



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a  
Chymunedau](#)

[The Equality, Local Government and  
Communities Committee](#)

25/10/2017

[Agenda'r Cyfarfod](#)  
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)  
[Committee Transcripts](#)

## Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau  
Introductions, Apologies, Substitutions and Declarations of Interest
- 4 Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y  
Cyhoedd o Eitemau 3, 6 a 7 o'r Cyfarfod  
Motion under Standing Order 17.42(vi) to Resolve to Exclude the  
Public from Items 3, 6 and 7 of the Meeting
- 5 Craffu ar Gyllideb Ddrafft Llywodraeth Cymru 2018–19: Sesiwn  
Dystiolaeth 1  
Scrutiny of the Welsh Government's Draft Budget 2018–19: Evidence  
Session 1
- 40 Papurau i'w Nodi  
Papers to Note

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Gareth Bennett	UKIP Cymru
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Wales
Janet Finch–Saunders	Ceidwadwyr Cymreig
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Welsh Conservatives
John Griffiths	Llafur (Cadeirydd y Pwyllgor)
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour (Committee Chair)
Sian Gwenllian	Plaid Cymru
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	The Party of Wales
Bethan Jenkins	Plaid Cymru
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	The Party of Wales
Jenny Rathbone	Llafur
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour
Joyce Watson	Llafur
<a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Labour

**Eraill yn bresennol**  
**Others in attendance**

Y Cynghorydd / Councillor Anthony Hunt	Llefarydd ar Gyllid ac Adnoddau, Cymdeithas Llywodraeth Leol Cymru Finance and Resources spokesperson, Welsh Local Government Association
Steve Jones	Cadeirydd Cymdeithas Trysoryddion Cymru Chair of Society of Welsh Treasurers
Jon Rae	Cyfarwyddwr Adnoddau, Cymdeithas Llywodraeth Leol Cymru Director of Resources, Welsh Local Government Association
Steve Thomas	Prif Weithredwr, Cymdeithas Llywodraeth Leol Cymru Chief Executive, Welsh Local Government Association

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Osian Bowyer	Y Gwasanaeth Ymchwil Research Service
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Jennifer Cottle	Cynghorydd Cyfreithiol Legal Adviser
Chloe Davies	Dirprwy Glerc Deputy Clerk
Elizabeth Wilkinson	Ail Glerc Second Clerk

*Dechreuodd y cyfarfod am 09:02.  
The meeting began at 09:02.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau  
Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **John Griffiths:** Okay, everyone, welcome to this meeting of the Equality, Local Government and Communities Committee. Item 1 on our agenda today is introductions, apologies, substitutions and declarations of interest. We haven't received any apologies. Are there any declarations of interest? No.

09:02

**Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y  
Cyhoedd o Eitemau 3, 6 a 7 o'r Cyfarfod  
Motion under Standing Order 17.42(vi) to Resolve to Exclude the Public  
from Items 3, 6 and 7 of the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o eitemau 3, 6 a exclude the public from items 3, 6  
7 y cyfarfod yn unol â Rheol Sefydlog and 7 of the meeting in accordance  
17.42(vi). with Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[2] **John Griffiths:** We will move on, then, to item 2. Item 2 is a motion under Standing Order 17.42 to resolve to exclude the public from items 3 and 6. Is committee content so to do? Okay, thank you very much. We will move, then, into private session.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:03.  
The public part of the meeting ended at 09:03.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:02  
The committee reconvened in public at 10:02.*

**Craffu ar Gyllideb Ddrafft Llywodraeth Cymru 2018–19: Sesiwn  
Dystiolaeth 1  
Scrutiny of the Welsh Government's Draft Budget 2018–19: Evidence  
Session 1**

[3] **John Griffiths:** Okay, the committee is back in public session for item 4 today, which concerns the Welsh Government's draft budget for 2018–19, and our first evidence session is with witnesses from the Welsh Local Government Association and the Society of Welsh Treasurers. Would you like to introduce yourselves, perhaps starting with Jon, on my right?

[4] **Mr Rae:** Thank you, Chair. I'm Jon Rae. I'm the director of resources at the WLGA.

[5] **Mr Hunt:** I'm Anthony Hunt, I'm the leader of Torfaen council and the finance spokesman for the WLGA.

[6] **Mr Thomas:** I'm Steve Thomas, I'm the chief executive of the WLGA.

[7] **Mr Jones:** I'm Steve Jones and I'm the chair of the Society of Welsh Treasures for this year.

[8] **John Griffiths:** Okay. Thank you all very much for coming along this morning. Perhaps I might begin with a few general questions, then, about local government funding and the Welsh Government's draft budget. First of all, really, your views on the provisional local government settlement—the 0.5 per cent cash decrease—and the implications for the services that you provide. I don't know whether Anthony might want to begin on this. Just your general view, really, Anthony, of what's proposed and what it means for local government in Wales.

[9] **Mr Hunt:** Okay. Obviously, I think we've got to the point where we're a bit like Robocop walking down the corridor getting bullets fired at it; you almost don't react anymore, because you're used to the melee that forms in front of you. Obviously, in Torfaen, for example, that means we've got £1 million less cash for local services next year. So, obviously, the reaction to that is to swallow hard, because on top of pressures that means we'll be needing to save another £4 million or £5 million, and because we're now in the seventh year of austerity, it becomes harder every year. I think we realise—and I was very clear in giving reaction publicly to the settlement—that that's not as a result of any lack of sympathy at Welsh Government level; it's the result of austerity and the continued strain that puts on local services. We recognise that Mark, as Minister, has tried to recognise the role that local authorities play in delivering local services, but with austerity combined with the prioritisation that's been given to the health service, it does mean that local services are going to be in a very difficult situation to try and continue. I think we're at a point in austerity when it's going to be the straw that breaks the camel's back, really, in terms of local services. I think the very future of public services as we know them is really at risk unless there's an end to austerity.

[10] **John Griffiths:** Okay. Well, thanks for that general view, Anthony. Would anybody like to add anything to that? Not really. No, okay. Well, if I move on: three-year budget settlements. Could you briefly outline the benefits that you would see for local government if there was that three-yearly approach?

[11] **Mr Hunt:** Do you want me to start on this one? It gives us the ability to be a bit more strategic, and to be more long term in our thinking, not having to make cuts. Because obviously, with a one-year settlement, it's even more immediate than that seems, because you get the settlement in September, you get the final deal in December, and you're having to plan for the April afterwards, whereas if you've got a three-year settlement you can look at where you want to be in three years' time and take more long-term decisions. One of the things we did last year when our settlement had less of a cash cut than we were expecting was that we put some money into an early intervention and prevention fund, to try and look over three, four and five years and into the future about what we wanted to do as a council to prevent demand increasing. And the more of a time frame we have in which to act, the more innovative we can be, and the more forward thinking we can be in taking decisions rather than just having to save the cash in the short term.

So, it's certainly a good thing as far as we're concerned.

[12] **John Griffiths:** Yes. Jon.

[13] **Mr Rae:** Thank you, Chair. Just to add to what Councillor Hunt has said, we actually started off in a position way back at the end of the 2000s where we actually had indicative multi-year settlements, but as austerity proceeded, I think it became more difficult for the Welsh Government to plan, given the information they were getting from the Treasury. I think the move that we've seen here towards two years with some kind of indication for 2019-20 is welcomed by the WLGA, but we could go further. So, for example, we could see—. With specific grants, for example, that were announced yesterday, there's still a large number of funding streams there. We've just got indications for—in the information that we've had, we've had indications for 2018-19. We could get indications for 2019-20. It would help with exactly that kind of planning that Councillor Hunt talks about. This has been a feature of settlements up in Scotland, where they've had multi-year settlements. Again, the Scottish Government had difficulties with its own planning as austerity drew on. In England, although there's some contestability about this with civil servants in Welsh Government, I believe that English local authorities have a four-year indication of what they're going to get in the future. So, for those reasons, helping planning, we welcome the two-year move, anyway.

[14] **John Griffiths:** Okay. Thanks for that. We might want, then, to get some further information on the position in England in that respect in due course. Other sources of income: could you tell the committee what local government in Wales is doing to generate other sources of income, and whether there are any particular potential ways of maximising other income? Because, obviously, local government is very dependent on the settlement, and we understand that, but I know effort is being made to look at other sources of income, and in England, I know the situation has been quite different in terms of the adequacy of funding there, but we hear about different initiatives, some of which seem to be quite successful. What's the picture in Wales?

[15] **Mr Hunt:** Shall I start off and then turn over to Steve? We're reviewing all our fees and charges to see what we currently subsidise and then we'll try and compare that with what we want to subsidise politically. There are some charges like child burial fees, for example, where we thought we should subsidise things more than we currently do. There are other things where I

think we need to try and recover costs more. The trouble I find with other sources of income is it becomes regressive, in that it's much easier for councils in affluent areas to raise more money in that way than it is for councils perhaps in less affluent areas. We get about 15 per cent of our income from council tax. We're always open to look for other ways of raising funding. For example, if we were to look at car parking fees in Torfaen, we'd effectively kill off two of the major towns in our authority area. I know there are other areas of funding that you can look at in perhaps urban centres or more affluent areas that are very difficult to look at in a Valleys authority like ours.

