



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyfrifon Cyhoeddus **The Public Accounts Committee**

Dydd Mawrth, 1 Gorffennaf 2014
Tuesday, 1 July 2014

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol
Others in attendance**

Alan Morris	Swyddfa Archwilio Cymru Wales Audit Office
Jon Rae	Cyfarwyddwr Adnoddau, Cymdeithas Llywodraeth Leol Cymru Director of Resources, Welsh Local Government Association
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Steve Thomas CBE	Prif Weithredwr, Cymdeithas Llywodraeth Leol Cymru Chief Executive, Welsh Local Government Association
Dilwyn Williams	Cyfarwyddwr Corfforaethol, Cyngor Gwynedd a Chadeirydd Cymdeithas Trysoryddion Cymru Corporate Director, Gwynedd County Council and Chair of Society of Welsh Treasurers

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

Fay Buckle	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

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

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. I just remind Members and witnesses that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free

to contribute to today's proceedings through either English or Welsh, as they see fit. Headsets are available for translation. I encourage everybody to switch off their mobile phones and any other electronic equipment, or to put them on silent mode, and I just remind everybody that this is a formal public meeting, so the microphones will operate automatically. In the event of a fire alarm, we should follow the directions of the ushers. We have not received any apologies for absence, so we will go straight into item 2 on our agenda.

Papurau i'w Nodi Papers to Note

[2] **Darren Millar:** We have the minutes of our meeting held on 24 June. I take it that those are noted. We will move on to item 3.

Cwrdd â'r Heriau Ariannol sy'n Wynebu Llywodraeth Leol yng Nghymru Meeting the Financial Challenges Facing Local Government in Wales

[3] **Darren Millar:** The committee has already taken some evidence on this from the Welsh Government, from June Milligan, the director general of local government and communities on 17 June. These evidence sessions arise from the publication by the Wales Audit Office and the Auditor General for Wales of his report, 'Meeting the Financial Challenges Facing Local Government in Wales'. You will be aware that we are taking evidence this morning from the Welsh Local Government Association, and I am very pleased to be able to welcome Steve Thomas, the chief executive of the Welsh Local Government Association; Jon Rae, director of resources at the WLGA; and Dilwyn Williams, who is here both as corporate director of Gwynedd Council and as chair of the Society of Welsh Treasurers. Welcome to you all.

[4] Obviously, the report that the auditor general produced set out some very difficult messages, particularly over the next three or four years, for local government. What is your response as local government, and as the representatives of local government, to the messages in that report? Please feel free to make any opening remarks in your initial response.

[5] **Mr S. Thomas:** Thank you, Chair, and thank you for the invitation to the committee. Our response to the report is that we think that it is a realistic assessment of the challenges ahead. We think that the judgment made by the auditor general on cracks beginning to show in some areas is a judgment that does stand up to some empirical evidence. Where we come from, however, while we recognise that there are failings in some of the strategies out there, the general view is that most of the strategies are fairly robust. I suppose that the key issue for us is not the strategies, but the implementation of the strategies. Ultimately, you can have the best strategy in the world, but if you cannot implement it, you have a really big problem. We are working on projections from Welsh Government that are coming annually to us at the current time.

[6] We have had a revised projection in the last week, which is for us to plan down to levels of -4.5% for next year. That is from an indicative assumption that was published before Christmas of -1.5%, so, clearly, there has been a major shift in terms of assumptions. Many authorities have planned for worst-case scenarios like that, but the longer this continues, the more difficult it gets. The projections up to 2018—I think 2018 will be a crunch year—are pretty appalling. So, the ability to plan and deliver some of the cuts that we are talking about is going to be the biggest challenge facing local government in the next five years, and I say that without there being any other issues. Williams, to some extent, is a sideshow. If Williams is happening in 2020, it does not help us one bit six years hence. We defeated fascism in Europe in six years, so when we are talking about local government reorganisation, it does not help us at all; I do not see that there is any silver bullet. What we see essentially over the next

few years are very much hard yards. As a result of that, this session is timely. The continued scrutiny of the way in which local authorities do business around this is timely. From our point of view, if you have suggestions in terms of the way forward—in terms of how we engage with the public in particular around this—that would be very helpful.

[7] **Darren Millar:** One of the conclusion that the auditor general draws is that over the past few years, where the cuts in terms of expenditure for local government have been, perhaps, less than many had anticipated, the opportunities presented by that have not been grasped by local government in terms of making the savings that you could have easily anticipated going forward. Is that a fair conclusion? You said that you agreed with the conclusions of the auditor general.

[8] **Mr S. Thomas:** I think there are some elements of fairness in that, but I do not think that it is the total story. This idea that local government has been some sort of a cuts-free zone over the last few years is—. I hear it sometimes said that we have not experienced cuts; we have experienced cuts—the auditor general’s report talks about a 4% real-terms cut. I spent the other morning with the treasurer of Cardiff Council; she has cut £120 million from that budget during that period. So, they are big amounts of money coming out, particularly when you bear in mind some of the demographic pressures around social care. You do not need me to list them—you know what they are.

[9] So, there is an element of the ability to plan ahead and make sure that you do implement the things that you say you will implement. The problem that we have is that we are implementing many decisions in the teeth of union opposition, and opposition sometimes from yourselves as Assembly Members and from MPs and commissioners—a range of people. All these things are highly politicised at the local level. We have recently seen some cuts decisions being reversed in some authorities. Bridgend had issues around its desire not to implement the pay rise next year; it got very much tied up in a big union dispute in that authority. We have a national strike coming up on 10 July. So, all this is highly politicised at the local level. Working to implement these strategies is going to be the major strategic issue that local government faces.

[10] **Mr Williams:** A gaf i ychwanegu at hynny? Byddaf yn cyfrannu yn Gymraeg. Rwy’n meddwl hefyd bod rhyw elfen o seicoleg wedi bod yn chwarae rhan yn y fan hon, wrth i’r Llywodraeth gymryd y farn ei bod am roi arbedion llai dwys ar lywodraeth leol yng Nghymru nag yn Lloegr. Mae’n bosibl fod rhai awdurdodau lleol wedi meddwl, ‘Dyma yw effaith yr *austerity* yng Nghymru i lywodraeth leol’. Yr hyn ddigwyddodd y flwyddyn ddiwethaf oedd y *shift* go sylweddol yn y farn honno. Roedd awdurdodau, o bosibl, wedi cael eu harwain i feddwl, ‘Wel, dyma yw maint y toriadau sy’n deillio o *austerity* yng Nghymru a dyma fydd y polisi am byth, i bob pwrpas’. Fodd bynnag, beth a gawsom y llynedd oedd y *shift* reit sydyn hwn sydd wedi mynd â ni yn agosach at y polisiau sydd wedi bod yn Lloegr ers rhai blynyddoedd—mae rhywun yn cydnabod ein bod wedi bod mewn sefyllfa well na llywodraeth leol yn Lloegr—ond efallai fod hynny wedi creu rhyw feddylfryd

Mr Williams: Could I add to that? I will be contributing in Welsh. I think also that there is some element of psychology at play here, as the Government took the view that it would ask local government in Wales to implement less severe savings than in England. It is possible that some local authorities have thought, ‘This is the effect of austerity in Wales for local government’. What happened last year was that we had quite a significant shift in that view. Local authorities were possibly led to believe, ‘Well, this is the size of the cuts that come from austerity in Wales and this is what the policy will be forever, for all intents and purposes’. However, what we had last year was this very quick shift that has taken us closer to the policies that have been in place in England for some years—one recognises that we have been better off than local government in England—but maybe that has created some sense of, ‘This is what is going to happen in the future’. I cannot say for

o, ‘Dyma sy’n mynd i ddigwydd yn y certain that that has happened, but it seems
dyfodol’. Ni fedraf ddweud yn sicr mai dyna that it could have happened.
sydd wedi digwydd, ond mae’n ymddangos
fel rhywbeth a allai fod wedi digwydd.

[11] **Darren Millar:** Okay, thank you for that. Mike.

[12] **Mike Hedges:** I have two quick questions. The first one is on social care. Would you agree with me that the pressure on social care is the biggest pressure in the whole of the public sector in Wales, including health? Also, if local government was meant to prepare for reductions, do you not think that health could have prepared for small rises rather than large rises?

[13] **Mr S. Thomas:** I think that that is a fair point. One of the criticisms that we had over the last period, during that first phase, if you like, of cuts, was the size of local authority balances. The reason local authorities were putting money into balances was to prepare for what we are going through. Indeed, there has been quite a take from balances over the last year.

