdrop of an ageing population (by 2033, 26% of pop'n over 65 years of age, compared to 18% in 2008)

Things are getting more challenging:

- Last week councils were planning on a -1.5% settlement for 2015-16, this week they are told to plan for up to -4.5%



We were all warned!

WLGA/Institute of Fiscal Studies Report 2010:

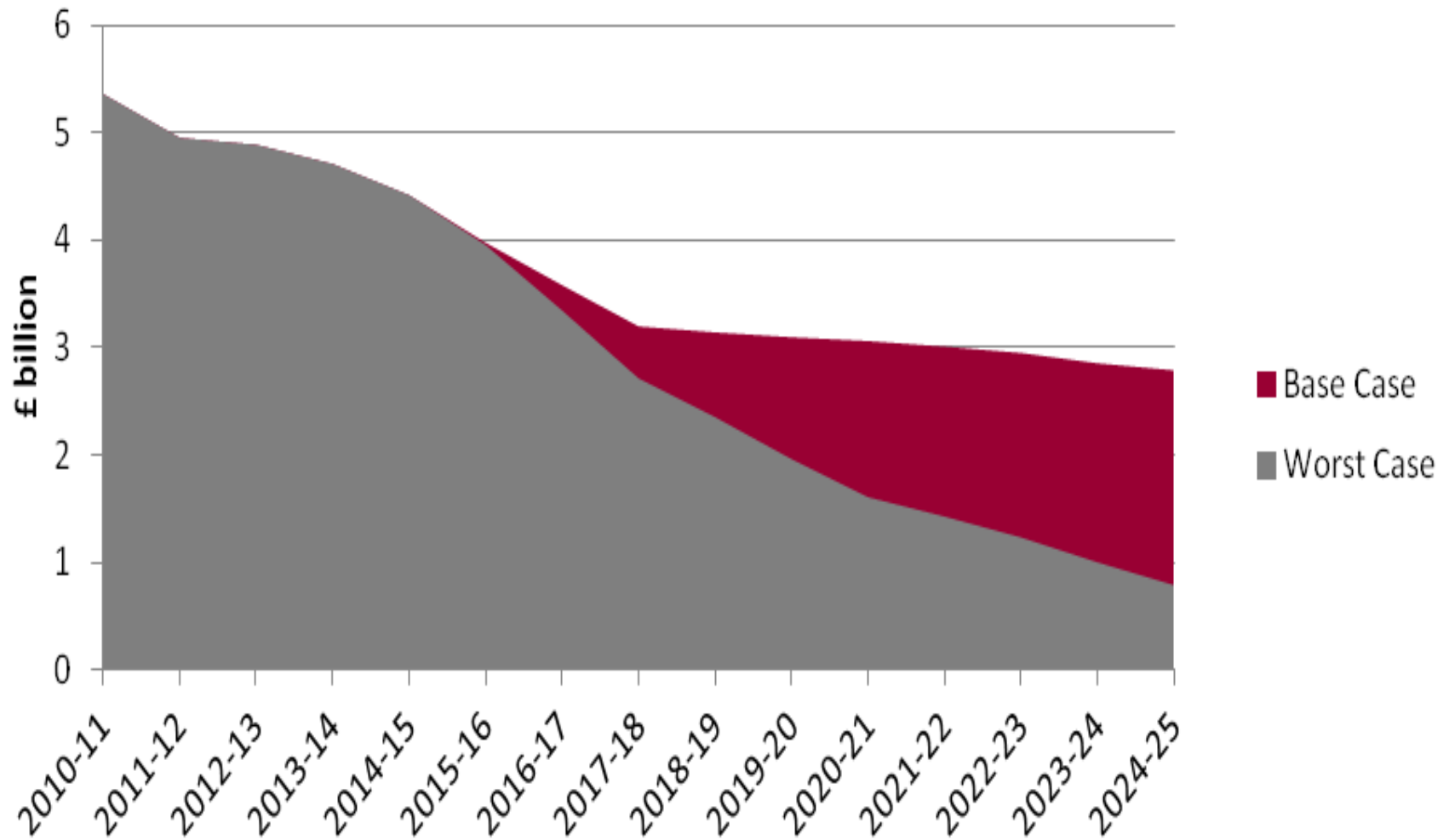
“...if the Welsh NHS is protected from further cuts after 2014–15, our assumptions mean that Welsh unitary authorities would face a reduction in spending power of 4.1% per year, on average...”