[16] **Mr Thomas:** In terms of the English situation, it's interesting because there is a greater emphasis on income generation, and part of that is because of the presence of a power of general competence in England that doesn't exist in the Welsh context as yet. That will be part of the discussions on the local government Bill that you'll be examining over the next period. That has led to some interesting ways of generating income. I think I'm right in saying that I'm aware of one authority in England that owns two petrol stations, for example. There's a range of London authorities that own large shopping centres. I think, again, I'm right in saying that there's one authority that might have an interest in Asda in Bridgend. So, a range of investment has been undertaken by English authorities.

[17] There are, however, I understand, some concerns as well emerging about the nature of some of the investments and their sustainability over time. The National Audit Office is looking at some of this. So, if you want councils to be entrepreneurial, I think the evidence suggests that a power of general competence could help that, particularly when it's backed by the goods and services Act. That said, I did a session the other day with the Vale of Glamorgan Council and their senior management, and they're looking at all sorts of income sources. They're looking at £95 million-worth of procurement that they undertake and seeing if they can make savings on the back of that. They're looking at their asset base. They're looking at a range of income and charges that they've put in place.

[18] I think, however, we've got to be conscious of what Anthony says, because the divide between health and social care, for example, is that social care is a service where you just about charge for anything that moves at the current time, and do we want it to get into that direction? I think social care is a service that should be more attuned to the philosophy of the national health service, but as it stands, the amount of income that's generated

through that service is considerable, but that's a conscious policy choice then, isn't it? The question I go back to you with is: do we want that type of approach within local government, or do we want services that are provided generally in a free sense?

[19] **John Griffiths:** Yes. I'm not sure you're allowed to put questions back to the committee—

[20] **Mr Thomas:** Sorry; I do apologise. I forgot that I was being scrutinised. *[Laughter.]*

[21] **John Griffiths:**—but, rhetorically, it's very interesting and, of course, one of the purposes of today's exercise will be to inform the committee in relation to its scrutiny of the Cabinet Secretary in due course. Jenny, just before I bring you in, I think Anthony just wanted to add something.

[22] **Mr Hunt:** I just wanted to add, really, to what Steve said. There are other examples. For example, our neighbourhood services depot is offering MOTs to people now to try and generate income. We do have to take care in that, that we don't put businesses in our areas out of business from doing that, whilst we want to maximise income. There are other areas like our shared resource service that provides IT services to four council areas now, and the police, which was an innovative way of saving money and preventing cost. Collaborating, for us, can offer services outside of that, and that's an area that could bring in income generation. So, it is something we should look at; it's just that there are complexities to the situation.

[23] **John Griffiths:** Yes. Okay, thanks for that. Steve.

[24] **Mr Jones:** If I could raise a point as well: it is about understanding your existing income sources as well. It's a case of trying to cost recover as best as you possibly can, and to understand if you are maximising your current existing income resources. So, there are a number of ways that you can basically look at income and try to understand that you are cost recovering as best as you possibly can. That your income fees and charges and how they compare with just other authorities, et cetera, as well—. So, there are a number of other issues we can look at.

10:15

[25] **John Griffiths:** Okay. Thanks for that. I've got a few Members who want

to come in on these matters. First of all, Jenny.

[26] **Jenny Rathbone:** Just on ways of generating for your communities, some local authorities in England have started community energy schemes, and I just wondered whether any local authority in Wales has got any, or considered them, or where we're at on that.

[27] **Mr Thomas:** I've seen some of the work that Nottingham's done. In fact, we met the deputy leader of an authority from Nottingham yesterday, and talked about some of these things. I think there is exploration of this, but, as I say, having that legal backdrop is going to be a key to this. I don't want to—

[28] **Jenny Rathbone:** You're saying that you can't introduce community energy schemes unless you've got the power of general competence.

[29] **Mr Thomas:** Well, you take Anthony's point, in terms of something as simple as an MOT. I've worked for Caerphilly—

[30] **Jenny Rathbone:** I want to stick with community energy.

[31] **Mr Thomas:** But there's a general point behind it. And the general point is you've got to be very careful when you go into these markets that you've got the legal backdrop to undertake the function. The issue when it comes to doing these things, MOTs, printing, all these other things—

[32] **Jenny Rathbone:** Okay, but are you saying we haven't even investigated whether or not local authorities have the competence?

[33] **Mr Thomas:** We've investigated it, but you've got to have the legal backdrop to do it. You've got to be confident in the legal backdrop that you've got to do it. And the result is what you don't want is an energy company taking you to court for breaking state aids, for example.

[34] **Jenny Rathbone:** Well, if it hasn't happened in Nottingham, why would it happen in Wales? It's the same the big five that we have to deal with.

[35] **Mr Thomas:** Because they have a power of general competence behind them, which allows them a greater flexibility in terms of moving forward.

[36] **Jenny Rathbone:** Okay. Well, perhaps you could send us a note to tie

this issue down.

[37] **John Griffiths:** Okay. That would be good. Sian.

[38] **Sian Gwenllian:** Cadeirydd, **Sian Gwenllian:** Chair, I'd like to ask rwyf eisiau gofyn ychydig o some general questions. Is that okay gwestiynau cyffredinol. A ydy at this point, before we go into the hynny'n iawn ar y pwynt yma, cyn i next sections? I just wanted to raise fynd i fewn i'r adrannau nesaf—jest some issues on the budget itself. I ychydig o faterion ynglŷn â'r gyllideb have heard the WLGA saying you ei hun? Rydw i wedi clywed y WLGA don't want to see any spin around yn sôn nad ydych chi eisiau gweld the way in which the budget is *spin* o gwmpas y ffordd mae'r presented, that you want it to be gyllideb yn cael ei chyflwyno, eich transparent. Do you think that this bod chi eisiau iddi fod yn dryloyw. A budget is more transparent than ydych chi'n meddwl bod y gyllideb previous budgets? yma yn fwy tryloyw na'r rhai sydd wedi bod o'r blaen?

[39] **Mr Rae:** If I could maybe start off on that one, then, I think it's a bit more transparent than previous settlements. I think we've had a lot more clarity around some of the specific grants, for example. Sometimes these get confused with the general settlement about how they transfer into the settlement or, in previous years, transfer out. You can see the kind of confusion that these transfers cause I think with some of the homelessness announcements.

[40] **Sian Gwenllian:** I'm coming on to that in a minute.

[41] **Mr Rae:** That's caused some confusion I think. We still need a bit more clarity around the additional allocations that have been announced for education and social care. There's a general—. And, again, I'm not sure—. It's not that it's not transparent; I just think that it's kind of complex, how these things are calculated, and, especially against a backdrop of legally what is an unhypothecated settlement, how is it that these things have been calculated that there's additional allocation—I think is the word—for education and social services? So, yes, maybe there's a bit more clarity than we've had in previous years. But we just need to understand some of the numbers a little bit better, I think.

[42] **Sian Gwenllian:** That precise point—.

[43] Y pwynt ynglŷn ag arian ychwanegol ar gyfer addysg a gwasanaethau cymdeithasol, £60 miliwn ychwanegol i addysg, £40 miliwn ychwanegol i wasanaethau cymdeithasol—yn eich barn chi, a ydy o'n arian ychwanegol ynteu a ydy o'n rhan o'r *pot* llywodraeth leol, ac ydy defnyddio'r gair 'ychwanegol' ychydig bach yn mynd at yr hyn yr oeddech chi'n ei geisio osgoi digwydd? Hynny yw, bod yna dipyn bach o *spin*, sef yr union beth yr oeddech chi, y WLGA, yn gofyn i'r Llywodraeth beidio â gwneud? Pam bod angen gwneud y sefyllfa yn aneglur drwy sôn am arian ychwanegol? Pam—? Rydym ni'n codi cwestiynau ynghylch a ydy e'n ychwanegol beth bynnag.

It's that very point on the additional allocations for education and social services, an additional £60 million for education, an £40 million for social services—in your view, is that truly additional funding or is it part of the local government pot, and is using the word 'additional' slightly going towards what you were trying to avoid? That is, it's a slight case of spin, which is exactly what you, the WLGA, were asking the Government not to do? Why do we need to make the situation more ambiguous by talking about additional funding? Why—? We're raising questions as to whether it is additional in any case.

[44] **Mr Hunt:** Do you want me to start on that? It's a fair point, because it is part of the pot, and the pot is decreasing. I get that we all want to try and safeguard education and social services, but it does sort of raise my eyebrows when it's described as extra money, because, where is the extra money? We've got less cash. And I, of course, will do everything in my power to try and maximise the proportion of that cash that goes into education and social services, but I have to do that with a decreasing resource. That's the reality of it. Those two functions take up £95 million of our £162 million budget this year. So, protecting them isn't a small thing. Protecting them means that there is a factor of 3:1 greater impact on everything else. So, yes.

