

A Picture of Local Government

Report of the Auditor
General for Wales

September 2021



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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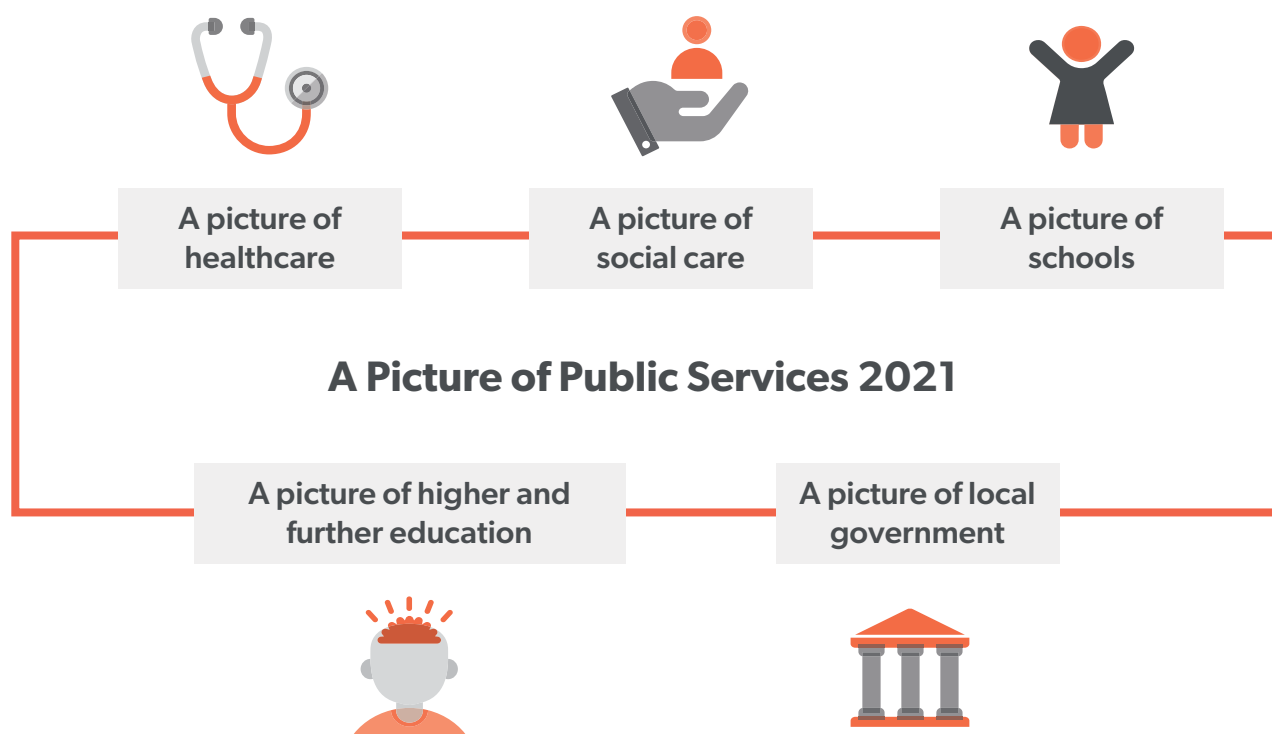
About this report

This report is part of a series of Picture of Public Services 2021 outputs. Our main **Picture of Public Services 2021** report summarises some of the key trends in public finances and sets out our perspective on some of the key issues for future service delivery.

This report: **A Picture of Local Government** summarises key information about local government in Wales including the strategic operating context and funding. It explores capacity in the sector, performance, and key issues or challenges in our view. We also discuss aspects of local government in our summary reports of schools and social care. While police, fire and national parks form part of the local government family, and part of the spending data used in this report, we do not focus here on the key issues for these three services.

Local government is a complex sector with specific issues affecting different services. This summary report is not intended to be comprehensive. It sets out what we consider to be some of the key issues for local government, recognising that other commentators and review bodies will have their own perspective on the key issues.

The report is based on a synthesis of our published work as well as research by other organisations.



Main report

Local government context

Delivering local services in challenging times

- 1 The COVID-19 pandemic has presented enormous challenges to public services and the people who deliver them. Some services were delivered differently, and others were paused. Staff had to adapt to new ways of working and many were redeployed to support the COVID-19 response. All of us at Audit Wales pay tribute to the dedication and extraordinary efforts of public servants during this difficult period.
- 2 At the time this report was written, the direct impacts of COVID were still being felt. Work to understand the indirect impacts of COVID had begun, but it was too early to gauge the scale and extent of these impacts.
- 3 The challenge of recovering services and addressing the indirect impact of COVID will likely continue for years into the future. Despite the significant challenges ahead, there are opportunities to rebuild and deliver services differently, putting people at the centre of services, and learning from the collective response to COVID-19 to create a whole system of public services working together.