[14] On your point on social care, I agree with you. I read the Nuffield report the other day, and it seems to me that the issue around that report is that—. There are things in that report that are very interesting, but I think that some of the assumptions in it are contestable. However, I do think that there are things in there that are very interesting. However, the key thing is about keeping people out of hospital, and that means spending more money on preventative services such as social care. I think that social care, to some extent, is one of those services that stand now as an unprotected service, and yet it is subject to the same demographic pressures that health is subject to. It is subject to the same problems, and it has a big piece of legislation attached to it, in terms of the Social Services and Well-being (Wales) Act 2014, which we have consistently said has not been properly costed. So, I think that the pressures on social care are going to be huge. I received a letter yesterday from the leader of the Vale of Glamorgan expressing huge concern about the future of his adult social care budget, and I expect to receive similar letters from elsewhere.

[15] **William Graham:** Though I appreciate the need for resources, and you have highlighted a compelling argument for them, last week we heard that balances were not £1 billion, but £1.4 billion. That is quite a considerable difference. It does not help your argument, or your association’s argument, that you do not have money to spend.

[16] **Mr Rae:** If I can respond that, I think that, the last time there was an in-depth report on balances, it was a report that the Wales Audit Office did. It is important to differentiate the fact that there are general balances and earmarked balances—balances that may be there for equal pay, and balances that may be there for capital projects. I think that in the report of the auditor general did back in, I think, 2012, the ratio of general balances to overall balances was something in the order of about 12%. So, I think that, at the time, general balances were about £130 million.

[17] The point to make about balances is that they are not magic pots of gold that are buried under county halls around the country. I think that the situation with balances is actually quite precarious. The last time we saw outturn data on balances—and these were published back in October last year—they showed that authorities had reduced their general balances by £32 million. I think that that is a worry. That is the first time there had been such a large reduction in balances since 1999-2000.

[18] **Mr Williams:** Roedd adroddiad **Mr Williams:** The report by the Wales Audit
Swyddfa Archwilio Cymru yn nodi na Office said that we should not use balances to

ddylem ni ddefnyddio balansau i ariannu gwariant parhaus, ac y dylem eu defnyddio i drawsffurfio gwasanaethau a helpu cynlluniau ariannu tymor canolig. Yn sicr, yn achos fy nghyngor i, rydym yn buddsoddi nifer o'n balansau ni i drïo trawsnewid, yn enwedig ym maes gofal ac yn y meysydd lle mae arnom angen trawsnewid gwasanaethau. Fel mae'n digwydd, y flwyddyn hon, rydym yn defnyddio rhyw £1.5 miliwn o falansau er mwyn pontio hyd nes y bydd arbedion yn gallu dod i mewn i bontio'r bwlch sydd gennym y flwyddyn hon yn sgîl y sioc o symud o ran grant y Llywodraeth y bu'n rhaid inni ei ddiodef y flwyddyn ddiwethaf. Felly, mae defnyddio balansau yn arf defnyddiol iawn ar gyfer gallu delio â chynlluniau ariannol sy'n symud o'r naill flwyddyn i'r llall, ac mae'n rhywbeth y byddem yn disgwyl i bob trysorydd fod yn ei wneud.

fund continuous expenditure, but that we should use them to transform services and to help with medium-term financial planning. In the case of my council, we invest a lot of our balances in trying to transform, particularly in care and in those areas where we need to transform services. As it happens, this year, we are using about £1.5 million-worth of balances in order to bridge until the savings can come in to bridge the gap that we have now following the shock of the movement in terms of the Government grant that we had to suffer last year. So, using balances is a very useful tool in being able to deal with financial planning that shifts from one year to the next, and it is something that I would expect all treasurers to do.

[19] **William Graham:** Could I ask you, then, about the transfer of some of your resources towards a more imaginative scope of sharing, both in terms of partnerships and, perhaps, sharing more with the voluntary sector.

09:15

[20] **Mr Williams:** Rhoddaf enghraifft i chi o'r hyn sy'n digwydd yng Nghyngor Gwynedd, i roi rhyw fath o *granularity* i chi o'r hyn sy'n digwydd. Mae gennym un cynllun ar hyn o bryd er mwyn trio osgoi'r costau dybryd sy'n dod i mewn ym maes gofal plant, er enghraifft, i drïo edrych ar ein prosesau busnes ni, sy'n cynnwys y trydydd sector ac yn y blaen, ar gyfer trio osgoi gorfod rhoi pecynnau drud yn y dyfodol. Mae hynny'n rhan o'n trefniadau ni i reoli'r galw am wasanaeth sy'n hynod o ddud, am resymau amlwg. Yr hyn rydym yn trio ei wneud yw buddsoddi symiau o bres reit sylweddol—rŵan, rydym yn sôn am fuddsoddiad o dros £1 miliwn yn y tymor byr—er mwyn trio newid y ffordd rydym yn gweithio, sy'n golygu hefyd defnyddio'r trydydd sector ac yn y blaen. Mae nifer o gynlluniau fel hynny gennym ar draws y meysydd gwahanol. Y bwriad yw ceisio buddsoddi rŵan er mwyn atal inni orfod wynebu costau sylweddol yn y dyfodol. Yn aml iawn, mae'n anodd iawn profi ein bod yn mynd i gael y gostyngiad gwariant hwnnw ac mae rhywun, i ryw raddau, yn gorfod cymryd rhyw elfen, nid gambl yw'r gair, ond rhyw

Mr Williams: I will give you an example of what happens in Gwynedd Council, to give you some sort of granularity as to what is happening. We have one scheme at the moment to try to avoid the considerable costs coming in in the field of childcare, for example, to try to look at our business processes, which include the third sector and so on, in order to try to avoid having to have costly packages in the future. That is part of our arrangements to try to manage the demand for a service that is very expensive, for obvious reasons. What we are trying to do is to invest significant sums of money—at present, we are talking about an investment of over £1 million in the short term—to try to change the way in which we work. This also means using the third sector and so on. We have many such schemes across these areas. The intention is to try to invest now in order to avoid having to face considerable costs in the future. Very often, it is difficult to prove that we are going to have that reduction in spending and, to some extent, one has to take an element of, gamble is not the word, but some sort of punt on the fact that we can keep costs down in the future, and that is what we

punt ar y ffaith y byddwn yn medru are trying to do with this kind of balance.
gwarchod costau yn y dyfodol, a dyna rydym
yn trio ei wneud gyda'r math hwn o falans.

[21] **Darren Millar:** Ffred, is your question on this particular issue?

[22] **Alun Ffred Jones:** Ydy, i ryw raddau. Mae'r archwilydd cyffredinol yn dweud y dylai gwasanaethau cyhoeddus weithio gyda'i gilydd wrth gynllunio toriadau. A yw hynny'n digwydd o gwbl o fewn llywodraeth leol? Rwy'n sôn am wasanaethau cyhoeddus y tu allan i lywodraeth leol hefyd.

Alun Ffred Jones: Yes, it is, to a certain extent. The auditor general has stated that public services should work together in planning cuts. Does that happen at all in local government? I am also talking about public services outside local government.

[23] **Mr Williams:** Rhoddaf enghraifft ichi o'r hyn sy'n digwydd yn ein hardal ni. Rydym wedi defnyddio rhywfaint o bres rydym wedi ei gael drwy grant gan Lywodraeth Cymru eleni i drio cael unigolyn o'r awdurdod iechyd i mewn i Wynedd i edrych ar wasanaethau o'r llawr i fyny. Yn hytrach nag eistedd mewn pwyllgor yn trafod sut rydym yn mynd i drefnu gwasanaethau, rydym am gael rhywun o'r maes iechyd sy'n gallu gweld beth yw'n problemau ni a chyfieithu hynny i bethau y mae gwasanaethau iechyd yn gallu eu gwneud i'n helpu ni i ddygymod â'r sefyllfa. Mae hynny'n enghraifft o un prosiect sydd gennym lle rydym yn trio gweithio'n agosach gyda chyrrff cyhoeddus eraill.

Mr Williams: I will give you an example of what happens in our area. We have used some funding that we have had through a Welsh Government grant this year to try to bring an individual from the health service into Gwynedd to look at services from the bottom up. Rather than sitting in a committee somewhere discussing how we should organise services, we want to have someone from health who can see what our problems are and translate that into action that the health services can take to help us to cope with the situation. That is an example of one of the projects that we have where we try to work more closely with other public bodies.

