

# **4** Cultivating multi-level relationships to accelerate regional development

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This section explores how multi-level governance arrangements in Wales support a stronger working relationship among the Welsh Government, local authorities and Corporate Joint Committees (CJCs). It proposes new approaches to strengthen inter-governmental relationships, drawing on lessons from other disciplines, such as behavioural science. It summarises principles for better collaborative working developed by the Welsh Government, local authorities, CJCs and other stakeholders.

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## Introduction

Two sets of inter-governmental relationships shape Welsh regional development: between the United Kingdom and Welsh governments and between the Welsh Government and Welsh local authorities (OECD, 2020<sup>[1]</sup>). The first inter-governmental relationship – between the United Kingdom and Wales – is largely beyond the scope of this project as the Welsh Government has limited influence over these interactions.<sup>1</sup> This report focuses on the second – the relationship between the Welsh Government and Welsh local authorities. Since the establishment of the Corporate Joint Committees (CJCs) (Chapter 3), this relationship has gained a new dimension as the Welsh Government and local authorities interact in new ways on the regional level.

This chapter explores how the Welsh Government, local authorities and the CJCs work together to drive regional development. Adopting tools to co-ordinate among levels of government – critical to enhancing the efficiency and effectiveness of public investment – is one of the recommendations in the OECD *Recommendation of the Council on Effective Public Investment Across Levels of Government* (2014<sup>[2]</sup>). With the Welsh Government and local authorities each responsible for roughly one-third of public investment in Wales, how they interact contributes to the effectiveness of investment and, ultimately, regional development (OECD, 2020, p. 40<sup>[1]</sup>).

## From a more directive towards a more collaborative approach

OECD focus group and workshop participants painted a picture of fragile trust and a lack of mutual respect between local authorities and the Welsh Government, an observation echoed in the OECD report *The Future of Regional Development and Public Investment in Wales, United Kingdom* (2020<sup>[1]</sup>), and the CJCs threaten to reproduce existing challenges with vertical relationships. The Welsh Government and local authorities both profess to share the same vision for working together but efforts to shift from a more directive to a more collaborative relationship have not satisfied local authorities. Despite high ambitions for a better relationship between the Welsh Government and local authorities, fragile relationships persist. The same message was highlighted in the OECD 2020 report, which identified a persistent lack of trust that created conflict and friction in interactions between levels of government (OECD, 2020, p. 41<sup>[1]</sup>). That the Local Government Partnership Scheme, Partnership Council for Wales and other efforts to improve inter-governmental working have not significantly changed local authority views suggests that these efforts have been insufficient. This section suggests new approaches, informed by other fields like behavioural science, to foster a more collaborative culture.

### ***Fragile relationships between the Welsh Government and local authorities persist despite ambitions for better collaboration***

The Welsh Government's Local Government Partnership Scheme exemplifies the high ambitions for collaboration between the national and local governments. The scheme sets out how the Welsh Government plans to “sustain and promote local government” by summarising roles, outlining how the two levels of government collaborate to deliver national and local priorities, and committing to improving the working relationship in certain areas (e.g. financial framework and engagement). The scheme summarises the intention behind it as follows:

*“The Welsh Government and local government in Wales are committed to working together in partnership, within an atmosphere of mutual trust and respect, recognising the value and legitimacy of the roles both have to play in the governance of Wales” (Welsh Government, 2017<sup>[3]</sup>).*

The statutory Partnership Council for Wales is a key tool for implementing the Local Government Partnership Scheme. Created in the Government of Wales Act 2006, the council brings together Welsh ministers or deputy ministers and elected officials of local authorities to promote collaboration. Chaired by the Minister for Finance and Local Government, the council can provide advice to Welsh ministers and local authority officials and can bring to the ministers issues that affect those involved in local government (Welsh Statutory Instruments, 2006<sup>[4]</sup>). However, some participants in the OECD workshops with CJsCs asserted that the Partnership Council for Wales was insufficient to advance meaningful dialogue that fosters mutual understanding and constructive engagement, focuses on issues of most concern and, ideally, with actionable next steps at the highest level. While the Welsh Government co-develops and agrees on the agenda with the Welsh Local Government Association (WLGA), some local authority representatives voiced perceptions that the Partnership Council for Wales could offer a greater opportunity to discuss issues of high importance to local authorities – including those relevant to regional development – and to progress towards solutions. In addition, some local authorities felt that exchanges through the council sometimes offered little opportunity for spontaneous discussion and exchange with the minister. While the Partnership Council for Wales does not focus specifically on regional development, this high-level forum for joint working helps to set the tone for collaboration for regional development.

