



SPECIAL MEETING OF COUNCIL – 29TH SEPTEMBER 2014

**SUBJECT: REFORMING LOCAL GOVERNMENT – WELSH GOVERNMENT
RESPONSE TO "WILLIAMS COMMISSION REPORT" AND THE
INVITATION FOR VOLUNTARY MERGERS**

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise Members of the recently published Welsh Government response to the Williams Commission report (Commission on Public Service Governance and Delivery) and the recently issued invitation to submit expressions of interest for voluntary mergers, and to provide an opportunity for Members to consider how the Council wishes to respond.

2. SUMMARY

- 2.1 The Welsh Government (WG) had recently published two separate but parallel documents setting out their response to the Williams Commission report. One of these reports is in the form of a white paper specifically relating to local government issues and there is an opportunity for the Council to offer comment on this by 1st October 2014.
- 2.2 Alongside this the WLGA also recently published a related discussion paper regarding the possible creation of four combined authorities for Wales to provide regional services.
- 2.3 In the past week or so Welsh Government has also published a prospectus inviting authorities to consider applying to undertake voluntary mergers two years ahead of the previously published schedule, so that the new councils would come into being in April 2018. Some of the issues raised in the prospectus are summarised below, and a full copy can be found in the Members library.
- 2.4 This report highlights the key issues that arise from these documents and seeks views as to how they should now be taken forward.

3. LINKS TO STRATEGY

- 3.1 This report sets out the issues raised in external publications. As such there is no direct link to Council strategies. However, the proposals arising from the Williams Commission will, if taken forward, have far-reaching and significant implications for the future configuration of local authorities and the way in which services are provided.

4. THE REPORT

Background

- 4.1 Members will recall that the Williams Commission report (Commission on Public Service Governance and Delivery) was published in January 2014. It covered a wide range of issues re public services (complexity, scale and capability, governance, leadership and performance management etc.) but the core issue from a local authority perspective was the proposed merger of local authorities. In our context the proposal was for a merger of Caerphilly, Blaenau Gwent and Torfaen Councils.
- 4.2 At Council on 11th March 2014 Members received a presentation that summarised the key issues arising from the Williams Commission report and particularly highlighted some of the key issues/concerns in respect of the proposed merger of local authorities.
- 4.3 Subsequent to this there has been no formal opportunity for the Council to comment. Whilst it has been discussed in political forums (and at WLGA Conference) the issue has effectively been on hold pending the WG response to the Williams Commission report.

Welsh Government Response To Williams Commission Report

- 4.4 In early July two associated documents were published by Welsh Government, i.e.
- a) Improving Public Services for People in Wales
 - b) Reforming Local Government (White Paper)

Copies of these documents are available in the Members library.

- 4.5 The "Reforming Local Government" white paper sets out specific proposals for local authorities and seeks comments by 1st October.
- 4.6 With regard to the proposal for local authority mergers the white paper effectively endorses the Williams Commission proposals including the proposal for this Council to merge with Blaenau Gwent and Torfaen.

Consultation Response

- 4.7 The white paper deals with a wide range of issues which are the subject of ongoing discussion. However, given the importance of the merger issue it is considered that the emphasis of any Council response at the present time should concentrate on the merger proposal.
- 4.8 At a Council seminar in March 2014 the general view of Members seemed overwhelmingly that they would wish to press the case for Caerphilly CBC remaining a stand-alone authority. The matter was discussed further at Cabinet on the 3rd September and this view was reiterated and referred to Council for approval.
- 4.9 For a number of reasons, set out below, Cabinet members reaffirmed the view that Caerphilly CBC should remain as a stand-alone authority:-
- a) General Concerns re Local Authority Mergers

There is no robust business case for the proposed mergers (including realistic costs, benefits and funding proposals); there is considerable uncertainty as to what might be the cost of a wholesale reorganisation, and the likely savings which might result.

There are great difficulties in attempting a restructure of this nature at the same time as Councils are trying to deal with the extreme consequences of financial austerity.

The reorganisation would seemingly not happen until 2020, but the financial challenge facing local authorities is already with us.

There would be a significant reduction in the number of Councillors and this could affect political legitimacy and the support available to residents to deal with their problems.

b) Specific Concerns re the Merger Proposals for Caerphilly

The underlying factor behind the Williams Commission proposals (in terms of merger) is that some Authorities are too small to effectively manage and deliver the full range of services. In the case of Caerphilly CBC, the council is not one of the smaller authorities and has a proven track record in service delivery. Other authorities of a similar size to Caerphilly are set to remain. There appear to be few, if any, tangible benefits to the residents of the borough.

The majority of the residents of Caerphilly CBC will have no affinity with the enlarged local authority area i.e. it has no natural community identity.

The differential in Council Tax levels between the three authorities is considerable with the inevitable fear that Caerphilly CBC council tax levels will increase without any improvement in service. The current levels are shown in Table 1 below:-

Table 1: Council Tax Band D precepts for 2014/15 (excluding Police and Community Council Precepts)

Local Authority	Band D Precept	% by which exceeds CCBC band D precept
Caerphilly CBC	£954.78	
Blaenau Gwent CBC	£1,370.65	43.56%
Torfaen CB	£1,047.69	9.73%

Caerphilly has already implemented Single Status (Job Evaluation) but this was an extremely time-consuming, complex and costly exercise. A new authority would have to undertake a harmonisation exercise for all of its staff. To now have to rerun this harmonisation exercise across three local authorities would be complex and could involve significant additional cost.