[24] Mae rhai enghreifftiau eraill, fel cyfarfodydd ar y cyd o fyrddau gwasanaethau lleol ar y Gwynedd a Môn, lle rydym wedi cwrdd â'r sector cyhoeddus ar draws yr ardal er mwyn gweld lle rydym ni, fel byrddau gwasanaethau lleol, yn gallu ychwanegu gwerth o ran helpu'n gilydd i ddygymod â phroblem ariannol sy'n ein hwynebu ni i gyd, wrth gwrs. Felly, dyna ichi enghreifftiau lle rydym yn trio gwneud iddo ddigwydd. O ran a yw'n digwydd i'r eithaf, mater o farn yw hynny.

There are some other examples, such as joint meetings of Gwynedd and Môn local service boards, where public services from across the area meet in order to see how we, as local service boards, can add value in terms of helping each other to cope with the financial problems that face us all, of course. So, those are some examples where we try to make that work happen. As for whether that happens to the extent that we would like, that is a matter of opinion.

[25] **Alun Ffred Jones:** Mae'r Llywodraeth wedi bod yn annog llywodraeth leol i ffurfio partneriaethau a chydweithio er mwyn chwilio am arbedion. Dyna oedd yr ateb nes inni gael adroddiad Williams. Fodd bynnag, mae adroddiad yr archwilydd cyffredinol a'n tystiolaeth ni, wrth inni holi swyddogion o'r Llywodraeth, yn awgrymu bod hynny, i ryw raddau, wedi bod yn

Alun Ffred Jones: The Government has been encouraging local government to form partnerships and collaborate in order to look for savings. That was the solution until we had the Williams report. However, the auditor general's report and our evidence, as we have been questioning officials from the Government, suggest that, to a certain extent, that has been a failure. Would you agree with

fethiant. A fyddech yn cytuno â hynny? that?

[26] **Mr S. Thomas:** It was very interesting, when we gave evidence for the Williams report, because we were contacted by the Williams commission about the experience of shared services and collaboration. Indeed, we helped the Welsh Government to procure a report from Rhodri Morgan's former special adviser, Paul Griffiths. I have a copy of the report here. It is called 'Report to the Commission on Public Service Governance and Delivery: The Experience of Shared Services'. That report sets out a mixed picture on collaboration, but it sets out that there has been a range of collaborative successes across local government. If you think of the agenda in terms of waste management, for example, you see that the biggest public sector procurement in Wales is half a mile away from here in terms of Prosiect Gwyrdd. That is a collaboration between five local authorities. There are collaborations across local government in terms of social care, for example, around the commissioning of looked-after children, which has saved millions of pounds in terms of tangible cost avoidance. There are collaborations in terms of national school improvement services. However, Paul Griffiths makes the point in that report that, constantly, when we went through the collaboration agenda, the sword of Damocles was hanging over the collaboration agenda, namely, that there was always the threat of reorganisation in the background, and that is his conclusion. The lessons he draws from that is that, if we were serious about the collaboration agenda, we should have been in a position where that threat should have been removed, because, if people think that we will have a local government reorganisation, the fact that they then do not come together and collaborate is not surprising, is it, because what if you are collaborating with the wrong authority? We are seeing the breakdown, for example, of a big regulatory services project between Cardiff, the Vale and Bridgend authorities, because Bridgend, by any criteria in terms of local government reorganisation, is not going to be attached to Cardiff and the Vale.

[27] **Alun Ffred Jones:** A derbyn yr hyn rydych chi'n ei ddweud, yr hyn rwyf yn ceisio cael hyd iddo yw a yw llywodraeth leol wedi llwyddo i arbed arian sylweddol drwy gydweithio â phartneriaid eraill, gyda chynghorau eraill neu adrannau eraill o'r Llywodraeth. A yw'r ymdrech honno wedi llwyddo i ddod ag arbedion go iawn i'r system? A oes llawer mwy i'w cael yn y dyfodol?

Alun Ffred Jones: I accept what you are saying, but what I am trying to get at is whether local government has succeeded in saving significant money through collaborating with partners, other authorities or other Government departments. Has that effort brought real savings into the system? Are there many more to come in the future?

[28] **Mr S. Thomas:** In terms of most directors of finance, the budgets that they would assume from collaborative savings are small. Most of the budgets assumed from collaborative savings are largely around cost avoidance, as opposed to tangible cash in the bank. I saw a budget recently that had, from collaboration, a line in a £150 million budget of £400,000 being assumed as a saving from collaborative projects. So, it is a relatively small amount of money. However, I do not think that anybody ever thought that collaboration was a silver bullet when it came to savings. I do not think that we embarked on that journey in that spirit; we embarked on that journey to join up public services and to make public services work together in a much greater and coherent way than they currently do and to ensure that we move together as a Wales public service to try to transform services in a different way. So, a lot of it was about service transformation. A lot of the collaboration cost money, rather than saved money. So, it may pay dividends at some point in the future, but there was a cost upfront.

[29] **Mr Williams:** Tua blwyddyn a hanner yn ôl, fel cadeirydd Cymdeithas Trysoryddion Cymru, ysgrifennais at bob prif

Mr Williams: About a year and a half ago, as chair of the SWT, I wrote to all of the finance officials in Wales to ask what

swyddog cyllid yng Nghymru yn gofyn iddynt ba dybiaethau a oeddent yn eu rhoi yn eu cyllidebau ar gyfer gwaith ar y cyd. Roedd yr atebion a gefais yn dangos, i ryw raddau, nad oeddent yn rhagweld y byddent yn cael lot o arbedion yn y cyllidebau o gydweithio. Y rheswm am hynny, rwy'n meddwl, oedd eu bod wedi gweld ychydig iawn o dystiolaeth, hyd at pan wnes i'r arolwg, o unrhyw arbedion yn dod allan ohono. Efallai, fel y dywedodd Steve, yr oedd cyfleoedd i arbed costau wrth gydweithio, ond roedd y gallu i dynnu costau allan, y *benefits realisation*, yn y fan a'r lle yn wan iawn, yn ôl yr hyn a welais yn yr arolwg y gwnes i.

[30] **Alun Ffred Jones:** Onid yw'r hyn rydych chi'n ei ddweud yn awgrymu nad yw cynghorau, mewn gwirionedd, wedi mynd ati gydag ewyllys ac argyhoeddiad i gydweithio er mwyn chwilio am arbedion?

[31] **Mr Williams:** Nid yw hynny, yn sicr, yn wir yn y gogledd. Roedd gennym brosiect anferthol ar gyfer cydweithio ym maes gwasanaethau cefnogol. Fodd bynnag, roedd y gost o'i weithredu yn anferthol a'r buddion ariannol yn ansicr. Felly, roedd y risg o fynd ymlaen â'r prosiect yn ormodol. Rwy'n credu mai dyna yw un o'r problemau: mae swyddogion cyllid mewn adeg o gyni ariannol ac nid oes ganddynt y symiau sylweddol i fuddsoddi i gymryd y risg yn y lle cyntaf, ac os nad oes arbedion i ddod allan ohono, pam y byddent yn gwneud hynny yn y lle cyntaf, mewn sefyllfa fel hyn? Felly, mae elfen o dybio, efallai, fod rhaid i ni gael achosion busnes ychydig bach mwy cadarn cyn i ni gymryd *punt*, fel y dywedais i gynnu.

[32] Mae trafferthion sylweddol o gydweithio. Wrth sôn am brosiectau cydweithio, y cydweithio gorau a welasom yn hanes Cymru oedd adeg yr ad-drefnu yn 1996. Rwy'n cofio'r adeg yn iawn. Hyd at y pwynt yr oedd pobl yn gwybod pa gynghorau a oedd yn uno â pha gynghorau, roedd pob math o drafodaethau efo staff rownd y bwrdd, gyda staff yn edrych ar ôl eu buddiannau eu hunain, i raddau helaeth. Fodd bynnag, unwaith roedd y penderfyniad wedi cael ei wneud, roedd pawb yn gwybod bod rhaid iddynt ymdrechu a gweithredu er mwyn i hyn weithio. Felly, fe wnaeth hi weithio, yn y

assumptions they made in their budgets for collaborative work. The answers that I received showed, to a certain extent, that they did not anticipate that they would have much savings from collaboration in their budgets. The reason for that, I think, is that they had seen very little evidence, up until when I did the review, of savings emerging from that. As Steve said, there may have been opportunities for cost savings in collaboration, but the ability to extract costs, the benefits realisation, was very weak, in terms of what I saw in my review.

Alun Ffred Jones: Does what you are saying not show that councils have not really got to grips with conviction to collaborate in order to look for savings?

Mr Williams: That is certainly not true in north Wales. We had a huge project for collaboration in support services. However, the cost of implementing it was huge, and the savings were uncertain. So, the risk of proceeding with it was excessive. I think that that is one of the problems: finance officials are in a period of financial austerity and do not have significant sums to invest to take the risk in the first place, and, if savings are not going to emerge from that, why would we do it in the first place, in this kind of situation? So, there is an element of assuming, perhaps, that we need to have business cases that are a little more robust before we take a punt, as I said earlier.