Issues around the Partnership Council for Wales form one example of friction in the relationship between the Welsh Government and local authorities. When asked to explain the sources of conflict and friction, local authority representatives participating in the focus groups and workshops pointed to various contributors:

1. **Onerous administrative burdens on local authorities, although efforts to reduce these in one area are in motion.** Extensive red tape that stretches local authority resources further threatens local authority goodwill towards the Welsh Government. In addition, local authorities do not feel trusted to operate without a great deal of direction setting and scrutiny from the Welsh Government. Welsh ministers have committed to reducing administrative burdens on local authorities in the Programme for Government, especially in the areas of grants management and administration. They recently announced a suite of measures to target burdensome and unnecessary processes associated with the payments and administration of grants that were welcomed by the WLGA (Minister for Finance and Local Government, 2023<sup>[5]</sup>; WLGA, 2023<sup>[6]</sup>). This work included a review of all revenue grants paid from the Welsh Government to local authorities, resulting in proposed changes to simplify grants and ensure consistency in approach. These changes are scheduled to be implemented in 2024-25 and beyond (Welsh Government, 2024<sup>[7]</sup>).
2. **Limited empowerment for decision making at the local authority level.** While the Welsh Government committed to being less prescriptive about how local governments implement new legislation in the Local Government Partnership Scheme (Welsh Government, 2017<sup>[3]</sup>), local authorities want more space to make decisions within their mandates. Participants expressed concerns that the Welsh Government's interactions with local authorities have become excessively hands-on, which, as mentioned above, imposes additional burdens and threatens to undermine trust. This sentiment echoes the results of a 2017 Auditor General for Wales survey of planning authorities, which noted a feeling shared by some participants that the Welsh Government's approach amounted to "arm's length micro-managing of local authorities" (Auditor General for Wales, 2017<sup>[8]</sup>). On the other hand, some Welsh Government staff pushed back, noting that "stepping back" had produced issues with delivery in the past.
3. **A perception of excessive scrutiny and control.** Chapter 3 discussed CJC concerns of over-scrutiny by the Welsh Government, which caused some regions to think twice before giving their CJC attributions beyond the bare minimum legal requirements. Some participants also pointed to a heavy-handed approach to control and expressed trepidation that the Welsh Government would use performance information as a justification for further top-down intervention or sanctions.

4. **Less opportunity for meaningful dialogue between local authorities and the Welsh Government than desired.** As presented above, some participants were unsatisfied with the quality of exchange in the Partnership Council for Wales, noting that it felt scripted and lacked the space for high-quality discussion. Face-to-face relationship building and more meaningful online meetings between political representatives of the Welsh Government, local authorities and the CJsCs would go a long way to demonstrating mutual respect and building trust. The same could be said for more meaningful exchanges on big-picture, strategic issues on the political and technical levels. The Welsh Government has taken this feedback forward by creating two new platforms for discussion with high-level political and operational representatives of the Welsh Government and the CJsCs, described in the following section.

Chapter 3 summarises local authority concerns about the CJsCs as a new interface between the Welsh Government and local authorities, which mirrors the existing vertical co-ordination issues summarised in Points 1 and 2 above. The Welsh Government's early interactions with the CJsCs, which came in the form of organisational guidelines and unexpected tasks (such as completing a childhood poverty action plan), have exacerbated these concerns.

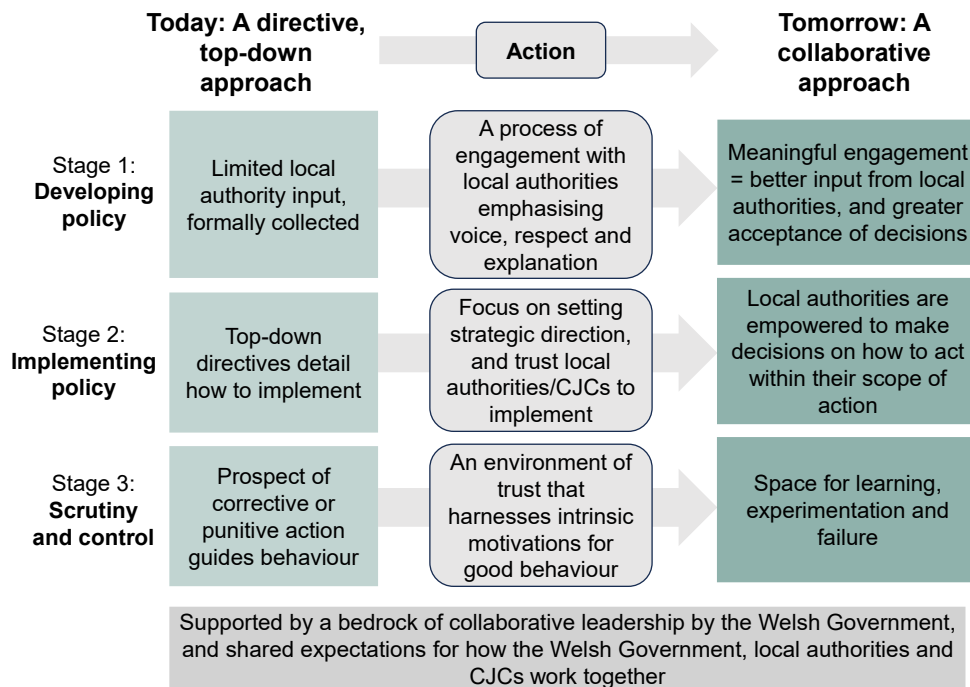
The insights shared by local authority officials and officers point to a desire for a less directive and top-down approach from the Welsh Government, where greater trust between the two levels of government would pave the way for the Welsh Government to empower local authorities' decision making. In the 2020 report, this more collaborative approach was encapsulated in the term "co-production", presented as a model by both the Welsh Government and local authority representatives (OECD, 2020<sup>[1]</sup>). While this term is being used less in 2023, the ideal of a more collaborative and trust-based relationship between the two levels of government remains.