Structures and responsibilities

- 4 There are 22 principal councils¹ in Wales. They are led by elected councillors, who make up the full council. The full council elect a council leader, who forms a cabinet or executive board. The cabinet develop the council's vision based on local priorities. Full council approve statutory plans, including those that set the strategic direction for the council. They decide on major policies and the setting of the annual budget. Each cabinet member is responsible for and takes decisions within different areas of the council's work. Council staff, headed by the Chief Executive, implement the council's decisions through delivering services.

1 All references to councils in this report refer to principal councils. Principal councils are local government authorities in Wales who carry out statutory duties in their area. The term does not include town or community councils. All references to councils in this report refer to principal councils.

- 5 Councils are required by law to provide certain services and functions including:
 - education services;
 - children’s safeguarding and social care;
 - adult social care;
 - waste collection;
 - planning services;
 - housing services;
 - road maintenance; and
 - library services.
- 6 There are some services where councils have more choice over the level of provision or whether to provide them. For example, town centre Wi-Fi and leisure, sports and recreation services. Although councils have greater choice over these services, some are extensions of statutory services, or highly valued and important in delivering councils’ vision.

Local government strategy

- 7 Councils produce a range of strategies and plans setting out their vision and priorities and how they will deliver services locally. Councils must engage with the public and relevant stakeholders to understand local needs, and work with other partners to meet them.
- 8 Following the election, the Welsh Government published its new programme for government² in June 2021. Among other things, it intends to strengthen the autonomy and effectiveness of local government over the next Senedd term. The Welsh Government intends to implement the provisions of the Local Government and Elections Act 2021 which made provisions for new performance and accountability arrangements. It has not set out any further actions.

Corporate planning

- 9 The laws that shape councils' approach to corporate planning are changing. Under the previous performance and governance regime, all councils had improvement duties which required them to set out their improvement objectives, and how they would achieve them, and to publish their plans to improve service delivery. The Local Government and Elections (Wales) Act 2021 is repealing the regime in stages³. From 1 April 2021, instead of improvement duties, councils have duties to review, assess and report on how well they are exercising their performance requirements. Under the Act, performance requirements relate to whether councils are exercising their functions effectively; whether they are using resources economically, efficiently and effectively; and whether their governance arrangements are effective.
- 10 The Well-Being of Future Generations (Wales) Act 2015 placed a well-being duty on councils to set and publish well-being objectives. The duty requires the relevant bodies to carry out sustainable development by considering five ways of working: long-term; prevention; integration; collaboration; and involvement.

Collaboration and regional service delivery

- 11 Collaboration and partnership working are a key feature of planning and delivering council services. Councils provide some services directly, work in partnership with other organisations and commission others to provide services on their behalf.
- 12 The Well-Being of Future Generations (Wales) Act 2015 established statutory Public Services Boards (PSBs), of which councils are a member⁴. PSBs are based on council boundaries although three PSBs operate over more than one boundary (**Exhibit 1**). PSBs must undertake a local well-being assessment every five years, using local and national data to understand local need. The assessment informs a local well-being plan setting out the PSB's well-being objectives and the steps it will take to meet them. The Act also requires relevant bodies to collaborate in setting their well-being objectives and taking steps to meet them.

³ Welsh Government, Performance and Governance of Principal Councils, March 2021

⁴ PSBs are made up of the local council, the local health board, fire and rescue authority and Natural Resources Wales. Other organisations such as the police and crime commissioner and voluntary sector are also invited to be members of PSBs.

Exhibit 1: Public Services Boards and Corporate Joint Committees in Wales

Public Services Boards in each Corporate Joint Committee (CJC) area

North Wales CJC

- 1 Conwy and Denbighshire
- 2 Gwynedd and Isle of Anglesey
- 3 Flintshire
- 4 Wrexham