[45] **Sian Gwenllian:** Diolch am egluro hynny. Jest un cwestiwn cyffredinol arall—

**Sian Gwenllian:** Thank you for that explanation. Just one further general question—

[46] **John Griffiths:** Just on this same point, before you do, Sian, is what you're saying then, really, Anthony, that, despite what Welsh Government has said about these additional amounts being available for education and social care, they're unlikely to affect actual allocations by local authorities to those

areas of spend?

[47] **Mr Hunt:** I will certainly be—. I take the point that the desire that's been clearly expressed there is for more money to continue to go into social care and education. On social care, the demand almost does that job anyway. You know, it's very difficult to take cost out of social care, because they are struggling to meet the extra demand within their budgets. And, as an authority that believes in protecting the vulnerable, it's very difficult for me morally to take money out of social care, even if I wanted to, which I don't. Education is the same. One of our clear priorities as a council is to put more money into the schools to increase outcomes. So, we take the point that that's what the Welsh Government want us to do; it's just that the bit that's slightly frustrating is the description of it being extra money, because it's not.

[48] **John Griffiths:** Thanks for that.

[49] **Mr Thomas:** You're in danger of debasing the term 'additional'. It's not additional, in the sense that you've got a £20 million reduction in the revenue support grant across local government. If it was additional, we would be talking about plus £2 million.

[50] **Sian Gwenllian:** My point is, what I'm asking you: wouldn't it be better not to have this label 'additional money' on money that is not additional?

[51] **Mr Thomas:** I think the use of the word 'additional' is the wrong term. It's an attempt to protect front-line services, which is laudable, isn't it? It's absolutely laudable, but to say that it's extra money—. It's not extra money; it's existing money within the settlement.

[52] **John Griffiths:** Okay. Sian, before you come back, I think Joyce wants to pursue this particular point.

[53] **Joyce Watson:** This particular point about additional money, and I'll take the education strapline, if you like: some of the money that we give, like the pupil deprivation grant—I think it's not called 'deprivation grant' now; it's changed—goes direct to schools. So, are you disaggregating the additional money that we might have headlined as additional money from your budget in terms of what might have gone directly to schools being maybe additional—I don't know; you do—and what goes to you?

[54] **Mr Rae:** No, I think we're just talking about the general settlement there; what comes to local authorities via aggregate external finance, or revenue support grant as it's more commonly termed. So, we're not taking account of the specific grants that either come to local authorities or go directly to schools there. But, just taking the education example, why this is confusing is that the Government is saying that there's an additional allocation of £62 million. Now, it says it's something to do with the—that it's protected the assumed or notional budgets, and what we understand as the assumed or notional budgets are the standard spending assessments within the formula framework. Now, the standard spending assessment for schools has only gone up £35 million. Now, that's a lot less than £62 million. So, how has the £62 million been calculated? And, actually, we were saying, as the WLGA, and it's in our evidence paper, that the pressure on the education service is £64 million. So if, in there, we do have an additional £62 million, we shouldn't be, really, complaining about it. But I think the sums show that it's not really there. This was a problem last year for the 2017–18 settlement, when there was an additional £50 million. If you want a definitive answer, I think, on why that's all very difficult for local authorities to manage, the chief executive from Gwynedd was in front of the Finance Committee up in Beaumaris back in July and I think he gave quite a full and frank account of what he thought about how these things were handled within the settlement. They're a soft hypothecation, I think is the best explanation.

[55] **John Griffiths:** Could I just ask, then, about the position last year? Is it possible for you to say whether that Welsh Government approach of identifying the additional amount last year had any impact on actual spend by local authorities on education?

[56] **Mr Rae:** I don't think so, because the problem is you don't know what otherwise would have happened. But it's certainly possible to analyse, from the expenditure data that's submitted centrally, what services received what kind of uplift, and I think, from the information we look at that comes from the forms that go back to the Welsh Government, there's still protection around social services and around education. If you look at one of the charts in our evidence paper—it's figure 3 on page 7—you can see that both social care and education have been relatively protected compared to all other services. So, since 2009, education has maybe dropped in real terms by about 8 per cent, social services is around about the same level, with a slight real-terms increase—all these figures are adjusted for inflation. And, if you're looking at the dark blue lines, every other service has basically—I was going to say reduced, but this has been blasted, there's nothing left in some

of them; 50 per cent reductions, 40 per cent reductions. So, relative to other services, those large services have been protected.

[57] **John Griffiths:** Okay. Well, thanks for that. Sian did you want to come back on—?

[58] **Sian Gwenllian:** Yes, please—not on this in particular but on another aspect of the general budget. I wanted to ask about reserves—the Welsh Government are saying now, ‘Use your reserves’; that’s what I’ve heard being said, and what your reaction is to that.

[59] **Mr Hunt:** I think our general reserve would last eight days if it was to run services. So, yes, we should use our reserves. One of the things I want to do increasingly is see how we could use our reserves, our general fund, to invest in socially good things. Is there a way of investing that money that has a good social outcome as well as being a good investment of that reserve? But the idea that it’s somehow a silver bullet to fend off austerity—I wish it was, but it’s not. So, yes.

[60] **John Griffiths:** I think Steve Jones would like to come in on this.

[61] **Mr Jones:** Yes, if I could add as well that authorities are using reserves at this present time as well. For instance, in my authority in Merthyr Tydfil, we are using £1.8 million of reserves over the next couple of years to offset some of the issues that we have in our budget setting. So, we are using reserves at this present time. But it’s always the case as well that we have to make sure that we do have an element of reserves to assist us going forward in case of emergencies, et cetera. So, we still have a figure where we would like to keep our council fund reserves at a certain level. But obviously we do use other earmarked reserves as well to assist us over the next number of years. For instance, if I can give you another figure for Merthyr Tydfil, for the current year, we are using nearly £2 million-worth of reserves. So, authorities are using reserves as well.

[62] **Joyce Watson:** May I ask a question?

[63] **John Griffiths:** Joyce, yes.

[64] **Joyce Watson:** The £2 million of reserves that you’re using, were they allocated or unallocated?

[65] **Mr Jones:** Those are allocated. Those are part of the budget setting and they've been arrived at because, over the last number of years, we've had a surplus outturn and so we've ploughed that surplus outturn back into our budget setting. So, those are planned reserves use.

[66] **Joyce Watson:** Because I think, if I can, Chair, what's being thought about is the unallocated reserves. Because I think we've got to draw a difference here, a separation, between allocated and unallocated.

[67] **Mr Jones:** It is, but it's still using reserves. It's still using reserves.

[68] **Joyce Watson:** I know it's still using reserves, but some are allocated, for good reason, and that is one of the questions, if I can, later on.

10:30

[69] **John Griffiths:** Steve, could you give us some—? You've talked about the Merthyr Tydfil budget and use of reserves and planned use. Could you give us some idea, then, of what level of reserves you wish to retain for the purposes that you mentioned in terms of financial propriety and so on? What's the percentage or what's the figure?

[70] **Mr Jones:** For us, as an authority in Merthyr Tydfil, we've got a range of between 3.5 and 4 per cent, and that's of our net revenue expenditure. So, at the current time, for Merthyr Tydfil, we've got our council fund reserves at the maximum of 4 per cent, which is around £4.6 million, but obviously that will vary in every authority.

[71] **Jenny Rathbone:** Indeed, and I wonder if I can just come in on this, because you're here, obviously, representing the Society of Welsh Treasurers.

[72] **Mr Jones:** I am.

[73] **Jenny Rathbone:** Clearly, there needs to be a judicious reserve retained for surprises, but where does Merthyr sit in the league table of reserves? Because that is the key question in terms of—. What would you regard, in your Society of Welsh Treasurers capacity, as the appropriate level of reserves that is prudent?

[74] **Mr Jones:** I don't think you can really answer that, because every single authority will have their own views and their own circumstances.

[75] **Jenny Rathbone:** They may have their own views, but what is the—?

[76] **Mr Jones:** It's the circumstances that change, basically, in every authority. We, in Merthyr, because of what's happened in the past, where we were overspending a number of years ago on social care issues—for us, we feel that a maximum of 4 per cent suits Merthyr Tydfil, but across every other authority, that will just vary.

[77] **Jenny Rathbone:** Okay, so there are two concerns here—

[78] **Mr Thomas:** The Wales Audit Office have generally said around about 5 per cent as a guideline.

[79] **John Griffiths:** And are the levels of reserves published?

[80] **Mr Thomas:** Yes.

[81] **John Griffiths:** Yes, it's a matter of public record anyway.

[82] **Jenny Rathbone:** Because there are two concerns. One is that some local authorities are holding much larger reserves, which they could be applying to these very challenging times whilst we have an austerity policy coming from central Government. And the second is: what are you using it for? If you're using it to stop unfunded gaps in your revenue, that's not sustainable, but if you're using it to invest to save, then that seems to me an appropriate outcome. So, how are local authorities spending their reserves when they are spending them?