### ***Improving the Welsh Government-local authority relationship requires a new approach***

Local authority and Welsh Government stances on what can strengthen the relationship create a chicken-and-egg dilemma. The Welsh Government will require assurance that local authorities can deliver without the accustomed directive approach before they feel comfortable shifting towards a more collaborative approach. At the same time, local authorities will struggle to produce this assurance while still within the directive approach. This circular problem and the fact that the local authorities express the same discomfort with inter-government relationships despite efforts to address it (like the Local Government Partnership Scheme discussed above), suggest that a new approach is needed to break the cycle. A different approach can mean revisiting formal processes and structures. It can also target "softer", harder-to-measure factors that can make or break relationships, like trust. In both cases, change can – and may need to – be incremental, with dedicated spaces for experimentation. This section draws upon literature in different disciplines – including procedural justice and behavioural science – to explore new approaches to building more collaborative vertical relationships.

A transition towards a more collaborative approach could involve three steps (Figure 4.1). First, the Welsh Government could start by examining how it makes decisions and develops policies, ensuring that meaningful engagement strengthens input from local authorities and CJsCs and increases understanding of the results among local authorities and CJsCs. Then, during policy implementation, the Welsh Government could place a renewed emphasis on empowering local authorities and the CJsCs to deliver aspects within their mandates, forgoing excessive directives and guidance in favour of more tailored support. Finally, when it comes to scrutiny and control, the Welsh Government could try to shift towards a learning culture where fear of sanction does not stifle innovation and transparency. The Welsh Government could support these shifts by showing collaborative leadership and maintaining realistic expectations for vertical relationships. The following sub-sections explore each of the three steps depicted in greater depth and provide examples of the necessary transitions.

**Figure 4.1. Three steps towards a more collaborative approach**






*Fostering positive and constructive engagement between national government, local governments and the CJCs*

Since the OECD interviews and workshops, the Welsh Government has created two new platforms for dialogue with the CJCs to address some of the concerns explored above. The first brings together high-level officials of the Welsh Government and the CJCs to address issues that officials should deal with. A Welsh Government director chairs this meeting, supported by several relevant Welsh Government staff. CJC chief executives represent the CJCs. The first of these meetings was conducted in January 2024 and they are scheduled to occur quarterly. The second platform brings together relevant ministers and the elected members of local authorities that lead each CJC, giving the CJCs a chance to discuss any issues with ministers and ministers a chance to ask questions of the CJCs. At the time of writing, this meeting is chaired by the Minister for Finance and Local Government. Ministers attend with a portfolio of interests in the CJCs (Minister for Economy, Minister for Climate Change and Deputy Minister for Climate Change).<sup>2</sup> The CJCs are represented by the local elected officials who serve as Chairs and Vice Chairs of each CJC. The first of these meetings occurred in February 2024, with subsequent meetings planned to be held every six months (Welsh Government, 2024<sup>[7]</sup>).

The Welsh Government can draw from behavioural science and procedural justice literature to ensure that its platforms for engagement with local authorities and the CJCs – including the two new platforms described above – foster positive and constructive participation. Behavioural science suggests that stakeholder engagement is not only a way to gather important information for decision making but also can help improve acceptance of government decisions. Simply offering opportunities to engage is not enough: research from the fields of behavioural science and procedural justice suggests that stakeholder engagement that is perceived as a box-ticking exercise undermines participant perceptions of fairness, which compromises stakeholder acceptance of the result. A negative perception of fairness compromises acceptance and produces feelings of exclusion and exploitation (Lind and Arndt, 2016<sup>[9]</sup>). Stakeholder engagement, if done poorly, can backfire.