Mid Wales CJC

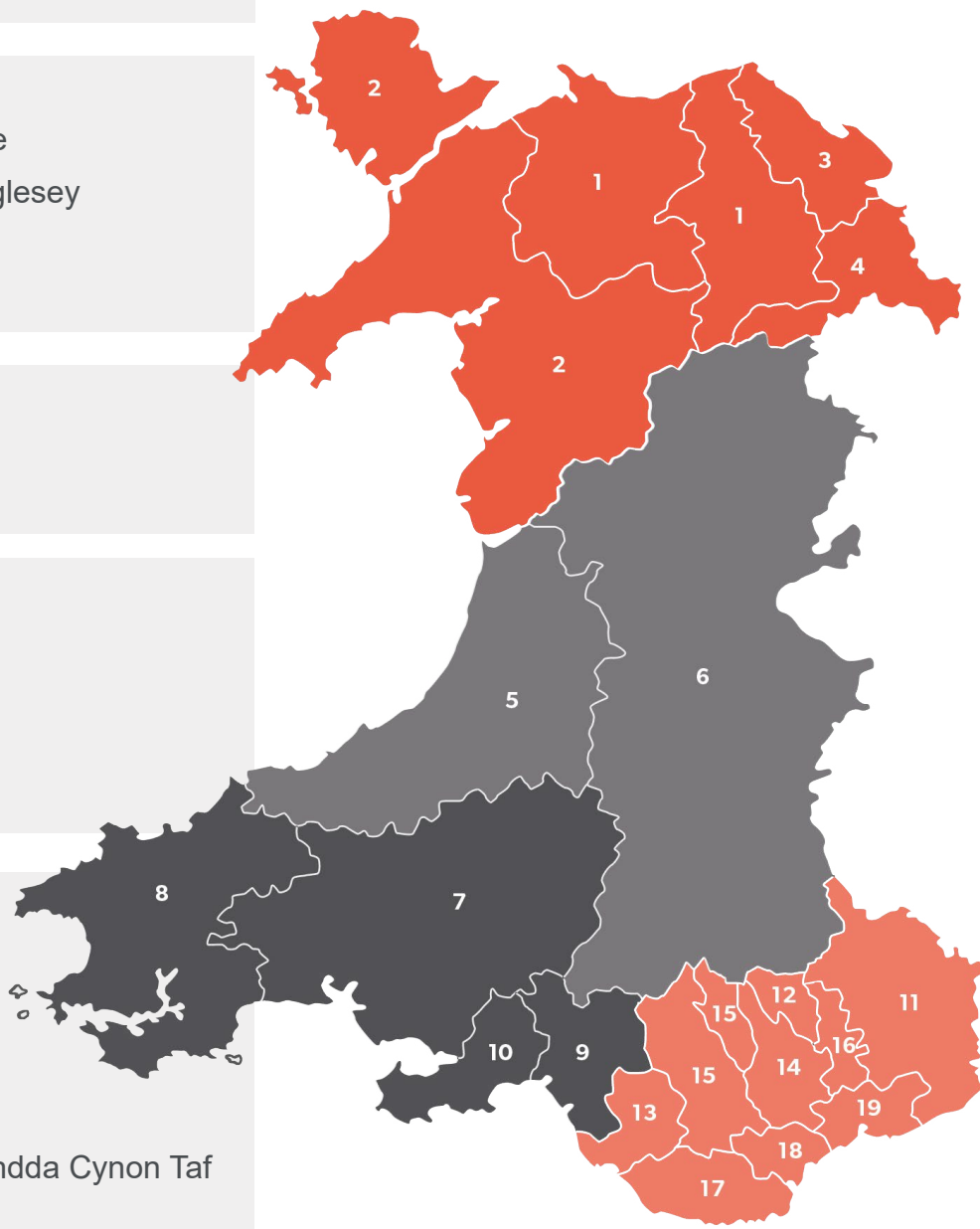
- 5 Ceredigion
- 6 Powys

South West Wales CJC

- 7 Carmarthenshire
- 8 Pembrokeshire
- 9 Neath Port Talbot
- 10 Swansea

South East Wales CJC

- 11 Monmouthshire
- 12 Blaenau Gwent
- 13 Bridgend
- 14 Caerphilly
- 15 Merthyr Tydfil and Rhondda Cynon Taf
- 16 Torfaen
- 17 Vale of Glamorgan
- 18 Cardiff
- 19 Newport



Note: Snowdonia National Park Authority is a member of the North Wales CJC, Pembrokeshire Coast National Park Authority is a member of the South West Wales CJC, and the Brecon Beacons National Park Authority is a member of both Mid Wales and South East Wales CJCs.

- 13 The Local Government and Elections (Wales) Act 2021 creates a new statutory mechanism for delivering some services on a regional basis through establishing Corporate Joint Committees (CJCs). The Welsh Government intends CJCs to provide a more consistent approach to strategic regional governance, planning and service delivery. From 2022, the four regional CJCs⁵ will start exercising functions relating to strategic development planning, regional transport planning and economic well-being of their areas.

Local government finances

Council funding

- 14 The Welsh Government allocates funding to councils via the unhypothecated⁶ annual Local Government Settlement and through specific grants. Our **Guide to Welsh Public Finances**⁷ explains where funding for the settlement comes from and how it is allocated. The main sources of council income are the Revenue Support Grant and other specific Welsh Government grants. Other key sources of income are non-domestic rates, locally set council tax and income from fees, charges and other sources (**Exhibit 2**). Councils can also borrow to invest in local infrastructure.

Exhibit 2: summarised picture of local government revenue spending and income 2019-20

Spending	Total spending on services	£9.2 billion
Income	Service income from charges, fees and other sources	£1.3 billion
	Revenue Support Grant	£3.3 billion
	Specific grants for services	£2.0 billion
	Non Domestic Rates	£1.1 billion
	Council Tax	£1.7 billion
Balance	Other adjustments (net cost)	£0.2 billion

Note: Total spending on services includes funding for police (£689 million), fire and rescue services (£160 million) and national parks (£18 million). 'Other adjustments' is the balance of all other income and non-service-related expenditure.