There are considerable difficulties in collaboration. Talking about collaboration projects, the best collaboration that we saw was at the time of the reorganisation in 1996. I remember that period very well. Up until the point when people knew which councils were going to merge with which councils, there were all kinds of discussions with staff, with staff looking after their own interests, to a great extent. However, once the decision had been made, everyone knew that they had to strive to make it work. So, it did work. The 1996 reorganisation was done quickly. People knew what the situation was going to

bôn. Gwnaed yr ad-drefnu yn 1996 yn reit sydyn. Roedd pobl yn gwybod beth oedd y sefyllfa yn mynd i fod ac roedden nhw'n gweithio tuag ati. Y broblem efo cydweithio, pan fo angen i sefydliadau ar wahân gydweithio gyda'i gilydd, yw bod pob math o ystyriaethau yn dod i mewn i'r potes ac mae'n mynd yn anoddach i'w wneud.

be and they worked towards it. The problem with collaboration, when separate organisations need to collaborate, is that all kinds of considerations come into the pot and it is much more difficult to do.

[33] **Darren Millar:** Julie Morgan is next, and then we will come to Aled.

[34] **Julie Morgan:** I want to ask about user involvement in these decisions. However, first, I wanted to ask Steve about some of the comments he made at the beginning. You said how difficult it was for local authorities, how Bridgend had had to reverse something, and that you have had trade union opposition on issues. Would you not have said that that was the normal sort of thing to happen in making decisions?

[35] **Mr S. Thomas:** Definitely. I am not criticising the trade unions. I totally understand the trade unions' stance on this. We have something called the workforce partnership council with the trade unions, where we discuss these issues almost on a monthly basis. What I am saying is that, when you add up all these localised pressures, they add up to a fairly toxic mix. The issue that we have is that, if we are going to continue to have the level of financial settlements indicated by the Minister, many of the tough decisions are yet to come, are they not? So, in one sense, what we are talking about in terms of the Bridgend case and some of the things that have happened in Cardiff recently, are about—. They are not pleasant, but they are changes to terms and conditions. They are not job losses. What happens, though, when we get to the situation where compulsory job losses follow? There are some very difficult decisions in the pipeline.

[36] **Julie Morgan:** Thank you. I just wanted to clear up that point. In your views, how involved have any efforts been to involve users of services in the changes that are being brought about?

[37] **Mr S. Thomas:** There are many examples in terms of authorities. We are doing a project at the current time with Swansea called Sustainable Swansea, where Swansea has tried engagement with public groups and the voluntary sector locally. Monmouthshire, I suppose, is the classic example of a huge budget consultation that was undertaken locally. The authority itself had numerous public meetings, went round the local area and asked people what their priorities were. The trouble is, then, how you cut that cake. I was speaking to one treasurer the other day who said, about an experience of a public meeting, that the feedback was, essentially, 'Don't cut anything and don't raise our council tax'. You can keep asking and keep asking the public, but frankly—. Speaking as a member of the public myself, I do not want my local leisure centre closed, I do not want my local library closed and, if somebody asked me that question, I would say 'no'.

[38] **Julie Morgan:** So, do you think there is any point in public consultation?

[39] **Mr S. Thomas:** I think there is point in it and I think there are some good ideas that come out of it, but, again, we keep looking at public engagement like it is going to provide us with a magic answer to difficult decisions. However, ultimately, those difficult decisions will be taken by elected representatives on the advice of their professional officers. It was ever thus.

[40] **Mr Rae:** I was just going to add another good example of public engagement, in Carmarthenshire. The approach is all generally the same; it is about members and senior

officers sitting down with members of the public. Even if the public does not want certain cuts to be made, then council members and senior officers can get an idea of what the priorities are. That was the objective in Carmarthenshire; they got an across-the-piece view of what the public thought was important. Then they could actually make some attempt at what is called priority-based budgeting.

[41] **Julie Morgan:** So, do you think that you can give actual examples of where decisions have been made directly as a result of public consultation?

[42] **Mr Williams:** Mi fedraf wneud hynny. Bydd rhai ohonoch chi'n ymwybodol, efallai, yng Ngwynedd, ein bod ni'n hel gwastraff ailgylchu bob wythnos. Yn ddiweddar, mae'r cyngor wedi cymryd y farn, gan bod y bin gweddilliol, os ydych chi'n ailgylchu'n iawn, yn hanner gwag pan ydym ni'n mynd i'w hel bob pythefnos, y byddwn ni'n mynd i'w hel bob tair wythnos, achos medrwn arbed bron i £400,000 wrth fynd i'w hel bob tair wythnos yn hytrach na hel bin hanner gwag bob pythefnos.

Mr Williams: Yes, I can. Some of you will know that, in Gwynedd, we collect recyclable waste every week. Recently, the council has decided, as the residual waste bin, if you recycle properly, is half empty when we collect it every fortnight, that we are going to collect it every three weeks, because we can save almost £400,000 by collecting it every three weeks, rather than collecting a half-empty bin every two weeks.

09:30

[43] Y broblem yw, pe byddem wedi mynd allan yn y dull traddodiadol a gofyn i bobl, 'Ydych eisiau inni hel eich bin bob tair wythnos neu bob pythefnos?', ein bod yn gwybod beth fyddai'r ateb—'Gwnewch hynny bob pythefnos'. Hynny yw, nid yw pobl eisiau newid; mae hi mor syml â hynny. P'un ai a yw hynny'n newid synhwyrol neu beidio, nid yw pobl yn licio newid, ac rwy'n deall hynny'n llwyr.

The problem is, if we had gone out in the usual way and engaged with people, asking 'Do you want us to collect your rubbish every three weeks or every two weeks?', that we know what the answer would be—'Every two weeks'. People do not want change; it is as simple as that. Whether it is a sensible change or not, people do not like change, and I understand that completely.

[44] Beth wnaethom ni, yn hytrach na gofyn y cwestiwn yr oeddem yn gwybod beth fyddai'r ateb iddo, oedd mynd allan at bobl a dweud, 'Mae'r aelodau etholedig yng Ngwynedd wedi cymryd y farn fod hwn yn rhywbeth y gallwn ei wneud heb effeithio'n ormodol ar bobl, ond a fedrwch ddweud wrthym, os awn i hel bob tair wythnos, beth yw'r problemau yr ydych yn rhagweld sy'n gallu digwydd?' Wnaethom fynd allan ar-lein ac ar bapur, a chawsom dros 1,000 o ymatebion, os ydw i'n cofio'n iawn. Mae hynny'n fwy o ymatebion nag yr ydym wedi'u cael ar unrhyw ymgynghoriad erioed yn hanes Gwynedd.

What we did, rather than asking the question to which we knew what the answer was going to be, is go out and say, 'The elected members in Gwynedd have taken the view that this is something that we can do without affecting people too much, but can you tell us, if we do a three-weekly collection, what are the problems that you anticipate could happen?' We went out online and on paper, and we had over 1,000 responses, if I remember rightly. That is more responses than we have had on any topic ever in the history of Gwynedd.

[45] Yr hyn a gawsom yn ôl oedd pethau ymarferol nad oeddem wedi meddwl amdanynt—er enghraifft, 'Beth sy'n digwydd os oes gennyh glytiau? Mewn bin, maent yn

What we had back were practical things that we had not thought about—for example, 'What happens if you have nappies? In a bin, they are going to be creating problems with

mynd i greu drawdod'. Iawn, medrwn wneud rhywbeth am hynny. 'Beth am deuluoedd mawr nad yw eu bin yn hanner gwag?' Iawn, medrwn wneud rhywbeth am hynny. Rydym wedi iwsio'r hyn a gawsom o'r ymgynghori go iawn, yn hytrach na rhyw *tick-box exercise*, er mwyn dylunio'r gwasanaeth y byddwn yn ei gynnig yn y pen draw, a dyna lle rwy'n meddwl mae ymgynghori go iawn yn gallu ychwanegu gwerth at yr holl broses.

smells.' Okay, we can do something about that. 'What about large families whose bins are not half full?' Okay, we can do something about that. We used what we had from what was this real consultation, rather than a tick-box exercise, to design the service that we will be providing at the end of the day, and that is where I think that real consultation can add value to the process.

[46] **Julie Morgan:** Thank you. I have just one last question. Obviously, the impact of the cuts in local government affects different parts of the population disproportionately. In terms of the local authorities measuring by equality impact assessment the results of their proposals, is that happening widely?