To improve the quality of its engagement with local authorities, the Welsh Government could adjust its approach along the three pillars of fair process described by Lind and Arndt (2016<sup>[9]</sup>): voice, respect and explanations. Table 4.1 describes these three pillars and proposes changes in the Welsh Government’s approach to better meet unspoken expectations for a fair process. These adjustments can target platforms for formal exchange between the Welsh Government – like the Partnership Council for Wales or the two new senior-level decision-maker meetings. These adjustments focus on the “process design” around engagement to strengthen the foundation of fair engagement (Reed and et al, 2017<sup>[10]</sup>).

**Table 4.1. Three pillars to make interaction among levels of government more meaningful**

	Pillar	Explanation	Potential changes in Wales
	Voice	<p>Individuals want to feel that their voice is heard:</p> <ul style="list-style-type: none"> <li>Perceptions of fairness increase when individuals can express their perspectives to decision makers, regardless of whether the ultimate decision is aligned. However, individuals must have reason to believe that their input is being taken into account.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that local authority inputs are used to shape each multi-level meeting agenda in order to alleviate concerns that important topics are not being discussed.</li> <li>Provide ample time for all parties to contribute during meetings so that participants feel their perspectives are being heard.</li> <li>Report how Welsh Government decisions take local authority and CJC input into account to give interlocutors confidence that their voices were heard.</li> </ul>
	Respect	<p>Individuals want to feel that they are the objects of respect:</p> <ul style="list-style-type: none"> <li>Perceptions of respectful treatment are very important drivers of perceptions of fairness but the concept of what constitutes respect varies greatly.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate respect by designing the meetings that bring ministers together with the executives or elected officials of local authorities and CJs – the Partnership Council for Wales and the two new dialogue platforms – to be face-to-face and take place in the relevant places as much as possible (e.g. alternating meetings in CJC hubs or local authorities with meetings in Cardiff).</li> <li>Actively solicit input into each agenda to signal that local authorities and CJs can play a principal role in determining what to discuss. Ultimately, these exchanges can begin to look more like a conversation between partners.</li> </ul>
	Explanations	<p>Individuals wish to receive explanations for decisions:</p> <ul style="list-style-type: none"> <li>Information about the reasons behind decisions increase perceptions of fairness.</li> </ul>	<ul style="list-style-type: none"> <li>Provide a thorough explanation of the reasoning behind decisions when they are made and ample opportunity for representatives of local authorities to ask questions so that local authority officials and officers can understand the justifications behind decisions.</li> </ul>

Source: The three pillars draw from Lind, E. and C. Arndt (2016<sup>[9]</sup>), “Perceived Fairness and Regulatory Policy: A Behavioural Science Perspective on Government-Citizen Interactions”, <https://doi.org/10.1787/1629d397-en>.

Improving how exchange and dialogue are organised and take place helps all parties move forward together: the Welsh Government has a quality source of regular input from the local authorities and the CJs to guide decision making, and closer ties with the Welsh Government help the local authorities and CJs advocate for their needs and plan their own actions. Box 4.1 summarises experience with mechanisms to bring levels of government together in other jurisdictions, like the regular strategic fora in Italy and Sweden, and the benefits these mechanisms confer on national and local government participants.

### Box 4.1. Bringing levels of government together in Italy and Sweden

#### Italy

In Italy, inter-governmental co-ordination mechanisms are well developed. The main institutional mechanisms for information dissemination, co-ordination and consultation are “conferences”: the Conference of State-Regions, the Conference of State-Cities and Local Autonomies and the Joint Conference of State-Regions-Municipalities and Local Authorities. The three conferences are housed in the Prime Minister’s Office.

The prime minister or the minister of regional affairs presides over the **Conference of State-Regions**. It gathers the presidents of the regions and other ministers whenever matters related to areas of their competency are discussed. The central government consults the conference regarding all legislative initiatives related to areas of regional interest. Regional governments play a key role in this platform and the process of institutional innovation, especially in the transfer of functions from the centre to the regions and local authorities.

The prime minister presides over the **Conference of State-Cities and Local Autonomies**. It gathers the minister of the interior, the minister of regional affairs, the minister of the treasury, the minister of finance, the minister of public works, the minister of health, the president of the Association of Italian Municipalities, the president of the Association of the Italian Provinces, the president of the Association of Italian Mountain Communities, 14 mayors and 6 presidents of provinces. The conference co-ordinates the relations between state and local authorities, as well as studies and discusses issues pertaining to local authorities.

The **Joint Conference of State-Regions-Municipalities and Local Authorities** includes all members of the other two conferences. Its overall mission is to foster co-operation between the state and all the local and regional authorities. It is competent in cases where all levels of government are called upon to express themselves in areas of shared competency, for example, in economic and financial planning (Official Journal, 1997<sup>[11]</sup>).