Source: Audit Wales analysis of StatsWales local government revenue outturn dataset

5 Mid Wales, North Wales, South East Wales and South West Wales Corporate Joint Committees.

6 Councils are free to choose how to spend this money according to local priorities.

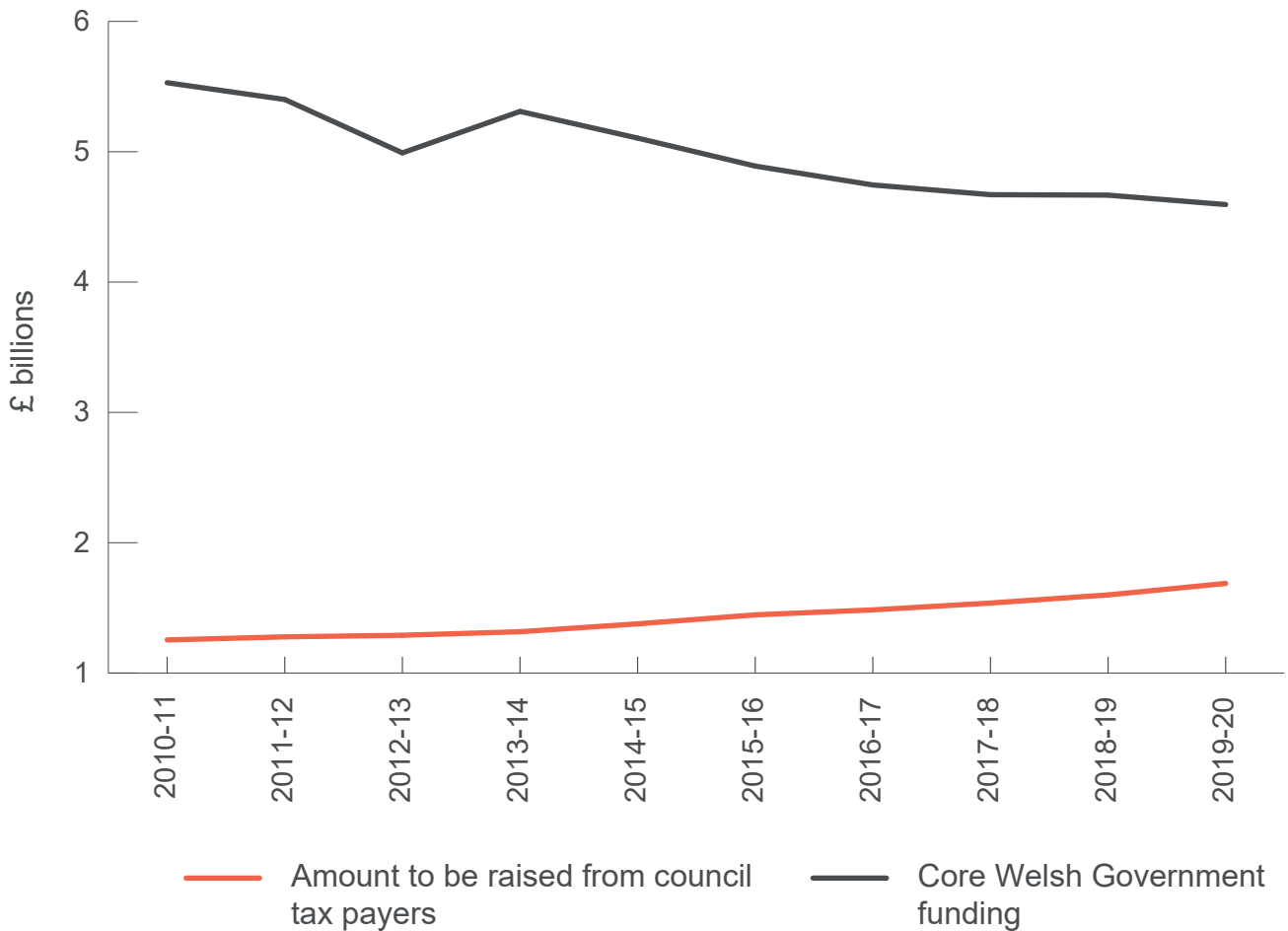
7 Auditor General for Wales, Guide to Welsh Public Finances, July 2018

- 15 Our work on financial sustainability during 2020-21⁸ found that in the first six months of 2020-21, Welsh councils saw a combined loss of around £325 million due to the COVID-19 pandemic (£160 million loss of income and £165 million additional expenditure). The Welsh Government has allocated additional funding to help councils mitigate the financial impact of COVID-19 including a £660 million crisis fund⁹.
- 16 Between 2010-11 and 2019-20, core Welsh Government funding to local government fell by 17% in real terms (**Exhibit 3**). The amount of funding to be raised by council tax in the same period has increased by 35%, which means council tax payers are directly paying more for councils' services than a decade ago.

8 Auditor General for Wales, Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic, October 2020, and Auditor General for Wales, Financial Sustainability of Local Government – COVID Impact, Recovery and Future Challenges, September 2021

9 Although the Welsh Government allocated £660 million, by the end of the financial year it reports having spent £587 million.