[83] **Steve Jones:** Those are being used to protect our services, and services that are—

[84] **Jenny Rathbone:** Well, it could be said that you're actually just delaying the painful moment.

[85] **John Griffiths:** Jenny, I think Jon and Anthony would like to come in on this as well. Jon.

[86] **Mr Rae:** I shall let Councillor Hunt go first.

[87] **John Griffiths:** Okay. Anthony.

[88] **Mr Hunt:** It's a very good distinction. If it's an invest-to-save thing or an invest-to-improve thing, or a one-off cost, that's an appropriate thing to use reserves for. We put £0.5 million extra from reserves into social care, for example, to fund a group of workers who looked at trying to, for example, bring our looked-after children rate to an appropriate level and to do some work that will have lasting benefits. But as you say, you can't use it to plug gaps in the revenue, because you can only spend it once.

[89] **John Griffiths:** Jon.

[90] **Mr Rae:** There's no one-size-fits-all approach to an appropriate level of reserves, and I think, over time, the Welsh Government have recognised that. The Chartered Institute of Public Finance and Accountancy certainly recognise that, but one thing that Welsh Government has pushed over the past couple of years is for authorities to have clearer policies on reserves, and I think that's helped with the scrutiny of reserves in authorities to make sure that they get used more for exactly what Jenny Rathbone said, more for the invest-to-save type expenditure, because the bottom line is you can only spend it once.

[91] **Mr Thomas:** Would you like us to update you on the level of reserves—?

[92] **John Griffiths:** That would be very useful, yes. Thanks for that. If we move on, then—

[93] **Joyce Watson:** Can I just ask one question? Because I think it's the elephant in the room. A lot of the finance that you do keep, a lot of the reserves that you do keep, get used as match funding for European funds that your areas probably do reasonably well out of. So, what implication or what assessment have you made of the implication of ERDF/ESF funds that you're currently receiving and match funding? And in doing some of the things you've already talked about, what sort of assessment have you made of the impact of that, going forward, if you lose that?

[94] **Mr Thomas:** A lot of the reserves are not necessarily for European funding. A lot of them are kept for twenty-first century schools.

[95] **Joyce Watson:** Yes, I know, and that's the prime example.

[96] **Mr Thomas:** Twenty-first century schools is a 50/50 match funding situation at the current time. In terms of ERDF, I quoted an example the other day: at one time, at the start of austerity, if it hadn't been for European funding, we wouldn't have had capital programmes. That said, in recent years, I don't think we have used European funding in the way that we did during the Objective 1 programme, but we're very interested to see what will come out of this new regional funding policy that's been talked about post Brexit. And I think, from our point of view, we've got to determine, arising from the Brexit vote, where people in our communities would prioritise funding of that fund. But as you say, in terms of reserves, the vast amount of earmarked reserves are kept for twenty-first century schools.

[97] **John Griffiths:** Okay. Thanks for that. If we move on then, a question for the WLGA. Your assertion that you will have to make savings of 4.5 per cent of net budgets for 2018-19—could you expand a little on that, just to substantiate it? Jon.

[98] **Mr Rae:** I did the spreadsheet, so I'll start with that one. In our evidence paper, we've said that pressures on local government are running at around £200 million a year. For 2018-19, they are about £212 million a year. In the past, pressure for local government has been approximately 3.5 per cent. It's increased recently, mostly because of workforce pressures. So, when you take the £212 million, which is roughly about 4 per cent, and there's 0.5 per cent reduction in your funding, and there are a few things going on as well, the savings that, essentially, local government is making in aggregate approach £240 million or about 4.5 per cent. Now, that's before council tax, okay—before any setting of council tax. So, if you raise 4 or 5 per cent from council tax, then you bridge some of that gap so that the gap becomes something of the order of about 3.8 per cent.

[99] **John Griffiths:** Okay. And the impact of that level of cut on services.

[100] **Mr Rae:** I think it's one of those things where, to the man in the street or the woman in the street, a small percentage doesn't sound very much, but when you're protecting the large services, then the impact on the smaller services and the discretionary areas—that becomes double-digit cuts. Councillor Hunt has said this before in other committees; that it stops being a political choice. It becomes a mathematical inevitability, I think.

[101] **Mr Thomas:** Joyce mentioned the infamous elephant in the room. I think the elephant in the room is social care funding, because that applies to

most of the pressures that we're talking about here. You've all read the Health Foundation report. You've all seen the potential for costs in that report. Social care as a budget is about £1.4 billion or £1.5 billion. It will double in the next 10 or 15 years. With the best will in the world, you and Welsh Government are on a fixed budget, and you're not going to be able to fund all these things. It's just impossible. So, we've got to start thinking about some new ways of funding services in Wales, and I think—. I was very heartened by a little line in your recent publication, 'Prosperity for All', which said that you would look at new innovative mechanisms to fund social care. There's only one innovative mechanism to fund social care, and that's taxation. You've got to start thinking about that and you've got to start thinking about that now.

[102] **John Griffiths:** Okay, thanks for that. If we can move on, then, to council tax. Given this general picture that we've been discussing in terms of the settlement and pressures, what do you think is likely to be the implication, the consequences, for council tax? Are we going to see a continuation of what has been a trend, I think, for increases in council tax?

[103] **Mr Hunt:** I'll start on this one. The council tax question, for me, is a bit like being attacked by a bear and being asked what you're going to do with this stick of celery to fend it off, really. For example, in Torfaen, we've got a 0.8 per cent cash cut in our settlement, and that works out at £1 million. To even just plug that gap with council tax alone would require a 4 per cent rise in council tax, because we only get about £250,000 from each percentage rise in council tax. So, the gearing effect is dramatic. Council tax, as it stands, is completely insufficient as a mechanism, even if we wanted to. To meet our pressures with council tax this year would take a 20-odd per cent rise in council tax, because we only get 15 per cent of our income from it, and we'd never consider that. So you're left in this invidious position where you're expecting people to tolerate cuts in services and put the amount of money they're paying up, because people, quite understandably, don't understand that most of the money for local services comes from the settlement as opposed from council tax directly.

[104] So, in direct response to your question, I think Debbie Wilcox as the leader of the WLGA said it's going to be very difficult for councils to keep low council tax rises going. I'd be interested to see the position of people across Welsh governance as to what they prefer. With council tax, you often get a lot of people who are very agitated about council tax rises, but actually speaking to people throughout the year, more and more people are starting to realise,

I think, that in order to safeguard services that they value, that are there to protect the vulnerable, to educate our children, to keep our communities cleaner and greener, that they would be willing to pay a little bit more. Last year, we put our council tax up by 3.7 per cent. That worked out, I think, at about just over £40 extra for a band D house. I think there's that debate to be had about whether people would prefer a little bit more in council tax to help safeguard services. But it won't solve the problem, and I think we have to be honest about that, because the amount of money that we get in from increasing council tax won't solve that problem.

[105] **John Griffiths:** No. Okay. Well, thanks for that. Despite what you've just said, Anthony, I wonder if you could tell the committee whether the WLGA would like to see a change to Welsh Government's preferred maximum of 5 per cent, and whether you would like to see that lifted as a limitation.

[106] **Mr Thomas:** We've never agreed with capping, but I think local authorities, in one sense, have regulated themselves on council tax over the last 10 years, really. I mean, I can remember coming in front of this committee in the early days of the Assembly when one authority in Wales put up their council tax by 25 per cent in one year. And, you know, council tax rises one year were at an average of about 12 per cent. So, you know, there's been self-regulation of council tax over the last decade. But as I say, capping—I don't see the need for it. I think authorities know what is sustainable in their communities and they have responsibility as a result.

[107] **Mr Hunt:** With regard to that, that's what I'd prefer. Rather than a discussion about capping, let's talk to the 22 as responsible adults and have that debate. There may be cases where going above that cap would help protect a specific, vital service where the judgment is that that would be something that people would be prepared to accept. In other cases, it wouldn't. Certainly, from a Torfaen point of view, I'd be very reluctant to go above any 5 per cent figure just, because of the impact on people and their squeezed budgets, but I think we should be able to talk about it between different levels of government responsibly in an adult way.

[108] **John Griffiths:** Okay, and Jon.

[109] **Mr Rae:** Chair, just quickly, I understand what Councillor Hunt says there; that's quite an important point. There are some authorities that are almost kind of trapped in a low tax base, though, as well, and there's certainly headroom there, I think, for them to increase their council tax. But

Steve's absolutely right: there's been a kind of self-imposed threshold, I think. You know, I think there's been some pressure from Welsh Government Ministers as well to keep council tax below 5 per cent, and it's been below 5 per cent for the past 13 years.

[110] **John Griffiths:** Okay. Thanks for that. We'll move on, then, to another area of questioning, and Joyce Watson.