[47] **Mr Rae:** I think that it is a point made in the auditor general's report that perhaps it is not happening consistently. It is something that we recognise, and we are going at it head-on, because our own equalities team in the WLGA is undertaking an assessment of how robust some of the approaches were in what was a year of unprecedented reductions. So, it will, basically, be going around all councils, I think, finding out what best practice looks like and how thorough some of those equality impact assessments are, because, actually, the most swingeing reductions in services take place in non-education and non-social-services areas—they take place in some of the services that the most vulnerable in our society rely on. Once our equalities people have done that piece of work, I think that it will be an important piece of learning for the whole of local government.

[48] **Darren Millar:** We are now going to move to Aled.

[49] **Aled Roberts:** Rydych wedi creu'r argraff y bore yma fod y cynnydd yn y toriadau o 1.5% i 4.5% dros y chwe mis olaf wedi dod fel tipyn o sioc yr wythnos diwethaf. Fodd bynnag, roedd June Milligan, yn ei thystiolaeth rhyw bythefnos yn ôl, yn cyfeirio at y trefniadau cadarn sydd rhwng Llywodraeth Cymru a llywodraeth leol o ran delio â'r heriau ariannol sydd o'n blaenau; roedd yn sôn am y grŵp cyflawni diwygio, is-grŵp cyllid y cyngor partneriaeth, y grŵp dosbarthu setliadau a'r rhwydwaith arweiniad ariannol. Pa fath o drafodaethau, felly, sydd wedi bod o fewn y cyrff hynny ynglŷn â'r newid blaenoriaethau hwn o ran Llywodraeth Cymru, sydd wedi creu'r sefyllfa hon dros y chwe mis olaf lle mae newid o ryw faint yn yr arian sy'n dod i lywodraeth leol?

Aled Roberts: You have created the impression this morning that the increase in cuts from 1.5% to 4.5% over the last six months came as a bit of shock last week. However, June Milligan, in her evidence about a fortnight ago, referred to the robust arrangements between the Welsh Government and local government in terms of dealing with the financial challenges that are before us; she talked about the reform delivery group, the finance sub-group of the partnership council, the settlement distribution group and the financial leadership network. So, what kind of discussions have taken place in those bodies about the change in priorities in terms of the Welsh Government, which has created this situation over the last six months where there has been change of some kind in the money that comes to local government?

[50] **Mr S. Thomas:** If we were sitting here three years ago, we would be discussing the expenditure sub-group report, would we not? We would be discussing a report that was co-constructed between us and officials from the Welsh Government. That was a mechanism under the partnership council; it was a mechanism that had been in place for many years. I started in the WLGA in 2000, and I remember reading my first expenditure sub-group report

that year, I think. All of that structure was dismantled in 2012, because, I think, many Welsh Government officials felt that the process had become a bidding process. We contested that and we did so very firmly at the time, because we felt that the expenditure sub-group, which was, essentially a report that was co-constructed, as I said, between Welsh Government officials and us, built up a picture of the range of pressures within local government. We had a report that said, 'The foundation phase will cost x. If you are going to implement it, this is what it means.' It did not put an onus on Welsh Government to fund that. The Welsh Government could say, 'We recognise it costs that, but we are not going to fund it'. However, that was what we did, objectively.

[51] Those mechanisms all came to an end for a period of time, and the finance sub-group, to be fair to the current Minister, Lesley Griffiths, exists because she agreed for a finance sub-group to be set up after we had dismantled the previous groups that we had in place. We have e-mails from that time urging Welsh Government officials not to shut down the mechanisms that were in place. I think that it has left local government at a severe disadvantage, because how do we know what pressures are emerging in local government? We know, for example, this year, that we are going to have a bill of £30 million for increased national insurance contributions for teachers. The first opportunity that we had to feed that into the system was in some of the finance sub-group meetings that we have had. We have not really had a document for planning purposes, like the old expenditure sub-group report, setting these things out. I think that the dismantling of that structure over a period of time—to be fair, under the current Minister, we are reassembling a lot of that—begs the question of why we got rid of it.

[52] **Aled Roberts:** Pa mor aml mae'r is-grŵp cyllid hwnnw'n cyfarfod? Rwy'n meddwl bod costau ychwanegol o ran pensiynau hefyd, o ryw £20 miliwn eleni, gan godi i £50 miliwn y flwyddyn nesaf. Pa mor aml mae'r is-grwpiau hyn yn cyfarfod, er mwyn i'r Llywodraeth gydnabod y costau ychwanegol sy'n cael eu hwynebu gan lywodraeth leol?

Aled Roberts: How often does that finance sub-group meet? I think that there are additional pension costs as well this year, of £20 million, rising to £50 million next year. How often do these sub-groups meet, so that the Government can acknowledge the additional costs that are faced by local government?

[53] **Mr Rae:** Just to be clear, the group that Steve was talking about, the expenditure sub-group, does not exist anymore. There have been no discussions between officers and officials about funding pressures in local government. The finance sub-group, which is a political grouping, I suppose that you could say, met for the first time after it was re-established, probably as a reformulation of the old consultative forum on finance, in July last year. From memory, I think that there have been two or three meetings of that sub-group.

[54] At the last meeting of the sub-group, which was a week yesterday, we took our own assessment of what we thought some of the high-level pressures are. You are right that there are pressures, which are similar to the pressures that Mike Hedges was talking about with the NHS, in terms of not just the local government pension scheme, with an increase to employers' contributions, but also the teachers' pension scheme. How does that increase in the cost of the teachers' pension scheme play into the Welsh Government's commitment on education spending? There are also demographic pressures and pressures in pay and prices that we put in a paper to the finance sub-group. I suppose that that was our first assessment of 2015-16 pressures. We had done something similar for pressures in 2014-15 for the first meeting of the finance sub-group.

[55] However, you tend to go to these meetings and end up having an argument about numbers, because officials and officers have not sat down to come to a common understanding about where those data come from in the first place. Indeed, the terms of

reference for the old expenditure sub-group—. Actually, the second objective in its remit is that the report that it will produce has to reflect a shared understanding of the issues contained in the report. That is, as Steve said, not making the Welsh Government pay for everything, but just having that common understanding, and that common understanding currently does not exist.

[56] **Aled Roberts:** Os yw'r grŵp hwn yn un gwleidyddol yn hytrach nag yn gyfarfod rhwng y swyddogion sydd yn creu adroddiad ar y cyd, i ryw raddau, lle mae'r holl bwysau ariannol yn cael eu cytuno, ai grŵp gwleidyddol rhwng Cymdeithas Llywodraeth Leol Cymru a Llywodraeth Cymru ydyw? Pwy sy'n eistedd ar y grŵp hwn?

Aled Roberts: If this is a political group rather than a meeting between officials who produce a joint report, to some extent, where all the financial pressures are agreed, is it a political group between the WLGA and the Welsh Government? Who sits on this group?

[57] **Mr S. Thomas:** The finance sub-group is a political group. It contains nominated leaders from the WLGA. It was attended last week by the Minister for Finance, and it is chaired by the Minister for local government.

[58] However, as Jon says, with a lot of the work that was previously done in terms of costing pressures in local government, you would be aware of everything: social services directors used to sit down with social services officials in the Assembly, to try to cost out the pressures that were emerging; education officials used to do the same. It was all collected into this large report—the expenditure sub-group report—which actually, at the time, was commended by the Finance Committee, if I recall. I remember doing a session at the Finance Committee, which commended it as an excellent report. Now, we were told that that mechanism was shut down because of insufficient resources within the local government finance division, and poor engagement in the process by policy departments in the Welsh Government. However, as it stands, it has created a vacuum, and the vacuum is deadly serious for local government. The Welsh Government has commissioned a report from the Nuffield Foundation, to look at pressures in the national health service—well done. Where is the equivalent local government report?

[59] **Darren Millar:** Just let me get this right: the expenditure sub-group was scrapped, and there has been nothing to replace it since, apart from the opportunity for the politicians to be around the table, to discuss and thrash out where they think the pressures might be.

[60] **Mr S. Thomas:** The only group that remains in place from the pre-2012 finance structures—if I can put them that way—is the distribution sub-group.

[61] **Mr Rae:** There is also the capital group.

[62] **Mr S. Thomas:** Yes. The main group is the distribution sub-group, which is basically the group that sorts out the formula of distribution of new initiatives in local government, or tweaks the formula—the formula is constantly being updated. So, that group sits there. We can send you copies of previous expenditure sub-group reports. The expenditure sub-group reports would have a chapter on education, a chapter on social services, a chapter on transport, and they would set out the pressures forthcoming in those service areas. Welsh Government officials would say, 'We agree that they are realistic assessments of the pressures, but we also agree that we are not going to fund them'.