BBC Wales: “Concern as three Wales health boards £60m in red” (26th June 2014)

- BBC quote Health Minister Mark Drakeford AM as being ‘confident that two had recovery plans’.
- What does this mean for Powys County Council and the proposed Williams merger with the LHB?



Non-Statutory Squeeze...



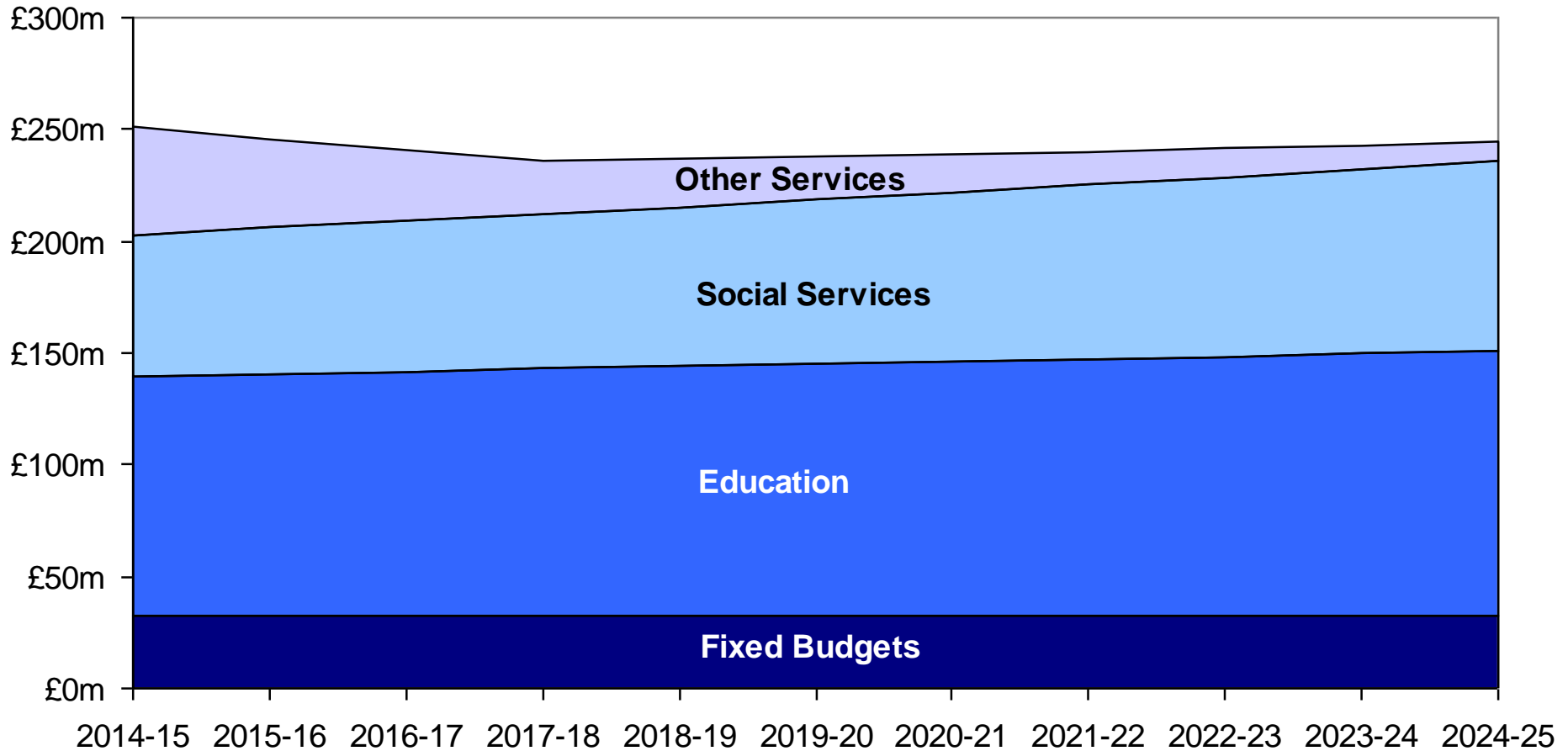
Source: Institute of Fiscal Studies, 2012



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Non-statutory Squeeze...

Future Funding and Spending - for the average council





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How do we approach this?

“It’s not enough to be resilient and robust. That just helps you to resist shocks and stay the same. The challenge is to thrive not [just] survive.”