Exhibit 3: real terms Welsh Government core funding to local government and the amount to be raised by council tax 2010-11 to 2019-20 (2019-20 prices)



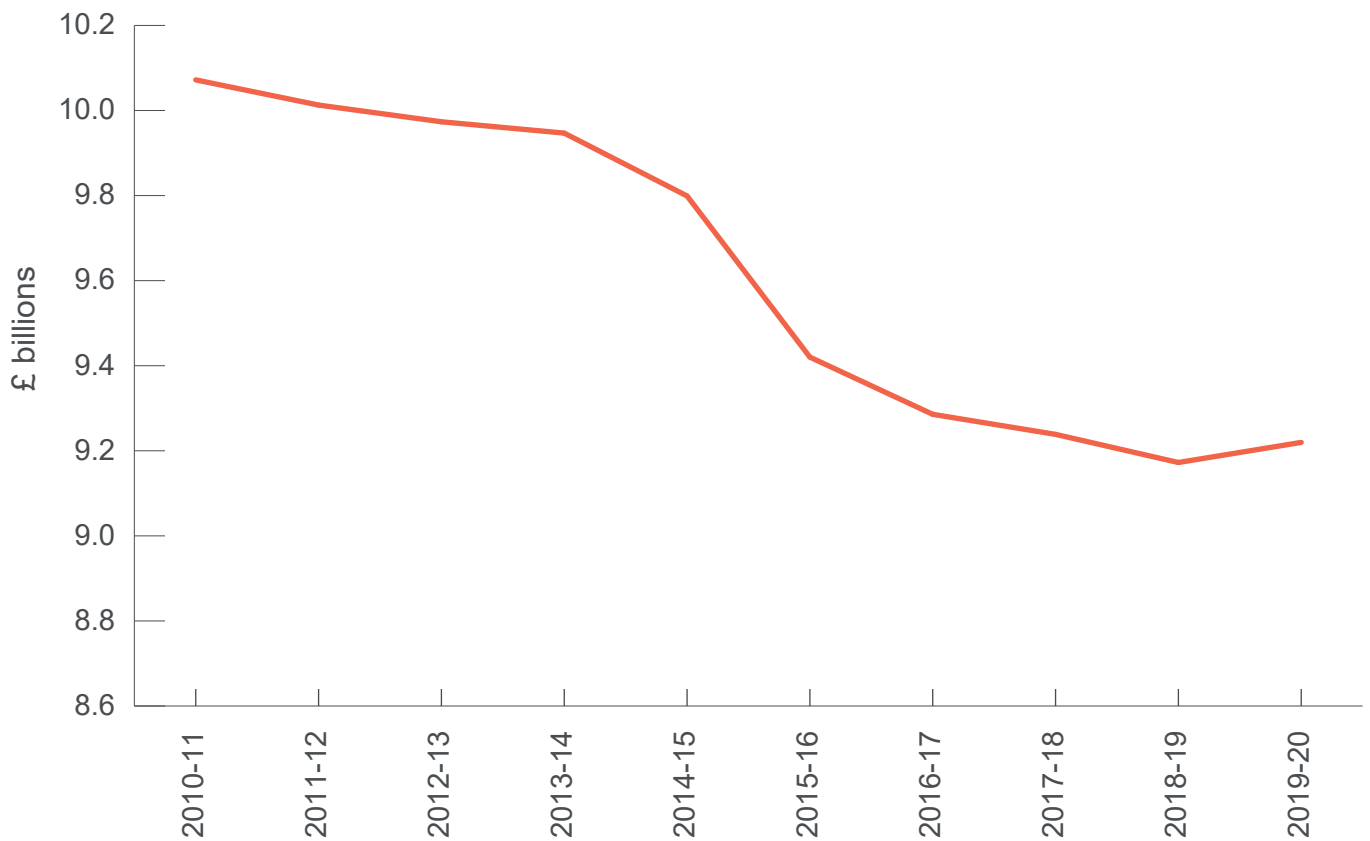
Note: Welsh Government revenue funding for local government includes the core revenue support grant, the distribution of non-domestic rates and other non-specific grants. These fund the core services offered by local government, such as schools and social care. The figure does not include grants for specific programmes and projects which go to local government. Funding is adjusted for 2010-11 to 2013-14 to reflect changes to the council tax support scheme. It has not been adjusted to reflect 'de-hypothecation' where previously stand-alone grants have been included into the core funding.

Source: Audit Wales analysis of StatsWales Local Government Revenue Outturn Data

Council spending

- 17 Councils set their own spending priorities within their budget. Councils are required by law to set a balanced budget. In setting a balanced budget, councils set out their spending plans against known and likely levels of income. Councils produce medium-term financial plans which typically cover a three-to-five-year period. The plans inform annual budgets, spending plans and council tax levels.
- 18 Across local government, total revenue spending on services, which includes funding for fire services, police and national parks, fell in real terms by 8% from 2010-11 to 2019-20 (**Exhibit 4**).