[63] **Darren Millar:** However, there is nothing stopping you, as the WLGA, or as the Society of Welsh Treasurers, from producing a similar report of your own, and presenting it to the Welsh Government, and asking it to challenge it, is there?

[64] **Mr S. Thomas:** We have commissioned the Institute of Fiscal Studies to do such a thing. There is also Mark Jeff's report on Wales Public Services 2025. I have to say as well, Chair, that, if I put a report out there that is not co-produced, namely, if I, Steve Thomas, write a finance submission to the Welsh Government to say, 'These are the pressures on local government', in the famous words of Mandy Rice-Davies, the Welsh Government would say, 'He would, wouldn't he?' Now, if we cannot get agreement in terms of Welsh Government officials on the scale and size of those pressures, we have a bit of a problem, because it looks like a lobbying document then, as opposed to an objective assessment of the pressures in the system.

[65] **Darren Millar:** However, it is the same in reverse: if you ask the Welsh Government to commission a piece of work to look at the pressures in local government, the Welsh Government will draw some conclusions, and you will be saying, 'Well, you would say that, wouldn't you?'

[66] **Mr S. Thomas:** Yes, there is an element of that, and that is the game that we are in. However, I would hope that it was an objectively commissioned report, like it was from the Institute for Fiscal Studies, when we said to the Institute for Fiscal Studies: 'Look at the pressures in Welsh public services'. The Institute for Fiscal Studies said very clearly that the health service had been cut more in real terms than local government during that recent period—it is not in actual revenue terms, but in real terms, yes. The Institute for Fiscal Studies also looked at a range of other problems in that, and set out the range of prognosis, not least against our colleagues in England. So, we are not afraid of objective reports, but what I am saying is that we had a mechanism, and we scrapped it.

[67] **Darren Millar:** I have a number of Members who want to come in on this. I am going to let Aled finish first.

[68] **Aled Roberts:** Un cwestiwn olaf. Rydych wedi delio â'r gwendidau ar ôl 2012, o ran y berthynas a'r ffordd y mae adroddiadau yn cael eu llunio gan y gymdeithas llywodraeth leol a'r Llywodraeth. Mae cyfrifoldebau newydd yn dod i rym hefyd o fewn y flwyddyn neu ddwy nesaf; rwy'n sôn am y trothwy newydd ar gyfer gofal cymdeithasol, a hefyd y goblygiadau newydd ar gyfer maethu hyd at 25.

Aled Roberts: One final question. You have dealt with the weaknesses following 2012, in terms of the relationship and the way in which reports are drawn up by the local government association and the Government. There are also new responsibilities coming into force within the next couple of years; I am talking about the new threshold for social care, and also the new implications of fostering up to the age of 25.

[69] A oes gan bob cyngor erbyn hyn ryw fath o gynllun o ran y costau ychwanegol a wynebwr ganddynt wrth iddynt lunio'u cyllidebau ar gyfer mis Ebrill? Hefyd, roedd datganiad yr wythnos diwethaf ar y trothwy, yn dweud bod ymgynghoriad am tua deufis a bod datganiad pellach yn yr hydref. A ydych yn credu y bydd y trothwy newydd hwn yn dod i rym ym mis Ebrill y flwyddyn nesaf?

Does every council now have some kind of plan in terms of the additional costs that they face as they draw up their budgets for April? Also, there was a statement last week on the threshold, saying that there will be a two-month consultation and that there will be a further statement in the autumn. Do you think that this new threshold will come into force next April?

09:45

[70] **Mr Williams:** Mae hynny'n mynd i faes arbenigol iawn, wrth gwrs, ac, yn bersonol, nid oes gennyf unrhyw wybodaeth i'w amlinellu. Fodd bynnag, yr hyn rydym yn

Mr Williams: That is going into a very specialist area, of course, and personally, I do not have any information that I can outline for you. However, what we do know is that

ei wybod yw nad ydynt yn unigryw; roedd achos yn ddiweddar lle penderfynodd y llys y byddai'n rhaid i daliadau pobl sy'n cysgu dros nos gael eu cynyddu. Mae hynny'n rhywbeth newydd sbon sydd wedi ein taro. Roedd cynnydd hefyd yn nghyfraddau pensiwn athrawon—rydych wedi cyfeirio at hynny—ac roedd hynny'n newydd. Rydym ni, fel cyngor, yn cael ein canmol am gynlluniau ariannol tymor canolig, ond mae'r pethau hyn yn dod fel *exocet missiles* trwy'r adeg. Rydym yn gorfod ymateb i hynny, ac mae ein gallu i ymateb yn gyfyngedig i'r ystwythder sydd y tu mewn i'r cynllun tymor canolig. Yn naturiol, dylai unrhyw gynllun tymor canolig hyfyw fod yn gallu delio â phethau o'r fath a symud o fewn yr amrediad.

[71] Y broblem sydd gennym yw bod hynny i gyd yn digwydd ar ben y sioc ariannol lle mae'r grant sylfaenol yn disgyn o -1.5% i -4.5%, o bosibl, yn ôl y llythyr rydym wedi ei dderbyn yr wythnos hon—neu, o leiaf, dyna'r ydym i fod i gynllunio amdano. Yr hyn sy'n digwydd wedyn, wrth gwrs, yw bod unrhyw gynllun tymor canolig sy'n dda, yn ardderchog neu'n ddrwg yn dod i'r un pair lle mae'n ddiwerth, bron â bod. Yn ei hanfod, felly, dyna'r broblem sydd gennym: po fwyaf yr ansicrwydd sy'n ein taro, y mwyaf diwerth y bydd cynlluniau ariannol tymor canolig.

[72] Yn anffodus, mae'n gallu creu cylch ynddo'i hun, achos beth mae hynny'n ei wneud yw gwneud i bobl feddwl, 'Pam rhoi'r holl ymdrech i mewn pan mae'n ddi-werth yn y pen draw?' Yn y bôn, cylch fel arall sydd ei angen arnom, lle mae cynlluniau ariannol tymor canolig yn cael eu gweld fel rhywbeth gwerthfawr gan aelodau a swyddogion mewn cynghorau. Mae swyddogion cyllid yn eu deall, ond mae angen i bawb eu deall a rhoi'r ymdrech i mewn i wneud yn siŵr eu bod yn werthfawr. Trwy wneud hynny, yn naturiol, fel mae'r adroddiad hwn yn ei ddweud, rydych yn lleihau'r ardrawiad ar eich trigolion o'r math hwn o *exocets* yn dod i mewn ac rydych yn gorfod dygymod â nhw. Nid oes dewis gennych.

[73] **Darren Millar:** I have two brief follow-up questions—one from Alun Ffred and one from Mike.

[74] **Alun Ffred Jones:** Inni gael darlun cliriach o'r pwysau sydd ar lywodraeth leol, a

they are not unique; there was a case recently in which the court decided that payments for people who stay overnight should be increased. That is a new thing that has hit us. There was also an increase in teacher pension rates—you referred to that—and that was new. We, as a council, are praised for our medium-term financial plans, but these things always come as exocet missiles. We have to respond to them and our ability to respond is limited to the flexibility within the medium-term planning. Naturally, any viable medium-term plan should be able to deal with that type of flexibility and movement within the limits.

The problem that we have is that that all happens on top of the financial shock whereby the grant falls from -1.5% to -4.5%, possibly, according to the letter that we have had this week—or, at least, that is what we are supposed to plan for. What happens then, of course, is that any medium-term plan, whether it is good, excellent or bad, comes into the same pile and is worthless, more or less. Basically, that is the main problem that we have: the more uncertainty we have, the more worthless medium-term plans become.

Unfortunately, it can create its own circle, because what that does is make people think, 'Why are we going to all this effort when it is worthless in the end?' So, we want the circle to go the other way, where medium-term financial plans are seen as valuable by members and officials in councils. Finance officials understand them, but we want everyone to understand them and to put the effort in to make sure that they do. By doing that, naturally, as this report states, you reduce the hit on your residents when exocets like this come in and you have to deal with them. You do not have a choice.

Alun Ffred Jones: To give us a clearer picture of the pressures on local government,

allwch chi feintioli'r toriad hyd yn hyn yn y grant refeniw, cyn ichi glywed am y toriad posibl o 4.5%? A allwch chi roi rhyw ddarlun cyffredinol i ni drwy Gymru? Rwy'n derbyn bod gwahaniaethau rhwng siroedd, ond tua faint o doriad real sydd wedi bod hyd yn hyn?

could you outline the cut so far in the revenue grant, before you heard about the possible cut of 4.5%? Could you give us a general picture across Wales? I accept that there are differences between counties, but how much of a real-terms cut has there been so far?