[111] **Joyce Watson:** Thank you. I'm going to go on to the funding formula, but just to add to your final statement, Jon, when you talk about some authorities being trapped in low council tax rates, and they've determined that for themselves—. I live in one such authority. It brags all the time, 'We have the lowest council tax in Wales', and yet hidden underneath that, the highest charging authority running side by side.

10:45

[112] So, I think a bit of honesty might go a long way here, but I will move swiftly on. I had to get that out of my system. We're talking about the funding formula and top-up funding, and it is the case that the WLGA agree the funding formula, and then everybody moans about it afterwards. So, I'd like to have your views on that funding formula, and if you're happy that it is functioning well this year.

[113] **Mr Thomas:** Can I correct one myth in this committee, because I think it would be useful to do it? One of the things that seems to be in the views of some Assembly Members and even some Cabinet Secretaries is that we set the formula. We don't. We've got the distribution sub-group, we've got a mechanism with Welsh Government, there's an Act behind it, so, from our point of view, we have discussions on keeping the formula up to date through the distribution sub-group, and the formula is now getting on. It's not a useful formula anymore. It's been in place for over 20 years, and it is creaking at the edges a bit. We joke that it's held together by plaster and duct tape.

[114] The only problem is that once you look for alternatives to that formula, you open up a huge debate, and the debate would take—. If you started talking about changing the formula now, I think it would take about five years—probably more than that—to actually change it around. But part of the problem that we've got with the formula—and we have this discussion particularly with rural authorities, because we certainly understand where

they're coming from—is that they look at the formula and they say that the formula really penalises areas where depopulation is occurring, where there's not a sufficient level of free school meals, and they're absolutely right. One of the things you can look at, in terms of the way the formula operates, is that inevitably, at the current time, Cardiff is going to finish on top of the list in terms of the formula, because of the growth in population in Cardiff, because of the growth in households, and because of the level of things like free school meals and a number of other factors.

[115] I think that the sustainability of the formula over time will need to be examined, but the problem that we've got at the moment is we've not got an alternative to that formula, and that formula, as I say, has been in place, tweaked and reformed over the last 17 years. There may be other ways of funding local government, but that will take a long time to determine. You cannot change that formula overnight.

[116] **Joyce Watson:** But if you do change it, any change will create a deficit. If somebody has an advantage with the same amount of money, somebody's going to have a deficit.

[117] **Mr Thomas:** Well, there was an attempt to look at the formula with something called the Bramley report a few years ago, and the Bramley report was about allocating funding in terms of—. It particularly looked at education, it looked at need in education, and it made a huge shift. But, again, it shifted money from rural authorities to urban authorities, and a purist would say that is probably right. You could argue that that is the way things should be with population growth, but at the same time, we do not want to bankrupt the rural areas. We do not want to penalise authorities who are experiencing a drift away of their population. In places like Ceredigion and Gwynedd, many young people move away from those areas, so I think we've got to try and work a formula that is fair and equitable and is not just about bums on seats.

[118] **John Griffiths:** I think Anthony wants to come in here as well.

[119] **Mr Hunt:** You point to the correct difficulty there. Changing formulas at a time of decline of overall resource is always going to be difficult, because in any change you'll have winners and losers. What we wouldn't want to do is to tip a loser over from a difficulty but manageable settlement to an impossible one, and there's not that much headroom between the two at the moment. I'm always—. You can talk about the formula all you want,

but at the moment, our problem with local services is the size of the cake. It's not just who gets what slice. I would make arguments about deprivation, being from a Valleys authority; next door in Monmouthshire, Peter Fox would make an argument about sparsity. At a time of declining overall resource, it's going to be very difficult to bring in any change without tipping someone or other over into the impossible side of the equation.

[120] **Sian Gwenllian:** And you've got some areas that have got sparsity and deprivation.

[121] **Mr Hunt:** Yes.

[122] **John Griffiths:** Okay. I know we haven't got a great deal of time left to us, but just in terms of the one per cent funding floor, was the WLGA consulted on that, and do you consider it appropriate and useful?

[123] **Mr Thomas:** There were discussions. There's not a formal consultation on the floor. There's not a, sort of, 'Do you think this is a good idea?' consultation. But there were discussions in the backdrop about what the possible level of the floor will be. Ultimately, the decision on the floor was a matter for the Cabinet Secretary, and the decision is taken within the envelope of the RSG and what funding is available. I think from our point of view, it's one of the things that, usefully, we could discuss a little bit more at the finance sub-group in terms of how we move forward, in terms of constructing the settlement over future years.

[124] **Mr Hunt:** I think it was a good thing this year and last year that the floor's been funded separately from outside, so you don't get a situation of robbing Peter to pay Paul. That's something that's been very, very welcome. And I think the floor is the right thing to do, again at a time of declining resource, because last year, especially, as the formula worked out, you'd have had authorities that were tipped over into a very difficult situation because of what the formula came out with.

[125] **John Griffiths:** Okay, thanks for that. Moving on, then. Jenny and local government priority.

[126] **Jenny Rathbone:** An interesting paper you've provided us with. Looking at the bar chart on page 6 of your submission, I suppose one of the key questions is, really, the hollowing out of planning and regulation, and what the implications are in the long term if you don't have innovating

planning services to enable you to attract new business and ensure that they deliver an attractive solution, a sustainable solution, to whatever they think they're about to do.

[127] **Mr Hunt:** That's the challenge on two fronts, isn't it? It's the lack of those services because of prioritisation of other things—right, though, as that may be—and also, you lose that ability because nothing we do in local government is unnecessary in that respect. None of our functions are unnecessary. As you say, planning may seem like a back-office function but it has implications beyond just planning into development in other areas. And also, we're getting to the point where—you know, what's the figure on planning? It's about 50 per cent savings, is it? You get into a situation where you can't save any more from those services, and if you're also saying that we need to protect schools and social care, it's a 'Where does it come from now?' argument.

[128] I'm concerned that our planning service in Torfaen—we're operating things like public protection and things like that on a dual-council basis now with Blaenau Gwent. We've looked to do that to try and provide greater stability and performance in those areas. The question is 'What next?', really. What can you do to keep those services going and to keep staff in those services, recognising that you do value the job that they do?

[129] **Jenny Rathbone:** So, a lot of the specific grants that were previously badged for particular initiatives have now been rolled into the rate support grant. Does that now give local authorities the flexibility to look much further at new ways of delivering services?

[130] **Mr Thomas:** The big one that's gone in this year is the sustainable waste management grant. It doesn't give you that much more flexibility because you're tied to the recycling targets. We've hit the 64 per cent recycling target and we've now got to meet the 70 per cent recycling target. If we're going to meet the 70 per cent recycling target, we've got to continue with the same level of investment, and possibly more, in the service to meet that target.

[131] So, it's great that the grants are in the settlements, but at the same time, as it goes into the settlement, the room for wriggle room is very small. And the broad question about regulation was as important, and I'll give you an example. I met with the Chartered Institute of Environmental Health recently, and I think some of those smaller services, like environmental

health, the regulatory services, are becoming so thin on the ground that it's going to cause us real problems at some point.

[132] **Jenny Rathbone:** Okay, but now that you—. With the grant you now have, mainly in the rate support grant, does it now give you the flexibility you need to look holistically at your priorities? I mean, I suppose the big question is, you know—. Some English authorities have been forced to cut their budgets by to 50 per cent or go to prison. So, what have Welsh authorities learnt about how you can reframe public services without losing the innovative and important public services that everybody rely on?

[133] **Mr Rae:** I've got a list of the grants that were announced yesterday here; none of them have been for planning or regulation. There's still—

[134] **Jenny Rathbone:** Okay, but you've got a pot of money called the rate support grant, and it's down to elected members to decide how they're going to apportion their budgets.

[135] **Mr Rae:** Indeed. And, as that graph shows, at an aggregate level, those priorities have been focused on those large services. Going back to the grants thing, we welcome grants coming into the settlement, but as was announced yesterday, there's still £600 million outside the settlement. Now, as more grants are announced, that'll probably rise up to about £800 million or £850 million, I think. So, there's still a substantial amount of specific grants outside the settlement; it's not offering that much flexibility, although the money that's coming in for 2018–19 and beyond is obviously welcome.

[136] **Jenny Rathbone:** But unless there's some substantial change in UK Government policy announced at the end of November, the Cabinet Secretary for finance is clearly highlighting that, for 2019–20, there is going to be a reduction of £3.5 billion in the amount of money that Wales gets. So, it's really how we plan, potentially, for continuing reductions in the amount of money coming from the UK.

[137] **Mr Thomas:** Are we convinced about that? Are we convinced that it's going to be £3.5 billion next year?

[138] **Jenny Rathbone:** No, we're not. We don't know, because, obviously, the Chancellor could stand up at the end of November and say something completely different.