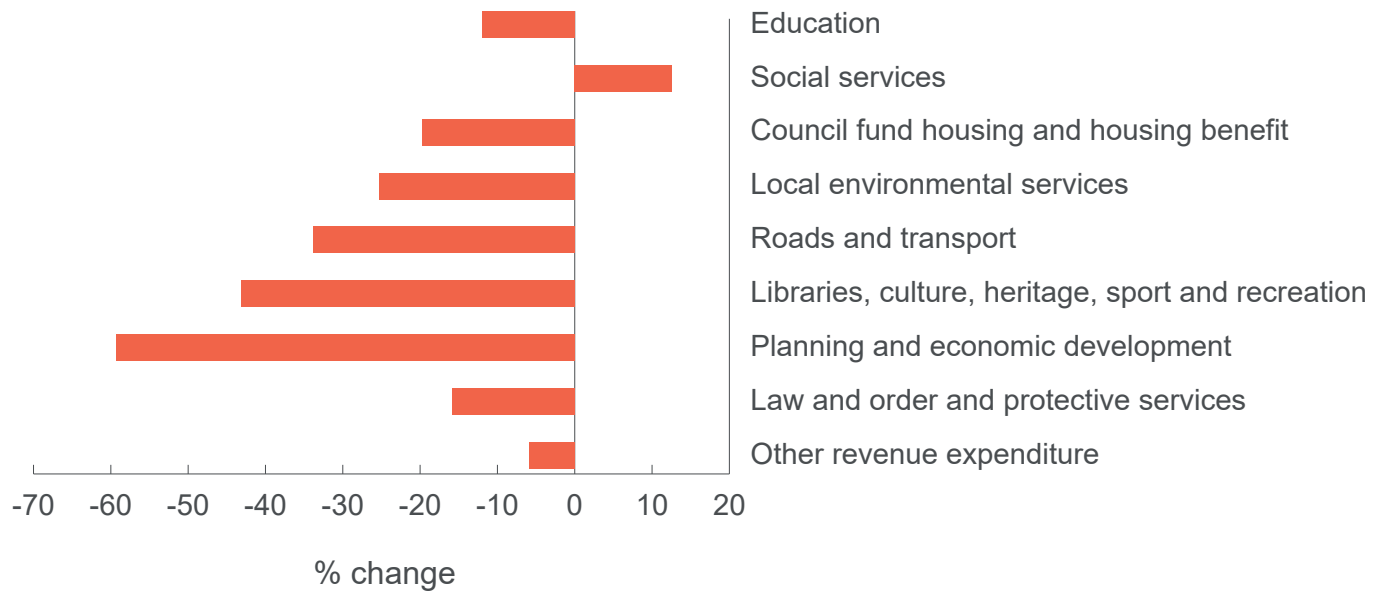
Exhibit 4: total real terms revenue spending on services from 2010-11 to 2019-20 (2019-20 prices)



Source: Audit Wales analysis of StatsWales Local Government Revenue Outturn Data

19 Real terms spending per head has fallen in many council service areas since 2010-11. However, spending on social services has increased since 2010-11. The biggest reductions since 2010-11 have been in planning and economic development (nearly 60%) and libraries, culture, heritage, sport and recreation (43%) (**Exhibit 5**). It is difficult to get a clear picture of the impact of the cuts on service delivery because recent data on local government performance is limited (see **paragraph 28**).

Exhibit 5: changes in real terms spending per head from 2010-11 to 2019-20 (2019-20 prices)



Source: Audit Wales analysis of StatsWales Local Government Revenue Outturn Data

- 20 Local government bodies have powers to hold reserves. Usable reserves can be related to specific projects (earmarked reserves) or as security against unforeseen financial pressure (general reserves). The Chartered Institute of Public Finance and Accountancy Accounting Code also requires bodies to have other unusable reserves. In 2019-20, councils held over £1 billion in usable reserves.

Local government capacity

Demand for some council services is likely to increase

- 21 Our recent report on discretionary services¹⁰ highlights rising demand for some council services. In particular, the total population is increasing and there are more older people and more people living in poverty. Our summary reports on social care and schools look at demand for those areas in more detail.
- 22 The indirect impact of COVID-19 will further increase demand on council services. In March 2021, Public Health Wales NHS Trust published a health equity report¹¹ mapping the social, economic and environmental impact of COVID-19. The report says the pandemic has widened the socio-economic gap, affecting the most deprived the hardest. It has exposed flaws in the housing system and educational disruption will create immediate and long-term harm to children.
- 23 The scale and impact of socio-economic change on council services is largely unknown but could be significant and long lasting. Pauses and changes to council services may contribute to extra, or pent-up demand. For instance, our social care summary report notes that incidents of abuse or neglect may have gone undetected due to lack of contact with support services.

There are gaps in some parts of the local government workforce

- 24 Office for National Statistics data shows that the total headcount in local government in Wales reduced by 23% between March 2010 and December 2020. However, it is difficult to give an accurate picture because some councils deliver parts of their services through other organisations which are not reflected in the local government staffing figures.