[75] **Mr Rae:** I think that we estimated in the paper that we put to the finance sub-group last year that, once you had taken account of the cut and increased pressures, local authorities would be looking at an overall aggregate shortfall of something in the order of £230 million. Around about £170 million of that was made up of the funding reduction. For 2015-16, we would be looking at something similar, potentially, with the modelling of -4%, which was the reduction that local government experienced in its 2014-15 settlement.

[76] Importantly, however, when you roll that over a number of years up to 2017-18—that might be the key year, when the Chancellor has finished his fiscal repair job—by that time, local authorities, depending on what happens to funding, whether it is -1% or -4%, local authorities will be facing a cumulative budget shortfall of anywhere between £0.5 billion and £900 million. The real sting in that is the fact that influenceable budgets are probably 20% to 25% of a local authority budget. So, all of those savings have to be found in a small part of the budget, as I mentioned before. Education budgets are protected, social services are somewhat demand-led and there are a whole load of fixed budgets for paying off your debt and the council tax reduction scheme, and you just cannot look to them for major savings. That will have a massive impact.

[77] **Mike Hedges:** I think that there are expenditure increases or need increases, and there are income decreases. That is going to cause problems. The bigger problem, of course, is that the services that people most appreciate, such as parks, libraries and those sorts of things, are the ones that are under the most pressure. What we are seeing in England, however—and tell me if you think that this is wrong—is that they have hit social services and they have had delayed discharges from hospital. I know that if you now went to Swansea and said to people, 'We are going to close park X, we are going to close library Y, or we are going to withdraw the social workers from hospitals', I know that I can guarantee that it will be nine to one in favour of withdrawing the social workers from hospitals. I think that that is the situation. There is no statutory duty to have a social worker in hospital, but it is just a benefit in organising a discharge. Is there not a danger, if we keep on taking money out of local government, that it will be health that ends up paying the price?

[78] **Mr S. Thomas:** Yes. You make the point about some of the smaller services, and I understand that Huw is about to publish a study on environmental health in Wales. We currently spend, across the whole of Wales, £35 million on environmental health. It is a matter of food inspections, pest control and a range of other crucially important functions. It stops E. coli in restaurants and so forth. We spend £35 million on it across the whole of Wales. Last year, I think that around three environmental health departments out of the 22 local authorities had 20% cuts. What happens this year if they have another 20% cut, and what happens in the following year if they have another 20% cut? The cuts are falling disproportionately on leisure, libraries, culture, arts, transport, regeneration, economic development and environmental health—the smaller services within local government. Some of these services will no longer be viable. You cannot continuously improve a service that you have cut by 40%. It is just a logical fallacy. We need to think very clearly about the future of some of these smaller services. I recently spoke with the Trading Standards Institute in Wales, and we had there the chief executive of the Trading Standards Institute for England, and it seems that, in England, trading standards may cease to be a public service very soon. It might become a private service. We have to decide what we want in terms of the future

because, if the health budget goes from 42% currently to one of Mark Jeffs' scenarios, which I think is up to 55% on the best-case scenario and 65% on the worst-case scenario—and that is going to happen in 10 years—we need to start thinking about that now and have a big debate about it in Wales.

[79] **Jenny Rathbone:** Sticking with environmental health, surely that is a good example of how we need to start thinking about doing things differently. One of the things that we are doing differently is that you now have scores on all of the doors so that the public vote with their feet in terms of whether they want to go into zero-rated restaurants. I have heard a lot of discussion about how well we are, or are not, working with the Welsh Government on identifying exactly what the numbers are, but I have not heard much clarity about how local authorities are going about identifying what it is that we want to do in the future when we will undoubtedly have less money. That has been a given. I am not clear about how we are going about it. I thought that the example of rubbish from Gwynedd was really good, because it was being clear with the public. So, I want to know a little bit more about how local authorities are gripping the undoubted challenge here. KPMG published this recipe for a brilliant authority, which is repeated in the WAO report that we are looking at today. That may not chime very well with the traditional way that we viewed the role of councils, but if that is not what we want to do, what are we going to do?

[80] **Mr S. Thomas:** I agree with you. In terms of alternatives, the spirit of transformation has to be writ large, has it not? I do not think that it is any exaggeration to say that, in the next four or five years, leisure services will not be a service within local government; it will be a service commissioned by local government. We are seeing the prevalence of community trust models emerging across Wales—in Torfaen, Bridgend, and Neath Port Talbot. A number of authorities are already looking at that in terms of moving forward.

[81] In terms of arts facilities, I think that people are looking towards the private sector, in particular, to run some of the services. We are having this discussion with regard to Cardiff. We have also had a larger philosophical discussion about what councils should look like. It appears that, in England, the model of a council that is emerging is of a strategic, commissioning council. What I mean by that—and this almost goes back to a statement that Nick Ridley made about 20 years ago, does it not?—is that it is a council coming together about twice a year to award contracts to the private sector. Personally, that is not my vision of local government, I have got to say. I do not think that that is the way we do business in Wales. So, we are looking at things like the co-operative councils model in terms of what is happening in many authorities, particularly in the north-west. We are inviting the leader of Oldham down very shortly. Last year, we had a seminar with the leader of Tameside. We are looking at how those councils do business.

[82] However, there was a chilling statistic at the end of the presentation by the leader of Tameside at the finance seminar we had last year, which was that, you know, 'You've done all this, you've changed, you've now moved your services into credit unions. You're now dealing with things like solar power and things like that, and it's great'. How was that achieved? He said, 'Well, we did it by doing x, y and z. Oh, and, by the way, we lost 2,000 jobs'. That is the problem in all of this. Ultimately, whatever we do, the mathematics dictate what happens, do they not? It is a question of sheer mathematics at the end of the day. If we are seeing this scale of reduction, unfortunately, our biggest cost pressure, our biggest cost, is our employees. Unfortunately, what is happening in England is that thousands of jobs are being shed. There have been big announcements in recent weeks from very large English councils about shedding thousands of jobs. So, I think that there can be service transformation going on and there can be new and innovative ways of doing business, but it comes at a cost.

[83] **Jenny Rathbone:** That, really, is about being straight with both your workforce and your populations.

[84] **Mr S. Thomas:** Absolutely.

[85] **Jenny Rathbone:** Councillors cannot set deficit budgets or they will end up in prison. It is up to councillors to articulate what the priorities are for the communities they have been elected to serve and for officers to come up with the numbers that enable you to decide what you are actually going to be able to do. So, I am interested that you have mentioned this idea of having co-operative councils. However, we have not had a great deal of public discussion about that and what it means or meaningful engagement with the public. We absolutely have to get on with this, do we not? I feel that the Welsh Government took the wrong decision three years ago, or four years ago now, which was to delay the inevitable. It gave you a moratorium of three years, but I think that there is a sense that nobody really took it seriously. They all thought that the problem would go away, that there would be a change of administration in London and that, suddenly, there would be a different financial settlement. I do not think that that is the case, because there just is less money around. The bankers spent it all. So, where are we now? We are now really in the last chance saloon, are we not?

[86] **Mr S. Thomas:** I would respectfully contest that view. I and my then director of finance in 2009-10 did an infamous tour called the 'doom and gloom tour'. We went round the 22 authorities, and I think that poor old Aled Roberts was subject to some of this. We went round the 22 authorities and we set out very clearly our perspectives on the financial outlook, and they were grim. I think that many people realised at the time that they were going to be grim. Yes, there was—you can call it a stay of execution, if you want, but there were significant cuts occurring at that time even when the relative protection was in place. However, the problem we have now is that, in effect, the cuts in Wales have become back-loaded rather than front-loaded.

[87] Your point, however, about transformation is the key point. I had this discussion with your colleague the leader of Cardiff the other day about what they are going to do around the co-operative councils model. However, as you say, it is about setting out very clearly a strategy that says, 'We are going to do x, but we are going to stop doing y'. That is what it means at the end of the day. It means either stopping services or it means finding a different mechanism to deliver the services. That different mechanism can be community trusts in terms of leisure centres or it can be stock transfer in terms of housing, but a lot of these things have already been done. Going back to my earlier point, I am afraid that the pressure on those smaller, unprotected services is now so large that sustainability is the issue, not transformation.

10:00

[88] **Darren Millar:** I am afraid that we have to move on so that Sandy can have an opportunity to ask some questions.

[89] **Sandy Mewies:** It has all been doom and gloom up until now, has it not? I was a bit disappointed, actually, that Mr Thomas pointed out that he was going to ask us what could be done. I do not think that that is our job. I think that that is the local authorities' job, and I think that it is the association's job to advise them in what they are doing.