[139] **Mr Thomas:** So, that would be £100 million of cuts allocated to Wales if the £3.5 billion stands. If it doesn't stand, that means that it's £100 million that you don't have to take account of. I think, in terms of going forward, as Jon says, in terms of specific grants, I think it's a figure of something like £91 million—worth that's gone in this year. It does give more flexibility; we welcome it, but it's not a showstopper. The showstopper is the quantum and the quantum is the problem that you're highlighting.

[140] **Jenny Rathbone:** Okay, but nevertheless I'm trying to probe as to how councils are planning for the future, which is potentially even more challenging next year than the current financial year. Clearly, in order to sustain all the responsibilities that you have, you're going to have to look at how you can deliver some services more efficiently. So, Councillor Hunt, you've already spoken about social services and some of the things you've done to invest in preventative services in order to potentially save money. When we're looking at social care, at the moment, it's provided, in the main—certainly in my local authority—by private providers. There are alternative models of doing things. How much are we looking at different ways of doing things?

[141] **Mr Hunt:** A lot. To take you through the example I know best, which is my own authority, in almost every service area, we're looking at how we can do things differently. I've mentioned public protection, for example, which we deliver jointly with Blaenau Gwent now, to try and provide extra resilience for that service, which has had a lot of money taken out of it. Our payroll, for example—we work with Monmouthshire across the border and we're looking at what we can do more with the five Gwent authorities to work on a Gwent footprint there. In every service area, we're looking at that.

[142] In the centre of our organisation, we took £1 million out last year by restructuring how we deliver internal central services, from communications to other sort of administrative support services. We're looking at each and every one of those. Within our service areas, there are lots of examples. We find more now—. The public protection example, for example, we found gave us greater resilience and greater performance actually more than it saved us money, and I think we're finding that increasingly with other services. We're more than happy to deliver them in collaboration with other areas. Our information and communications technology services are handled by the SOS across four authorities in Gwent, hopefully with a fifth coming on board, and the police as well. So, we're looking at those things.

[143] Some of the examples from across the border in England are very worth looking at. Some of the things that the authorities around Manchester have done are very good models for us to look at, others less so.

11:00

[144] One of the things they've had in England that isn't good from my point of view is a Government that has just told them, 'Go ahead and do your worst', basically, 'Do whatever you want to do'. So you've had lots of things put out to the private sector that may bring short-term savings but, in my view, are going to bring long-term difficulties. You've had some services that are at the point of collapse, and you've seen the effect of social care on the health service in England last winter. So yes, we're more than—. I'm up for any discussions about doing things differently, about innovation, because you're right—we do have to adjust to a future where there's going to be less money. But there are red lines for us in Wales around how you treat your workforce, for example, around outsourcing, that make that difficult, and I don't think that's going to be the silver bullet to solve all our savings, unfortunately. I wish that it was.

[145] **Jenny Rathbone:** Okay. Pursuing—

[146] **John Griffiths:** We're going to come on to these matters later. We have some questions on financial resilience and efficiency.

[147] **Jenny Rathbone:** I was going to just ask about potential wage pressures.

[148] **John Griffiths:** Yes, okay.

[149] **Jenny Rathbone:** Because, obviously, there's a lot of concern by trade unions on behalf of their members that a 1 per cent cap is unsustainable and, equally, pressure to ensure that all local authorities are paying the living wage. I just wondered what your perspective is on managing those pressures in the context of, at the moment, no more money on the table.

[150] **Mr Hunt:** I believe that public sector workers as a whole, and local government workers in particular, deserve a break. They've had a 20 per cent real terms pay cut and I'd support measures to try and address that. But they do need to be funded by the UK Government, because unless they are properly, then the impact on employment in local services will be drastic. So,

I think I believe that the case has been made, and I hope that the UK Government will put their money where their mouth is, really, and properly fund a decent pay rise for public sector workers.

[151] **John Griffiths:** Okay, thanks for that. We've touched on some of the matters, but I don't know, Bethan, whether you might want to explore a little more which services are likely to be priorities beyond health and social care.

[152] **Bethan Jenkins:** Yes, I think most of the questions with regard to social care and protected budgets have been asked, but it's really about the fact that, obviously, the Wales Audit Office have said there'll be a 30 per cent real terms cut in other areas that are not protected. So, I'm wondering, within the scope of what's not protected, how will you deem to prioritise what's most important from those areas, given that, as you've mentioned many, many times, everything else is going into those two front-line service areas?

[153] **Mr Hunt:** We're left in a bit of a situation of Hobson's choice, because quite rightly education and social services are protected, although that doesn't mean it's easy for those services, or that we don't look for savings in those services to recirculate back into those services. Certainly, schools—we protect schools as opposed to the education service as a whole in Torfaen, but schools have got pressures to deal with, so it's not easy for them. I think they'd ask me to point that out. But you're right. We did our residents survey recently, and most of the things that the majority of people use on a day-in, day-out basis are in the other 30 per cent, and it's how we protect those areas. In Torfaen, we've got a very clear corporate plan that gives protecting the vulnerable, improving educational standards and a cleaner and greener borough as our three priorities, which means that, in the other 30 per cent, we've prioritised the cleaning and greening services in there. However, of course, Steve's mentioned the recycling targets. That effectively means we need to prioritise keeping our recycling rate going up. We've got no choice, otherwise we'll miss the targets. So, again, that's another chunk taken out of that 30 per cent. Another chunk taken out of that 30 per cent is financing costs that are very difficult to adjust. So, you're left with a very small pot from which to save.

[154] **Bethan Jenkins:** The flexibility with the unhypothecated grants are not helping you to determine how you can be more flexible. You're still saying, even though that grant may be more flexible, because you still have to reach the targets, it's actually not that flexible.

[155] **Mr Hunt:** It improves the situation because you're not hemmed in, again, by another thing, but you're still very much hemmed in by expectations. You get to a situation where you're left with very few places to turn. Library services, for example, would be something that would be valued by many members of the public, but if you protect education, social services, cleaning and greening and you have to protect areas like refuse collection to keep hitting the targets, you're left with almost nowhere else to turn. It's what we can do within those areas to be imaginative. For example, instead of closing a library, what you can do to make savings whilst keeping the service open. But you can do that for a certain number of years before there becomes nowhere to turn. That's the danger.

[156] **Mr Thomas:** The massive advantage of de-hypothecating grants is the administration costs that you save in-year. I think the Wales Audit Office came out with a figure recently, didn't they, that £700 million-worth of specific grants cost £70 million to administer. If all those grants were in the settlement, you'd remove that administration cost. But the grants going into the settlement, particularly the sustainable waste management grant—and I know there was a lot of concern by environmental groups that we were going to go off on one last week and spend the money on all sorts of weird and whacky things—the bottom line is that those targets are statutory targets. We've put a huge investment into waste management over the recent period. It's been a revolution in Wales, the way we've changed people's recycling habits, but to get to that 70 per cent is going to be a huge challenge. So, the idea that any authority would now say, 'Oh well, we'll take our foot off the gas on that one', is not going to work. You're going to have to keep spending the money in that area.

[157] **Bethan Jenkins:** So, the same would be true of yesterday's potential confusion over Supporting People, where there could be flexibility to spend between Communities First, Flying Start and Families First in several local authorities? What would you say to that because, obviously, my concern would be that potentially it may not go to Supporting People, but the intention was for it to do that? Clearly, you would support unhypothecated because I've never heard anything different from local government, but in terms of those vulnerable people and those corporate strategies that you all have, how would you say that you would be able to satisfy people's concerns that you would be spending it in the appropriate way?

[158] **Mr Thomas:** From our point of view, the Supporting People budget is a classic one. It's £120 million. I'm not certain if it is coming into the revenue

support grant; let's wait and see how it plays out. But, again, there are budgets and there are programmes attached to this that you're not going to cut, particularly in the current environment where we've got a level of rough sleeping emerging, we've got a level of homelessness. You will not cut those budgets. They are key budgets in terms of supporting people in need and supporting some of the problems that are arising from welfare reform. So, I think again there's a—

[159] **Bethan Jenkins:** There is no guarantee, is there, though? You could just decide because you're so strained in x area that you could move that money around then. That's what I'm trying to get at. That's not, therefore, protected in the way that it would be now.

[160] **Mr Thomas:** One of the things we've done with specific grants when they've come into the RSG for a period of time is protect them within the RSG. We will take a view—. Children First was a classic one, which was a £21 million grant that came into the RSG, and we agreed to stick with those priorities for a period of three years. There are ways and means of ensuring that the money is spent in the same area, and I think Supporting People is one of those ones where the idea that local authorities would demur from some of the priorities of Supporting People would be very odd.

[161] **John Griffiths:** Could I just bring—. Oh, sorry, go on, Anthony.