10 Auditor General for Wales, At Your Discretion: Local Government Discretionary Services, April 2021

11 Public Health Wales, Placing Health Equity at the Heart of COVID-19 Sustainable Response and Recovery: Building Prosperous Lives for all in Wales, March 2021

- 25 Our recent work has found that staffing reductions, in particular the loss of experienced staff, have created skill deficits. For example, our work on the public sector's preparations for a no-deal Brexit, highlighted that there were fewer staff members in local government that possess the cross-cutting policy and planning expertise that was needed. In our 2019 report on planning authorities¹², we found capacity gaps in specialisms such as design, data analysis, research, infrastructure, and trainee planning officers. Our report on better law-making¹³, which drew on other previous work, said that councils find it difficult to implement new legislation, partly due to resourcing gaps.
- 26 COVID-19 is likely to affect workforce capacity as councils continue to respond to the pandemic. At the same time, illness, self-isolation, and caring responsibilities continue to affect workforce capacity. As with other parts of the public sector workforce, the longer-term impact on staff is unknown. Some redeployed staff have had front-line roles or been under pressure delivering critical services. The well-being of staff who may have experienced direct or indirect harms because of COVID-19 is an ongoing concern for councils.

Local government performance

The Welsh Government has changed the way councils review and report their performance

- 27 The Local Government and Elections (Wales) Act 2021 replaces the requirement for councils to assess their performance in meeting their improvement objectives with a broader annual self-assessment of their performance. The assessment looks at whether councils are exercising their functions effectively; using their resources economically, efficiently and effectively; and ensuring their governance arrangements are effective. Councils must also arrange for a periodic external review (panel performance assessment) on their performance and progress in improving their performance¹⁴.

12 Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, June 2019

13 Auditor General for Wales, Better Law Making: The Implementation Challenge, September 2020

14 Panel performance assessment duties will come into force following the next ordinary local government elections in May 2022.

Nationally comparable data on recent council performance is variable across service areas

- 28 There is a range of public data showing aspects of performance in local government¹⁵. However, nationally comparable data does not exist for some service areas. Data for some years is not available, and the data is not available in one place, making it difficult for the public to compare their council's performance with others across Wales.
- 29 Some of the gaps in data are due to successive changes to performance frameworks in local government. In 2016, the Welsh Government revoked the duty on councils to submit national strategic indicator data. The reason for removing the duty was that several indicators were duplicated or had been overtaken by requirements in other frameworks.
- 30 Councils then worked with the Welsh Local Government Association (WLGA) to develop a new framework for local performance based on existing Public Accountability Measures (PAMs). The framework aims to support councils in presenting their performance to the public, including comparisons with other councils, and to enable the public to hold councils to account. Some PAMs data is published by the Local Government Data Unit on **My local council** and includes information across eight areas of council activity¹⁶.
- 31 However, some PAMs, such as measures on social care¹⁷ are not yet published on **My local council**. The PAMs also give a narrow picture of performance. There are currently only three years of data because they started in 2016-17 and data from 2019-20 onwards has not yet been published.
- 32 The Welsh Government's new programme for government commits to change the performance framework for local government to better enable innovation, transparency, and local ownership. The Welsh Government intends to fulfil this commitment by implementing the provisions of the Local Government and Elections Act 2021.

15 Including the Welsh Government's [StatsWales](#) website, [My Recycling Wales](#), and on the [Data Cymru](#) website.

16 Corporate management; education; food hygiene; housing and homelessness; leisure and library services; planning and economic development; roads and transport; waste and recycling.

17 The Welsh Government publishes other information on social care on its StatsWales website.

Local government key issues

Improving financial resilience remains a key issue for councils

- 33 Financial pressure on councils is likely to continue. Our 2020-21 work on financial sustainability (see **paragraph 15**) describes it as a key challenge. Although the Welsh Government provided additional funding to help councils respond to the immediate costs of the pandemic, the financial impact is likely to continue.
- 34 Our work over the last five years has looked at financial resilience, savings planning, and financial sustainability in councils¹⁸. We found that councils are responding to financial challenges, but severe pressures remain. We also found shortcomings in strategic financial planning that could undermine councils' ability to remain financially resilient. Our 2020-21 financial sustainability work found that some councils were better placed than others to weather financial challenges. Councils held varying levels of useable reserves. Some councils had failed to spend within agreed budgets in recent years and drawn on reserves to manage their deficit.
- 35 In response to financial challenges, some councils have started, accelerated, or continued changing the way they deliver services. Some have considered how to increase their income or adopted different service delivery models as part of a more commercial approach. Our reports on charging for services¹⁹ and commercialisation in local government²⁰ describe the challenges associated with generating income.
- 36 We found that councils are not always strategic in their approach to charging, and whilst there are opportunities to increase income, councils need to balance this with communities' ability to pay more. Councils need to effectively evaluate charges to understand their impact, and to support decision making. More broadly, councils need the right culture, skills and systems to unlock the benefits and mitigate the risks of commercialisation. The general power in the Local Government and Elections (Wales) Act 2021 gives councils flexibility to raise money by charging for discretionary services and to trade in line with existing powers.