[90] I was also interested in Mr Williams's point about it being a political world. Now, that is a surprise; it is a political world and decisions are often taken politically. You linked that with the fact that some decisions had been reversed in certain areas. Are you saying that that is because of short-termism rather than thinking in the long term—making the right decision in the long term or reacting to a public outcry and making a short-term decision? I totally agree with the points that have been made about public consultation. If you go out to public consultation, inevitably the public says, 'Don't get rid of this, that or the other', and

they never come up with, ‘But you can get rid of that’, do they? Of course, staff say, ‘We don’t want to lose our jobs’. However, in the end, that is why elected members and officers are there to take very difficult decisions.

[91] So, that is the context. I have asked one question about short-termism. Public consultation has its place, but the argument has to be presented and, in the end, you have to act on the result. Do you agree with that?

[92] The other thing that I think has happened over the years—and I have seen this happen—is that local authorities have done not just the easy things, but they have done a lot of the hard things over years, such as making decisions about where looked-after children are placed, working together to do that, which is a huge cost to local authorities. However, not all of them have done it. Is there still a place for movement for people to look at good practice and share it?

[93] You also talked about this finance group that was happening. I am sure that you did not mean to give this impression, but Mr Thomas seemed to indicate that if that was still in place now the fact that budgets were going to be reduced would not have been such an enormous shock. I can see that it is—

[94] **Mr S. Thomas:** [Inaudible.]

[95] **Sandy Mewies:** That is the impression that I thought was being given.

[96] **Mr S. Thomas:** May I correct that impression?

[97] **Sandy Mewies:** Yes, it was a smaller decrease, and it went to a very significant decrease, and I see that, but local authorities would be aware of changes in national insurance contributions and in pensions contributions, and they would have been preparing for it themselves, would they not?

[98] **Mr S. Thomas:** Absolutely.

[99] **Sandy Mewies:** I suppose that you can comment on those, and I am sure that you will not agree with them all, but the big questions are: do you think that local authorities in other parts of the United Kingdom are treated better or differently and, if so, how could this be changed here? Secondly, what happens if local authorities do not meet these challenges?

[100] **Darren Millar:** I am going to give you two minutes, if possible, to condense an answer on that because, unfortunately, the clock is about to beat us.

[101] **Mr S. Thomas:** Where I was mentioning seeking your views was on public engagement. I would hope that it is a conversation between all of us.

[102] **Sandy Mewies:** You have had mine.

[103] **Mr S. Thomas:** As I say, I hope that we are not like the smart kid in the exam with our arm around the paper—I hope that we are sharing here. I think that it is a matter of seeking as much learning experience as we can. In terms of doom and gloom, I do not think that it is doom and gloom. I think that this is the new normal. This is it; this is reality. We are not being gloomy about it; this is the reality that we have to deal with. The reality is going to last for a considerable period of time. What we are pointing out is that, when it comes particularly to the identification of pressures, that sort of mechanism that we had in the past no longer exists.

[104] **Sandy Mewies:** Should it still exist?

[105] **Mr S. Thomas:** Yes, definitely. From our point of view, the absence of that pressure of identification has put us at a disadvantage. If we were in an environment where the money was sloshing about and we were putting in things like the foundation phase again, we would expect to be sitting down with officials and working out minutely what that was going to cost, how it would play across Wales and what the financial profile for that would be. Why do we not do the same with cuts?

[106] **Mr Rae:** On your question about how local authorities in Wales compare to the rest of the UK, I do not think that it is any secret that what has been happening in England has been severe for local authorities over the 2010 spending review period. The Local Government Association said last year that it had a 33% real terms reduction in its non-education budgets, and it has been dire there. It is now talking about service resilience. So, I do not think that England is any kind of model for comparison about central-local relations. However, what is happening in Scotland is interesting. What they are managing to do up there is to protect NHS budgets and to protect local authority budgets. However, regardless of protection, where Scottish councils have probably bobbed along with flat cash settlements, they know the figures in advance—there are no last-minute changes to their budgets. For local government here in Wales, this will be the third year in a row that it has had last-minute changes to published indications. We need to see these things in advance and plan for them.

[107] **Darren Millar:** The Welsh Government would contend—

[108] **Sandy Mewies:** May I just ask Mr Williams about the short termism?

[109] **Darren Millar:** I will allow you to come back on the short termism issue in a second, Mr Williams, but I just want to come back in respect of the last-minute changes. The Welsh Government would say that those last-minute changes have been necessary as a result of later decisions that have been made by the UK Government in budgets or in the autumn statement, which have had consequential for Wales. Is that not a fair response? Do you not accept that response?

[110] **Mr Rae:** It is part of the answer. We were sat in Treasurers around December 2012, I think, and we could see what was coming out of the autumn statement—a £30 million reduction in the Welsh block. We could see what came out of the budget statement later in March in the next year—a reduction of £80 million in the Welsh block. That was nowhere near the amount that was taken out of the revenue support grant. Subsequently, there was other stuff going on, and surely Welsh Government could have been giving us early indications. It is fair enough that the Minister gave us some indication around about 23 May, but there was no number in it; it was just, 'Expect something worse, probably something that looks like an English reduction, and your current settlement is no basis upon which to plan'.

[111] **Darren Millar:** Okay. Mr Williams is next with the final response.

[112] **Mr Williams:** Gyda'r *issue* tymor byr, o'm profiad i o leiaf—ni allaf ond siarad ynglŷn â Chyngor Gwynedd a'r cynghorau rwy'n eu hadnabod—nid wyf yn meddwl mai agwedd tymor byr ydyw. Rwy'n meddwl mai'r hyn sy'n digwydd yw bod cynghorwyr, a bod yn deg, yn trio cymryd yn union beth rydych yn ei ddweud, sef y penderfyniadau gorau y gallant mewn awyrgylch anodd iawn. Beth sy'n digwydd yw nad ydym yn cael pob

Mr Williams: On the short termism issue, I do not think, in my experience at least—I can only talk about Gwynedd Council and the councils that I am aware of—that it is short termism. I think that what happens is that councillors, to be fair to them, try to take, just as you say, the best decisions that they can in a very difficult situation. What happens is that we do not get every decision right, and you then have some people saying, 'Do you

penderyniad yn iawn ac wedyn rydych yn cael rhai pobl yn dweud, ‘Ydych yn dallt yn glir beth yw goblygiadau gwneud hyn?’ Pan maen nhw’n ystyried hynny go iawn wedyn, maen nhw’n dweud, ‘Wel, *okay*, efallai y gwnawn ni dynnu hynny yn ôl’. Rwy’n meddwl, mewn unrhyw fyd, ei bod yn iawn i ni gyfaddef ein bod yn anghywir weithiau ac i newid ein meddyliau o bosibl ar sail hynny.

understand clearly what the implications of doing x are?’ When they really think about that then, they say, ‘Well, okay, perhaps we should withdraw that’. I think that, in any world, it is fine for us to admit that we are wrong sometimes and to change our minds perhaps on the basis of that.

[113] Nid wyf yn meddwl, o’ m profiad i o leiaf, mai agwedd tymor byr ydyw. Rwy’n meddwl bod cynghorwyr yn gyffredinol yn cymryd agwedd hirdymor, yn enwedig os oes ganddynt gynlluniau ariannol tymor canolig neu hirdymor—mae ein hun ni yn para pedair blynedd ac rydym yn trio dygymod o fewn hynny. Weithiau rydym yn newid ein hagwedd unwaith y byddwn wedi cael ymgynghoriad go iawn â’r cyhoedd ac yn cymryd barn ar sail hynny.

I do not think, from my experience at least, that it is short termism. I think that councillors generally take a long-term approach, especially if they have medium or long-term financial plans—ours last for four years and we try to operate within that. Sometimes we shift our approach once we have real engagement with the public and make decisions based on that.

[114] **Sandy Mewies:** I think that the auditor general did make the point in his report about the unintended consequences of some decisions, and that councils and councillors should think them through more deeply sometimes. Thank you.

[115] **Darren Millar:** Thank you. We have to draw this evidence session to a close now. Thank you very much, Steve Thomas, Jon Rae and Dilwyn Williams, for your attendance today. You will be sent a copy of the transcript of today’s proceedings so that any factual inaccuracies can be corrected.

[116] Diolch yn fawr iawn i chi i gyd. Thank you very much to you all.

10:09

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o’r
Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[117] **Darren Millar:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[118] Are there any objections? I can see that there are no objections, so we will move into private session.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:10.
The public part of the meeting ended at 10:10.*