[162] **Mr Hunt:** I understand that concern; it's a concern that's born of the fact that in Wales generally we care about the outcomes of things like Supporting People. But what I want to do is—. The freedom gives us the flexibility to focus on outcomes rather than focus on ticking process boxes for four different schemes. I can give you reassurance, certainly in my council area, that we will spend every single penny, and probably more, on trying to advance the outcomes for vulnerable people in terms of the Supporting People grant. Maybe this is a way that we can have that more grown-up relationship between the Welsh level and the local government level, so that in a year's time hopefully you'll be able to come back and ask us to evidence how we've spent that money on improving outcomes for people and that we can show you that, as opposed to running round ticking boxes to fill specific grants. That would be my broadcast in favour of the flexibility. It's not that we don't want to spend the money on the outcomes that we all share; it's that we want to spend the money on achieving those outcomes and not on ticking the boxes to satisfy different specific grants.

[163] **Bethan Jenkins:** I'll just finish on this: it's how people can then—like you say, it's about accountability—track that through. Sometimes scrutinising local governments can be very hard especially if some of them don't want to be scrutinised and don't put their proceeds in public view, for example. It's very, very difficult, you must appreciate. So, if it's then taken out of that hypothecated control, where organisations and people can feel that they can scrutinise that more effectively, then there would have to be some sort of mechanism to improve how they could scrutinise what you would do with it on a local authority level, as far as I would be concerned.

[164] **Mr Hunt:** That's the quid pro quo we have to accept as local government. If we have greater freedom, it comes with that accountability for the outcomes. I wouldn't argue with that at all. That's the quid pro quo.

[165] **John Griffiths:** Okay. Thanks for that.

[166] **Mr Rae:** Just quickly, I'm not sure there's any evidence of grants going into the settlement and then having been spent on some weird and wacky local priority. You know—

[167] **Bethan Jenkins:** I've never said 'weird and wacky', if I'm honest. You've said that.

[168] **Mr Rae:** I mean, what's the evidence—?

[169] **Bethan Jenkins:** I didn't say that at all.

[170] **Mr Rae:** No, no, absolutely. Sorry, I—

[171] **Bethan Jenkins:** There's just a concern that it would not be spent on that specific—

[172] **Mr Rae:** But is there evidence that that's happened in the past? That's what I'm trying to say.

[173] **Sian Gwenllian:** There's evidence in England that the Supporting People grants directly for women's refuges—there's been a real curtailment in the services. So, there is evidence.

[174] **John Griffiths:** Yes, okay. We must deal with what's happened in Wales. I think we've fleshed out the parameters of this debate sufficiently. Janet, did

you want to come in on this?

[175] **Janet Finch–Saunders:** Just on that point, I know that, last year, I think the previous Cabinet Secretary put great weight on the KPMG report that identified that £151 million or £153 million of savings could be met prior to any local government reform in terms of back-room facilities and things like that. I just wonder whether you think as a body, the WLGA—. We do spend a lot in Wales, reviewing this, reviewing that and writing a report. Do you actually believe that any savings have been acquired as a result of that? There was meant to be fairly strong guidance from Welsh Government, from the top down, to play your part within that particular area and bring about those back-room savings and administrative costs.

[176] **Mr Hunt:** I certainly think that advances have been made, but more needs to be done on things like payroll and transactional HR—stuff like that. The difficulty I have with the KPMG figure is that wasn't paper clips; that was jobs. You can say, 'Let's save that money' or you can say 'Let's protect employment terms and conditions', but you can't have both, and that would be my slight frustration at that approach. If we say that we're going to have the employment Green Paper and we're going to protect employment and terms and conditions, which I'd want to do, and reject short-term gain of outsourcing, then that's fair enough, but the KPMG figure wasn't paper clips, and we should do everything we can to work towards greater efficiency. I always use the phrase 'ruthless efficiency in everything we do in order to protect front-line services', but that KPMG figure couldn't be reached, in my view, without crossing a lot of red lines about how we want to treat people who work in local services.

[177] **John Griffiths:** Okay. We've got just over 15 minutes left. Could I just ask a question on the additional resource identified for homelessness? Some of that—I think it's £10 million in each of two years—has been identified by Welsh Government as being additional. Some of it will go into the revenue support grant, and other parts of it will go to the voluntary sector and particular projects. Are we in the same situation that we discussed earlier in terms of whether something is additional or not as far as that is concerned? Or is it in a different category?

[178] **Mr Rae:** I think it might be a little bit clearer in that it is additional resource, and we would have looked at a reduction slightly larger than 0.5 per cent. So, I think, in this case, it is clearer, Chair.

[179] **John Griffiths:** Okay. Thanks for that.

[180] **Mr Hunt:** In terms of what we're doing, I met with cabinet yesterday to discuss what we can do to tackle what is a growing problem and with massive implications in terms of the rest of our services.

11:15

[181] Certainly, if you look at looked-after children rates, they're beginning to go back up, and I fear that that's a result of things like universal credit and benefit reform that have impacted on some of the people who are on the cliff edge of high dependency on local services. So, I think it's something that we should look to spend money on, because at the end of the day, as well as being the right thing to do by people, it's something that, in the long term, will save us money.

[182] **John Griffiths:** Okay. Thanks for that. I'm glad you mentioned the long-term saving of money, because I'd like to ask you—again, we haven't got a great deal of time, but quite briefly, if you could: what impact do you think that the Well-being of Future Generations (Wales) Act 2015 has had in terms of local authority planning of budgets? It's supposed to be about long-term and preventative spend and we all know that there are very considerable pressures at the moment, so in that sort of scenario, what impact would you say that legislation has had in terms of budget setting?

[183] **Mr Hunt:** For me, as a member, it's been positive. It's provided me with an extra string to my bow to talk to officers about planning for the long term, because otherwise, in a situation of declining resource constantly, you could just be dragged into firefighting and short-term thinking. In Torfaen, as I said, last year, we put an extra £0.5 million into early intervention and prevention strategies, and that's very much along the lines of the ways of working of the Act. We screen every report that's made and we are trying to move, when we screen that, back to the initiation-of-ideas stage so that anything that we do isn't a case of short-term gain and long-term pain. That's very much in line with the principles of the Act. So, for me, it gives another string to our bow to try and do more preventative work and not be short term in how we think about our services and the savings we make.

[184] **John Griffiths:** Do we think it's having a considerable impact across Wales?

[185] **Mr Thomas:** I think the biggest challenge it gives is for the Welsh Government. You see that in the publication of the Wales 2025 report, which suggests that by 2021 health spending in Wales will amount to 56 per cent of the Welsh Government budget. The future generations Act talks about integration, doesn't it—how you integrate budgets across Wales and how you plan for the future. The issue, if that does happen, if that figure is reached—and you're nearly up to 50 per cent now—if that figure is reached, on a fixed budget of £15 billion, that's basically a transfer of costs of about £500 million to £600 million worth of expenditure into the health service. So, the question for the future generations Act is: how do you manage that and what does that mean for other services? Because if we see it as an integrated system and we see it being about protection and about some of the preventative services, clearly the experience from England suggests that if you're cutting social care to protect health, you're biting your nose off to spite your face.

[186] **Mr Hunt:** Because we run preventative services. Education is the ultimate preventative service, but homelessness we've talked about, housing and social care—these things are preventive areas of spend. We would argue that the principles of the Bill mean that we should get due consideration when resource is handed out.

[187] **John Griffiths:** Do you think it is—notwithstanding the challenges for Welsh Government—for local government, having an impact right across Wales in terms of behaviour in planning budgets?

[188] **Mr Rae:** As the WLGA, we funded a programme of early adopters and I think that's worked really well. Plus, I still think we've got a challenge in some of our financial areas. We've had good engagement with the future generations commissioner's office. One of their officers came, I think, to a recent meeting of the Society of Welsh Treasurers. It's not just about the budget-setting processes, although I've seen some improvements. I'm not monitoring every council here, but of the ones that I've looked at, I've seen some authorities certainly aligning their processes—putting the Act at the heart of their budget decisions—but also on some of the big decisions that we'll be making in the future as local government. I'm thinking about capital investments around city regions, for example, and potentially around the pooling of local government pensions and the infrastructure investment that potentially sits alongside that.

[189] **John Griffiths:** Okay. Janet—on this?

[190] **Janet Finch–Saunders:** No, on financial resilience.

[191] **John Griffiths:** Okay. We've dealt with some of this, haven't we, so perhaps we can be quite brief.

[192] **Janet Finch–Saunders:** Yes, okay. I'm referring again to the previous Cabinet Secretary. He stated that he felt that local authorities have known about the austerity and the savings that were needed over the years and that you haven't planned accordingly. How would you respond to that?

[193] **Mr Hunt:** By saying that we have, but there are no easy quick wins. And yes, we should be—. Certainly, as a member, I'm always asking questions about what our officers have done to enhance the collaboration and innovation to make sure that you've not got a situation where, you know, there's protectionism springing up. But, you know, it's not an easy thing, because even if you innovate and collaborate, you've still got as many bins to collect, and you've still got as many people to take care of, and as many children to educate. But I'd argue that, around Wales, you've got some really good examples of local authorities innovating and doing good things to keep services going while saving cash. Otherwise, I don't think we would have kept going for the last seven years, if I'm frank.