Barry Quirk



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Managing Decline





Managing Decline

- Delivering services more efficiently
- Better procurement
- Asset Realisation
- Consideration of new or increased service charges
- Staff Reductions
- Service cuts



Redefining Relationships: with each other

Collaboration, often criticised, rarely recognised:

- Waste Procurement Partnerships
- School Improvement Consortia
- National Adoption Service
- Shared Legal Services
- National Procurement Service
- Western Bay Project in social care
- Gwent Frailty Project
- ...



Redefining Relationships: with communities and partners

- Swansea and Monmouthshire public engagement
- Cardiff Cooperative Council
- Demand Management
- Co-production
- Growth of Trusts
- Councils have a duty to promote social enterprise, cooperatives, user led services and third sector for care and preventative services (Social Services and Well-being (Wales) Act 2014)



Redefining and Re-visioning

THE ENSURING COUNCIL

THE ENABLING COUNCIL

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

ORGANISING PRINCIPLE

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

Source – APSE 2013



The English Experience (LGA): Typical Council Responses to Budgets

- Efficiencies
- Sharper procurement
- Shared services and management
- Income generation/entrepreneurial
- Commissioning
- Prioritisation
- Asset realisation
- Staff costs



The English Experience (LGA): Typical Council Responses to Budgets

Most common approaches (9 out of 10 Councils)

- Reducing overall staff numbers (e.g. Tameside – 3,940 in January 2010 – 2,361 August 2013)
- Delivering some services more efficiently
- Reducing or restructuring the senior management team

Popular approaches (over half of Councils)

- introduced or increased charges for services
- new service delivery arrangements with other public bodies
- renegotiated existing service delivery contracts



The English Experience (LGA): Typical Council Responses to Budgets

Most effective at reducing costs

- Reducing overall staff numbers
- Delivering some services more efficiently

And for some (more than a quarter of Councils)

- Reducing the quantity of some services
- Renegotiating existing service delivery contracts
- Entering into new service delivery arrangements with other public bodies
- Entering into new service delivery arrangements with private or third sector organisations



The English Experience (LGA): Next Phase...

- Reviewing role, purpose and activities
- Whole Place community budgets
- Exploiting technology
- Innovation
- Alternative delivery models e.g. mutuals
- Demand management, incl community capacity



The English Experience (LGA): Lessons Learned

- Strong leadership is critical
- Having a long term plan and vision
- Focus on outcomes, not just service delivery
- Understand the numbers
- Review appetite to risk
- Encourage innovation
- Be honest and sensitive, with public, staff and partners
- Start early and make it *yours*

NESTA Lesson re. Cuts – one big hit better than lots of little hits



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What does the future hold for councils?

Local government

v

Local administration



In Defence of Localism

- WLGA Consultation document
- Launched at WLGA Annual Conference in June
- Seeks to articulate the vision for local government that was missing in Williams
- Warns against centralisation and calls for devolution to communities and recognition of and strengthening of a localist approach to democracy and service delivery



In Defence of Localism

“English-style cuts with Welsh Government
ambition”

Cllr Bob Wellington CBE, WLGA Leader



In Defence of Localism

Local Government committed to:

- constructive debate around structural reform
- continue to deliver wider public service reform
- local contributions to the long-term national strategic vision for Wales which will be articulated through the forthcoming Future Generations Bill.
- Continue to lead on self improvement and a collective sector-led approach
- Build on progress around improving engagement, challenge and scrutiny
- Improving the diversity of democracy ahead of the next local elections.



In Defence of Localism

What local government needs from Welsh Government:

- transfer of all specific grants into the RSG
- robust financial impact assessments of new legislation and burdens; local government will only implement new responsibilities which are fully funded
- review of the balance of funding and local government financial regime as part of the Silk Finance and Tax-raising reforms
- introduction of the power of general competence for councils in Wales



Whilst we're talking about specific grants...

More than doubled in past decade:

- 2003-04 £402m
- 2012-13 £859m

Estimate of 10% goes on administration and monitoring.

In England, the Audit Commission is no more and there are further radical calls (from some in the Cooperative Councils Network) calling for the abolition of the Department for Communities and Local Government too!



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In Defence of Localism

What local government needs from Welsh Government:

- An acceptance that local variations are at the heart of local democracy
- Examination of what public services should be placed under local democratic control
- 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.



In Defence of Localism

What local government needs from Welsh Government:

- Fully respect and apply the principles of the European Charter of Local Self Government
- Introduction of three year financial settlements to give greater stability in terms of resource planning.



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Thanks for listening