#### Sweden

In Sweden, it is the job of regional development policy makers to convince other ministries that they should wear their “territorial lenses” when planning and designing sector policies. The Forum for Sustainable Regional Development 2022-2030 is one important co-ordination platform. It is positioned as part of the implementation of the National Strategy for Sustainable Regional Development throughout Sweden 2021-2030. The forum is chaired by the Secretary of State for Regional Development. It is divided into two groups: one that promotes dialogue between national- and regional-level politicians and one that fosters dialogue between national- and regional-level civil servants (director-level). Sweden has also created thematic policy labs, including one dedicated to exploring concrete policy methods for rural development. In addition, Sweden recognises the importance of state agencies for implementing regional development policy by different sectors. To take full advantage of this, the operational staff and more senior decision makers of state agencies across policy areas in regional matters are involved.

Source: OECD (2023<sup>[12]</sup>), *OECD Public Governance Reviews: Czech Republic: Towards a More Modern and Effective Public Administration*, <https://doi.org/10.1787/41fd9e5c-en>; CorR (2019<sup>[13]</sup>), “Italy – Systems of multilevel governance”, <https://portal.cor.europa.eu/divisionpowers/Pages/Italy-Systems-of-multilevel-governance.aspx>; Official Journal (1997<sup>[11]</sup>), *Legislative Decree 28 August 1997, n. 281*, <https://leg14.camera.it/parlam/leggi/deleghe/testi/97281.dl.htm>.

*Shifting away from an overly prescriptive approach to implementation can nourish initiative taking and innovation*

In general, prescriptive and frequent guidance from central government to local authorities can become a form of control and result in: i) less space for local authorities to innovate; and ii) less initiative to act by local authorities who wait for guidance rather than taking the first steps themselves (Jones and Stewart, 2012, p. 354<sup>[14]</sup>). Focus groups and workshops with local authority officials and officers sometimes showed a similar dynamic between the Welsh Government, Welsh local authorities and the CJsCs. As discussed in Chapter 3, local authority staff expressed that they were reluctant to proactively shape their CJsCs for fear that subsequent Welsh Government instructions would require something different or that the Welsh Government would intervene.

To begin to address this dynamic, the Welsh Government could focus on providing strategic direction and light-touch guidance that empowers instead of controls. This starts with setting a strategic direction that can serve as a north star to Welsh Government staff, local authority officers and officials (see Chapter 2). Directives and guidance that follow should strike a balance between ensuring that national objectives are met and empowering local authorities to make decisions within their mandates. In practice, this might look like a series of listening-and-action sessions following new requirements for local authorities in which the Welsh Government and local authorities discuss local authority ideas for how they envision implementing policy. A first listening-and-action session could start with potential new activities for the CJsCs, opening a discussion between the government and constituent local authorities about how the activities will be implemented.

*Producing better results through a no blame culture*

Behavioural science research nuances the convention that opening organisations to scrutiny helps them perform better (Bernstein, 2012<sup>[15]</sup>; Tapscott and Ticoll, 2003<sup>[16]</sup>). It suggests that additional scrutiny does not necessarily encourage good behaviour. In factories, for example, observing workers more closely can have the perverse effect of reducing performance by encouraging workers to hide their activities for fear of negative consequences (Bernstein, 2012<sup>[15]</sup>). This counterintuitive result also appears in the public sector. In regulation, there is evidence that punitive responses to poor performance may discourage regulated entities from sharing true results for fear of blame (Hodges, 2016, p. 7<sup>[17]</sup>).

CJC concerns about sharing their challenges with the Welsh Government suggest that a similar force may be at play in Wales: faced with the possibility of a negative response and given the option, local authorities and the CJsCs prefer not to share negative results with the Welsh Government. This dynamic creates a missed opportunity for the Welsh Government to support local authorities and the CJsCs. To address this, the Welsh Government may take inspiration from co-operative models of regulation based on an open, “no blame” culture (Box 4.2).

**Box 4.2. Deterrence gives way to an open, no blame culture in some areas of regulation**

The theory of Ethical Business Practice and Regulation (more recently developed into Outcome-Based Co-operative Regulation (Hodges, 2022<sup>[18]</sup>)) sets out a new model of trust-based relationships between regulators and the public and private businesses they regulate. It envisions a more collaborative approach instead of an adversarial one. In regulation, this is summarised as moving from “regulator v business is the problem” to “business plus regulator *against* the problem” [emphasis added] (Hodges, 2016, p. 8<sup>[19]</sup>).



### High stakes for open sharing and learning

This concept is based on regulatory systems in sectors where being open about and learning from failure are critically important, like civil aviation safety regulation. These systems are built recognising that humans and systems will inevitably err. Instead of focusing on blaming and punishing the source of errors – which behavioural science suggests can have the perverse effect of encouraging wrongdoers to hide their actions – they focus on continuous monitoring and learning. The goal is an open, no blame culture where organisations learn from events to increase performance over time (Hodges, 2016<sup>[17]</sup>). This does not mean that wrongdoers will not face the consequences – indeed, intentional violations should be sanctioned – but rather that good-faith errors will be responded to with accountability, not blame (Hodges, 2020<sup>[20]</sup>).