[194] **Mr Thomas:** I'm almost in danger of asking you a question again. The issue is, when we started down this road in 2009–10, if you'd said to me that, seven years later, we'd be still doing this—. You know, nobody was planning for this. The Chancellor of the Exchequer wasn't planning for seven years of austerity, I don't think. The plan was to eliminate the deficit at one time, wasn't it? So, I think it's a very difficult period that we've gone through. Previously, at any point since the second world war, up until this seven-year austerity period, we'd only had two consecutive years of public spending cuts. So, this seven-year period has been extraordinary, and if it lasts a decade, it's a lost decade for public services. Local government has been absolutely at the forefront of this. Local government has been cut more than any public service across Wales and has managed that, I think, in a very measured and robust way. There have been comments made about the difference between the way local government deals with budgeting and health. I think we both can learn from each other in terms of how we move forward. But, as I say, if you compare our figures to other public services in Wales, I think there's a story to be told there, and when you look at services like economic development in the Wales public services report being cut by

66 per cent—well, if it goes to 70 per cent, sustainability goes out the window. It's that sort of level.

[195] **Janet Finch–Saunders:** Okay, thanks. I'm probably going to open up the next slot without realising, but my final question: can Wales, going forward, afford 22 local authorities, 22 chief executives, 22—

[196] **John Griffiths:** Janet, that leads us very nicely into local government—

[197] **Janet Finch–Saunders:** Yes—you know I want that question, because I've kept myself for it.

[198] **John Griffiths:** Well, it's local government reform. I think Gareth—

[199] **Janet Finch–Saunders:** Yes, I know, but if I could just have an answer to that question.

[200] **John Griffiths:** Janet, Gareth is going to seek answers on these questions.

[201] **Gareth Bennett:** I don't mind Janet asking.

[202] **Janet Finch–Saunders:** Thank you.

[203] **Mr Thomas:** Can I answer it? The bottom line is that, in the debate in here, you didn't agree on a way forward. In the debate out there, we didn't agree on a way forward. Everybody had different views on this. The bottom line is it's not going to happen now for—. If somebody decided to do it tomorrow, it couldn't happen for at least four or five years. So, let's put that one side now and let's get through austerity. I think that's the big issue in the next period.

[204] **Mr Rae:** Even if it did happen tomorrow, it wouldn't plug the funding gap.

[205] **John Griffiths:** Okay. Gareth has some questions on this topic.

[206] **Gareth Bennett:** Yes. They are to do with regional working and collaboration. Anthony covered a lot of what is happening in Gwent. You said that a lot of services are being shared in that region. So, I don't know, Steve Jones, whether you can enlighten us as to what is happening with Merthyr in

that area.

[207] **Mr Jones:** There's just a couple of things happening in Merthyr at this present time. One is that we are looking, with Rhondda Cynon Taf and the Vale of Glamorgan and Bridgend, at a shared internal audit service. So, that is something now that we're just currently looking at, and, hopefully within the next six months, we will get a way forward with this.

[208] There are a number of other things as well ongoing. One is that, as far as integration goes, for instance, we are looking, within Merthyr Tydfil first of all, at our corporate support services and how best we can just run those inside the authority. But there are a number of things we've be looking at as well with Rhondda Cynon Taf. We held a workshop, in fact, with Rhondda Cynon Taf about six months ago now, and we were looking at all of our support services and whether there just was any mileage in whether we could share some of the support services. We looked across the breadth of accountancy, we looked at HR, legal services, and we looked at services in IT as well. Coming out of that is that we're looking at whether or not we are able to work with Rhondda Cynon Taf in IT. So, there are a number of things at this present time, but it'll take a bit longer, really, to resolve.

[209] **Gareth Bennett:** Yes. Thanks for that. Does the panel think as a whole that this is being done enough, this idea of regional working, and is progress being made in that area? I don't know—Steve Thomas, maybe you've got a view on that.

[210] **Mr Thomas:** In terms of regional working, you know the score out there: you've got the various city deals in place, you've got the North Wales Economic Ambition Board, you've got the Growing Mid Wales partnership, and you've got the Swansea bay city region. So, there is a range of service provision already undertaken at the regional level. Regulatory services in Cardiff, the Vale and Bridgend are undertaken in a shared service. Anthony mentioned in terms of environmental health between Blaenau Gwent and Torfaen. There's a lot of that going on, but there will be more of this going on.

[211] The discussion with the Cabinet Secretary at the moment about local government reform is about the regionalisation of services. One of the things that that might do—I'm not saying it's guaranteed, but one of the things that might do—. If, for example you're seeing the economic development service indeed cut by 66 per cent, what it might provide is more resilience if you

take it up to that regional level. People are looking at the way forward in terms of some of the smaller services in particular. I know the city region in south Wales is looking at the joint transport authority in terms of how they move forward. So, lots of discussions are going on in these areas that undoubtedly will accelerate.

[212] **Mr Hunt:** That takes us back to Janet's question as well in that I think we have to be clear: can we afford the status quo? No. But that means we have to continue that drive to innovate and collaborate. The 22 chief executives is a bit of a red herring really, because in the grand scheme of things that's not a lot of money here or there. The money is in working together innovatively in the way we're trying to do, certainly across Gwent, and hopefully we can continue that pace of change and make sure that we do everything possible to safeguard outcomes for people whilst making savings in councils.

[213] **John Griffiths:** Gareth, before you come back, I think Jenny has a point on this matter. Jenny.

[214] **Jenny Rathbone:** I accept that there's plenty of innovation going on, and you've mentioned many of them in your paper, but some of the amalgamation of services that we're talking about is what I would describe as low-hanging fruit, because this is not customer-facing services. You mentioned that Torfaen and Monmouth now have a joint payroll, but why don't we have a joint payroll across the Cardiff capital region with all 10 local authorities? I can't see what the barrier to that is, beyond a reluctance to bite the bullet. Things like IT, HR, economic development—are these not things where you could easily bring these things together without the public noticing any difference in the quality of the service? In fact, they will probably notice an improvement.

[215] **Mr Hunt:** Certainly that's the direction of travel we need to move towards in those areas. Hopefully, some of the collaborations are a stepping stone towards wider things. Certainly, on a political level, there's no reluctance to that from my part. When you get to some of the bigger-scale services, I would say—and I would say this as a Valleys council leader—we need to look at where we locate those services in a socioeconomic way, so that we don't drain employment from towns like Pontypool and Ebbw Vale. But we need to continue that work.

[216] **Jenny Rathbone:** I completely agree that this is not about a land grab

by Cardiff. This has to be locating services in areas where there are fewer jobs available. But I'm concerned about the pace of change given that we've been talking about some of this for quite some time.

[217] **John Griffiths:** I think we've heard, haven't we, that there's a fresh impetus now from the Cabinet Secretary for local government and we will have legislation coming along before too long, Jenny. So, we'll just have to follow events and see how that pace quickens, I think. Gareth did you want to come back? You're content. Anthony.

[218] **Mr Hunt:** Just in response, Chair, I recognise that need for pace. I think it's fair to say there is a new generation of local government leadership in many of our councils. We've got Debbie at the helm now in the WLGA and we're all keen to have that conversation about how we drive things forward.

11:30

[219] Obviously, the current councillors were only elected in May, so let's maybe use that change to help drive that process forward and knock down some of the barriers to doing things differently and collaborating that there have been in the past.

[220] **John Griffiths:** Okay, well thank you very much for that. That brings this evidence session to a close, so may I thank all four of you very much for coming along to give evidence to the committee this morning? You will be sent a transcript to check for factual accuracy. Thank you very much.

### **Papurau i'w Nodi Papers to Note**

[221] **John Griffiths:** That takes us on to item 5, which is papers to note. Paper 2 is the letter from me to the Secretary of State for Work and Pensions in relation to making the economy work for people on low incomes, and on the same topic—indeed, all the papers to note are on this topic of making the economy work for people on low incomes—paper 3 is the letter from me to the Cabinet Secretary for Communities and Children; paper 4 is a letter from the Permanent Secretary to Sian Gwenllian in relation to those matters; paper 5 is correspondence from Tinopolis Cymru; and paper 6 is correspondence from Puffin Produce Ltd. Are Members content to note those papers?

[222] **Joyce Watson:** I'm content to note them, but can I ask if we've had any response, or when you can expect a response, particularly to the very first one, 5.2, on universal credit?

[223] **John Griffiths:** Well, we haven't long sent the letters, it's fair to say.

[224] **Joyce Watson:** It'll be six weeks then, will it?

[225] **John Griffiths:** We'll do all we can to ensure a prompt response, I think, is all we can say, really. But if we don't get a response within the proper time frames, we will certainly chase that response.

[226] **Joyce Watson:** Thank you.

[227] **John Griffiths:** Okay. Right. In accordance with the decision of the committee earlier, we will now revert back to a private session.

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:32.  
The public part of the meeting ended at 11:32.*