18 Auditor General for Wales, Savings Planning in Councils in Wales, June 2017; Auditor General for Wales, Financial Management and Governance in Local Councils 2016-17, January 2018; and Auditor General for Wales, Financial resilience of local authorities in Wales 2015-16, August 2016

19 Auditor General for Wales, Charging for Services and Generating Income by Local Authorities, November 2016

20 Auditor General for Wales, Commercialisation in Local Government, October 2020

- 37 Our discretionary services report explains that under continued financial pressure, councils have struggled to maintain their full range of services. Councils have had to make tough decisions on which services to reduce, change or no longer provide. We found that councils have typically sought to protect services that help the more vulnerable, with the biggest spending reductions in other areas (**paragraph 19**). We also found that councils do not always have sufficiently detailed information to inform their decisions about funding for services.

There are opportunities to learn from and adapt collaborative approaches to Brexit and COVID-19

- 38 In 2014, the Williams Commission²¹ proposed a reduction in councils from 22 to between 10 and 12. The Welsh Government decided not to reduce the number of councils. However, the Local Government and Elections (Wales) Act 2021 includes mechanisms for councils to merge voluntarily, or when determined by the Welsh Government under specific conditions.
- 39 The Commission described local government partnership structures as overly complex. Since then, the Welsh Government has made successive changes to the partnership landscape. Councils are required by several Welsh laws including the Well-Being of Future Generations (Wales) Act 2015, and the Social Services and Well-being (Wales) Act 2014 to collaborate with many partners. Our 2019 review of Public Services Boards²² highlighted similar issues around complexity.
- 40 The Welsh public sector developed successful structures for the collective response to Brexit planning and COVID-19 which offer learning to make future collaborative arrangements more effective. Our Brexit work found that local government, and other parts of the public sector, built on structures and relationships developed during Brexit planning to develop the collective response to COVID-19.
- 41 During the pandemic, councils have worked with health boards, Public Health Wales NHS Trust and the Welsh Government to deliver Test, Trace, Protect services. They also played a key role inspecting premises to ensure compliance with COVID-19 regulations and distributed business grants on behalf of the Welsh Government. Our review of Test Trace Protect²³ found that public bodies worked well together in strong and effective partnerships at pace. Further examples of positive partnership working are set out in the Welsh Government's review of support for non-shielding vulnerable people²⁴ and case studies we collected as part of [COVID learning](#).

21 Commission on Public Service Governance and Delivery, Summary Report, January 2014

22 Auditor General for Wales, Review of Public Services Boards, October 2019

23 Auditor General for Wales, Test Trace Protect in Wales, An Overview of Progress to Date, March 2021

24 The Welsh Government, Review of the Support for Non-shielding Vulnerable People (NSV) During COVID-19, December 2020

Councils are interacting with the public in different ways

- 42 In recent years, councils have been moving some services online or using call centres to replace face to face contact. The shift has been rapidly accelerated by the pandemic, with home schooling, digital assessments of need, online planning committee meetings, remote and home-based working changing how public services operate and how people interact with them.
- 43 There are many real benefits from moving services online and to the telephone, both for councils and service users, but it is not always appropriate. There are risks that digital services can widen inequalities and increase digital exclusion because some people are unable to access them. Some people prefer to access services in other ways. For example, our 2018 report on homelessness said that people who use homeless services prefer to do so in person or via a third party rather than using online services²⁵. Some councils have considered ways to mitigate these risks.
- 44 Our review of discretionary services found that councils are not effectively or consistently involving the public in decisions, despite the potential for them to help deliver services. The Local Government and Elections (Wales) Act 2021 aims to make it easier for the public to understand how councils work. It requires councils to prepare, consult on, publish and review a ‘public participation strategy’.
- 45 The Act also requires councils to live broadcast public meetings electronically and make broadcasts available for a reasonable period after the meeting. In some instances, this has made council business accessible in a way it has not been previously but, again, there are some people who cannot or prefer not to access meetings online²⁶.
- 46 Going forward, there may be opportunities for councils to work more closely with the public to design and deliver services. Although it is difficult to establish numbers, people undertook a range of formal and informal volunteering during the pandemic, including supporting vaccination centres and food banks and delivering supplies to those in self-isolation. It is too early tell, but increased awareness and involvement in delivering local services may mean the public will increasingly expect to engage differently with their council.

25 Auditor General for Wales, How Local Government manages demand – Homelessness, January 2018

26 Our blog on [local council democracy – coming out of lockdown](#), July 2020 discusses ‘digital democracy’ and the broader impact of COVID-19 on local council democracy.

Many councils have declared a climate emergency

- 47 In 2019, the Welsh Government declared a climate emergency, and in February 2021 committed to achieving net zero greenhouse gas emissions by 2050. As a result, many councils have now declared a climate emergency and are developing carbon action plans or have them in place.
- 48 As an interim target, the Welsh Government plans to reduce emissions by 63% by 2030. It has also stated its intention for all Welsh public bodies to be carbon neutral by 2030, which councils have collectively signed up to through the WLGA.
- 49 The Welsh Government has published the Public Sector Route Map to help public bodies become carbon neutral by 2030. The WLGA has established a Chief Executive level strategy panel to lead, support and give a strategic overview to the decarbonisation work across local government.



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