### A more collaborative approach takes two

A co-operative relationship is based on trust, which goes both ways – both parties must adopt ethical behaviour to lay a foundation of trust (Hodges, 2016<sup>[19]</sup>). It begins with regulated entities that exhibit Ethical Business Practice (EBP), where: i) leaders consistently work towards an ethical culture; and ii) organisational norms and institutions help employees make values-based decisions. When businesses are able to show an ongoing commitment to EBP, regulators can move away from a blame culture and towards a culture based on openness and trust: Ethical Business Regulation (Hodges and Steinholtz, 2017<sup>[21]</sup>; OECD, 2022<sup>[22]</sup>). Regulated entities provide ample and ongoing assurance that they are doing the right thing, which builds regulators' confidence that they can rely less on their powers of sanction.

Source: Hodges, C. and R. Steinholtz (2017<sup>[21]</sup>), *Ethical Business Practice and Regulation: A Behavioural and Values-Based Approach to Compliance and Enforcement*, <https://www.bloomsburyprofessional.com/uk/ethical-business-practice-and-regulation-9781509916368/>; OECD (2022<sup>[22]</sup>), *Scotland's Approach to Regulating Water Charges: Innovation and Collaboration*, <https://doi.org/10.1787/fcc8c6df-en>; Hodges, C. (2022<sup>[18]</sup>), "An introduction to Outcome Based Cooperative Regulation (OBCR)", <https://doi.org/10.2139/ssrn.4031491>; Hodges, C. (2020<sup>[20]</sup>), "Science-based regulation in financial services: From deterrence to culture", <https://doi.org/10.2139/ssrn.3590176>; Hodges, C. (2016<sup>[19]</sup>), "Ethics in business practice and regulation", [https://assets.publishing.service.gov.uk/media/5a7f3f18e5274a2e87db4afc/Prof\\_Christopher\\_Hodges\\_-\\_Ethics\\_for\\_regulators.pdf](https://assets.publishing.service.gov.uk/media/5a7f3f18e5274a2e87db4afc/Prof_Christopher_Hodges_-_Ethics_for_regulators.pdf); Hodges, C. (2016<sup>[17]</sup>), *Ethical Business Regulation: Understanding the Evidence*, <https://assets.publishing.service.gov.uk/media/5a800de040f0b62305b88e56/16-113-ethical-business-regulation.pdf>.

In the case of Wales, moving towards a no blame culture requires that the Welsh Government create space for learning and even good-faith failure by local authorities and the CJs. This was a message also raised in the 2020 OECD report, which suggested piloting experiments within limited and defined bounds (OECD, 2020<sup>[11]</sup>). An approach of curiosity and problem-solving towards local authority performance information can encourage transparent sharing by local authorities. To do so, the Welsh Government can consider how it can adjust its "institutional body language" to signal that it is there to work *with* local authorities to improve performance, for example, by leading with the question: "what do you need from us to address this?". As suggested in Chapter 3, the Welsh Government could also encourage local authorities and the CJs to experiment in a limited way with new approaches, with the understanding that experiments may very well fail to produce desired outcomes. Encouraging experimentation, conducted within clearly defined limits, can promote innovation while limiting risks (Box 3.2 in Chapter 3 summarises good practices for experimentation). Welsh local authorities and CJs must do their part to create a no blame culture by showing consideration for the constraints, priorities and responsibilities that motivate the Welsh Government's actions.

### *Collaborative leadership and shared expectations will facilitate change*

A common thread weaving together the points in this section is a need for a shift from implementation-driven leadership to more strategically driven, collaborative-oriented leadership. Local authorities and other stakeholders look to the Welsh Government to show leadership in establishing a shared direction of travel and putting forward a clear process for attaining shared ambitions while embodying principles for collaborative working. Leadership does not mean rigid authority: the Welsh Government can see itself as an orchestra conductor, exercising an enabling role instead of a directive one.

Clear, mutually established and shared expectations will pave the way towards a more collaborative relationship between the Welsh Government, local authorities and the CJsCs. The Welsh Government, local authorities, CJsCs and other key stakeholders have begun to make progress toward a set of principles that will guide joint work for regional development (discussed below). It may also choose to establish expectations in a more targeted way, such as through sit-downs with CJC officials to discuss how the Welsh Government can work most effectively with the CJsCs.

## **Towards principles of collaborative working**

Both the Welsh Government and local authorities expressed an appetite for a better inter-governmental relationship but their views on what such a relationship could look like differ (OECD, 2020, p. 196<sup>[1]</sup>). This suggests that clear shared expectations for collaborative working would be a first step to an inter-governmental relationship that satisfies both parties. This section summarises the results of an OECD workshop in October 2023 in which the Welsh Government, local authorities, CJsCs and other stakeholders began outlining the principles that would serve as the foundation for a more collaborative approach.

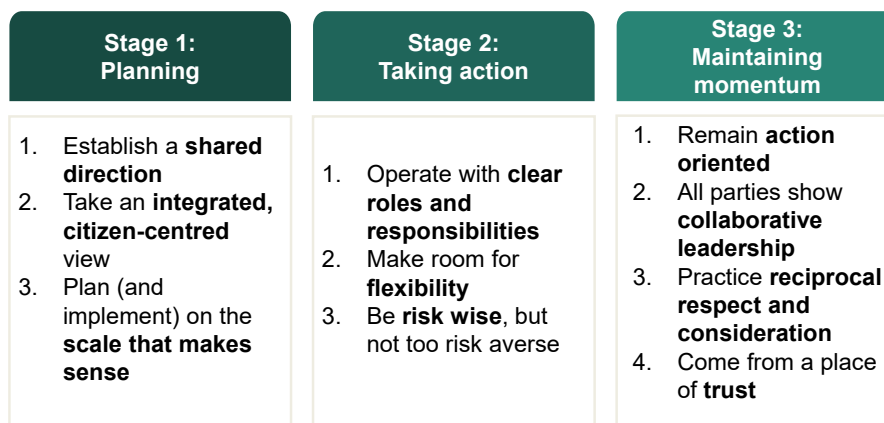
### ***Parties draw out shared principles to plan, take action and maintain momentum together***

To begin establishing the parameters for a new approach, the OECD brought together senior staff from the Welsh Government, local authorities, CJsCs and other key stakeholders in a workshop in October 2023. The goal was to advance towards a set of core principles for collaborative working between the Welsh Government, local authorities and the CJsCs. From this workshop, a set of principles revolving around three stages – planning, taking action and maintaining momentum – began to take shape (Figure 4.2).

- **Stage 1: Planning.** Establishes principles to accelerate progress through co-ordinated and appropriate actions in a shared direction of travel. Parties want to share a clear direction towards common objectives for regional development. They wish to take an integrated, citizen-centred perspective, making well-being the north star for planning that cuts across policy areas. Additionally, they acknowledge the importance of planning and implementing on the appropriate scale, which may be local, regional or national, depending on the context.
- **Stage 2: Taking action.** Articulates a set of principles to create clear and realistic expectations for scope, roles and processes. Parties agree that effective action requires well-defined roles and responsibilities. They emphasise the importance of flexibility, acknowledging that collaboration should be adaptable and responsive to change in the face of uncertainty. Parties want a balanced approach to risk, fostering an environment open to challenging the status quo through measured risks.
- **Stage 3: Maintaining momentum.** Sets up principles for ways of working that drive progress towards shared objectives while fostering positive relationships. Parties agreed to maintain an action-oriented approach, where plans eventually give way to action and where parties ruthlessly prioritise. They highlight the importance of brave and collaborative leadership from all parties – the Welsh Government, local authorities and the CJsCs – although it may fall to the Welsh Government

to take the first step. Reciprocal respect and consideration form another principle; parties agree to foster a collaborative environment where diverse perspectives are valued and participants actively engage in decision-making processes. Trust is identified as a foundation for effective collaboration (OECD, 2023<sup>[23]</sup>).

**Figure 4.2. Principles for collaborative working fall under three pillars**



Source: Based on the results of the multi-stakeholder workshop held in October 2023.

Establishing shared principles for working together better is a good first step; “living” these principles is the next one. Once finalised and validated, the principles can serve as a beacon for collaborative working. Ensuring that these principles are operationalised and bear fruit over time requires a clear, continued commitment to the principles from both the Welsh Government and local authorities. A regular temperature-checking exercise against these principles can help provide a systematic checkpoint for how these values have been absorbed by the Welsh Government and local authorities. This could come in the form of a regular, anonymous questionnaire and targeted focus groups with an independent party to identify and understand what works well and needs improvement. Another example is establishing these shared principles in a more formalised document, such as the Verity House Agreement between the Scottish Government and local authorities (Box 4.3).

#### **Box 4.3. New Deal with Local Government – Verity House Agreement in Scotland, United Kingdom**

The Convention of Scottish Local Authorities (COSLA) and the Scottish Government have a new partnership agreement, setting out the vision for a more collaborative approach to delivering shared priorities for the people of Scotland. The agreement sets out three shared priorities that the Scottish Government and their local governments will work together on: i) tackling poverty; ii) transforming the economy through a just transition to deliver net zero; and iii) delivering sustainable person-centred public services.

The agreement outlines how the Scottish and local governments will work together to approach shared priorities, accountability and engagement mechanisms. For example, with respect to how to work together, the agreement states that the default position will be no ring fencing or direction of funding unless there is a clear joint understanding or rationale for such; powers and funding for local governments will be reviewed regularly; where there is a disagreement, constructive solutions will be sought through the engagement mechanisms outlined; they will jointly develop simply structure to ensure accountability but reduce burdensome reporting. Specific engagement mechanisms include regular meetings (twice a year) between the first minister and the COSLA president; quarterly meetings between the COSLA Leadership Sounding Board and a group of key cabinet members led by the deputy first minister; and a budget engagement process embedded in the fiscal framework.

A more detailed programme of work is expected to be developed jointly to underpin this agreement.

Source: Scottish Government (2023<sup>[24]</sup>), *New Deal with Local Government – Verity House Agreement*, <https://www.gov.scot/publications/new-deal-local-government-partnership-agreement/>.

## Key messages and recommendations

**Despite high ambitions and a shared desire for better relationships, issues of trust and collaboration between the Welsh Government and local authorities persist.** Common concerns include administrative burdens, lack of empowerment at the local level, limited opportunities for meaningful dialogue, excessive scrutiny and worries about the CJs exacerbating these issues.

**A directive approach by the Welsh Government could transition into a more strategic, collaborative approach, helped by adjustments to process and “institutional body language”.** Improving how exchange is organised and takes place can improve the quality of local authority input into Welsh Government decision making and strengthen the inter-governmental relationship. Local authorities also wish to be empowered to make decisions within their mandates, which means departing from overly prescriptive Welsh Government directives and guidance that stifle initiative and innovation. Finally, space for learning, experimentation and even good-faith failure can ultimately improve performance.

- **Recommendation: Improve stakeholder engagement by ensuring that platforms for engagement with local authorities and the CJs reflect principles of fair process – voice, respect and explanations**
  - Actively solicit input into each agenda to give local authorities a prominent role in determining discussion topics.
  - Allocate ample time for all parties to contribute during meetings to ensure local authority representatives feel their voices are heard.
  - Provide transparent reports on how Welsh Government decisions incorporate input from local authorities following meetings to instil confidence that input was considered.
  - Offer thorough explanations for the rationale behind relevant decisions – particularly if input from local authorities is not acted upon – and provide opportunities for local authority representatives to ask questions, fostering a better understanding of decision-making processes.
  - Ensure that high-level exchange includes face-to-face meetings that demonstrate respect and strengthen relationships. Ideally, these should periodically take place at the CJC or a local authority office.

- **Recommendation: Strike a balance between providing guidance and direction where necessary while trying as much as possible to empower local authorities to make decisions within their mandates**
  - In addition to consultation processes in the preparation of legislation and guidance for local authorities and CJsCs, listening-and-action sessions should be held *after* new legal requirements or guidance are issued for local authorities and the CJsCs. During these sessions, the Welsh Government could invite local authorities and CJC ideas for how they envision implementing the requirements.
- **Recommendation: Foster an environment of trust that promotes learning and improvement**
  - Adjust institutional body language when met with local authority and CJC performance challenges. This means not responding with blame, censure or directive and instead leading with questions that demonstrate a willingness to work with them to address challenges.
  - Encourage and support local authorities and CJsCs to experiment within defined boundaries, recognising that some experiments may not yield desired outcomes and helping to manage these risks.

**Shared expectations for collaborative working are an important foundation for the transitions summarised above.** Principles for collaborative working – established by the Welsh Government, local authorities, CJsCs and other stakeholders – provide a bedrock of shared values.

- **Recommendation: Formalise, share and embody the principles established for collaborative working**
  - Validate principles for collaborative working among the Welsh Government, local authorities and CJsCs, deepening them with more detail or clarifying where necessary.
  - Adopt the principles with local authorities and CJsCs, and encourage teams that work with local authorities and the CJsCs to ensure that processes, structures and interactions are aligned with the principles (ones that are not should, of course, be adjusted).
  - Regularly evaluate the effectiveness and impact of these principles through a regular temperature-checking exercise involving all parties, including through anonymous questionnaires and targeted focus groups facilitated by an independent party.

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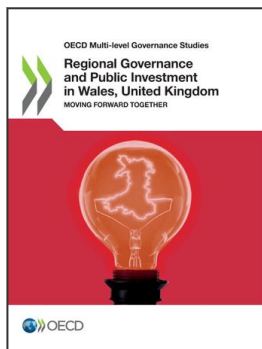
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## Notes

<sup>1</sup> The relationship between the UK Government and the Welsh Government is an impossible-to-ignore backdrop to regional development in Wales. In focus groups and workshops, participants pointed towards the UK Government’s Shared Prosperity Fund (SPF) designed as a replacement for European Union funding for regional development, which is criticised as bypassing the national government to provide funding directly to local authorities (Minister for Economy, 2022<sup>[25]</sup>).

<sup>2</sup> By the time this report is published, new cabinet appointments will have taken effect following the installation of the new first minister, resulting in changes to these titles (Welsh Government, 2024<sup>[27]</sup>).



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