This Council has subsequently implemented the living wage and applying this to all three authorities may not be straightforward.

There are major differences in the way the three authorities provide some key services. A new authority would either have to harmonise the way services are provided, or accept inequity between different parts of the new authority's area. For example, Caerphilly is the only authority of the three that has retained its own housing stock, which makes harmonisation and equity in this key service area extremely difficult. There are also other significant differences of approach to service issues. For example, both of the other authorities have adopted a Trust deliver model for the provision of leisure services.

Other harmonisation issues would include the need to integrate school funding formulas, and this would be likely to create a situation where some schools benefit and others lose out.

IT systems across the three authorities are not consistent and a considerable investment of time, and potentially money, would be needed to integrate the three authority's systems.

- 4.10 On the basis of the above factors, Cabinet were of the view that Caerphilly CBC should state that it does not agree with the proposal to merge the three authorities.

WLGA Discussion Paper – Combined Authorities

- 4.11 As part of their contribution to the debate on local government reorganisation, the WLGA has recently published a paper which discusses the creation of four combined authorities for Wales to undertake regional services as an alternative to local government mergers.

- 4.12 The paper suggests that the problems identified by the Williams Commission could be more easily and more effectively remedied by legislating to ensure consistent delivery of regional services rather than legislating to achieve fewer local authorities.

- 4.13 Examples of proposed services that could be subject to this arrangement are set out in the paper and include:-

- Regional transport planning and delivery
- Regional strategic land use planning
- Regional economic planning and promotion
- Regional tourism promotion
- Regional school improvement services
- Regional commissioning of health and social care
- Regional procurement of waste processing facilities
- Regional or national provision of back office services

- 4.14 The WLGA itself recognises that its proposal is purely for discussion and debate at the current time and that to take the proposal forward will require much more detailed work and need agreement from councils to explore deeper options.

- 4.15 The prospect of a combined authority for certain services (e.g. planning and transportation) may be appropriate but the wider scale approach (particularly as an alternative to the white paper proposals) needs considerable thought and debate before a definitive view can be offered.

- 4.16 At their meeting of the 3rd September, Cabinet Members welcomed the WLGA paper as a meaningful contribution to the broader debate on local authority mergers but felt that Council could not offer a meaningful view on the proposal at this time without more information and clarity. It is hoped that more information will become available over the coming weeks and if that is the case then it will be incorporated into the Council report.

Prospectus For Authorities To Submit Proposals For Voluntary Merger

- 4.17 On the 18th September Welsh Government issued a Prospectus inviting authorities to submit proposals for voluntary merger two years ahead of the schedule for reorganisation in 2020.

- 4.18 The current intention (where there are no voluntary mergers) is that councils will hold their elections as normal in 2017 as presently constituted, and continue in existence until 2020. Elections for the new authorities – in our case for a new council embracing Caerphilly, Blaenau Gwent and Torfaen – will be held in 2019. Following a ‘shadow’ year, the new councils would then formally commence in 2020, and Caerphilly CBC would cease from that date.

- 4.19 However, where councils agree voluntary merger and if supported by Welsh Government, there would be just one set of elections to the new authority in May 2018, and the new authority would come into being two years ahead of schedule on the 1st April 2018. For one year prior to this the three councils would act jointly in a shadow capacity to affect the required steps to appoint staff, establish budgets, set the council tax, agree service configurations and create the necessary structures to administer the new council.

- 4.20 One of the perceived advantages of voluntary merger is that the savings arising from merger can be realised two years early. These savings are principally expected to result from reduced senior management costs, less 'democratic process' costs (i.e. a reduction in the number of councillors) and service realignments and rationalisation. Of course, the costs of merger (such as redundancy costs) would also arise two years earlier than planned. While it is envisaged that there will be reduced costs into the long term, in the first year these would most likely be outweighed by the costs of reorganisation. Estimates from the Welsh Local Government Association are that these costs across the whole of Wales would be around £200million. It is assumed that for the new Caerphilly / Blaenau Gwent / Torfaen Council these set up and reorganisation costs could therefore be in the region of £15 - 20 million. Much more work will be needed to establish this figure with any accuracy however. Moreover, some of the costs dealt with earlier in this report – such as the cost of repeating a job evaluation exercise – are believed to be in addition to these estimates.
- 4.21 There will be targeted support from Welsh Government for authorities that agree to a voluntary merger. However, it seems that this will be of an advisory / technical nature, rather than financial. The prospectus states that '*...it is unrealistic to expect the Welsh Government to provide large injections of cash to support a process or mergers. The object must be for Authorities to come forward with proposals to minimise the costs and maximise the early realisation of benefits.*' It is to be assumed, therefore, that the reorganisation / merger costs would need to be met by the authorities themselves. Members will appreciate that this council does not have any provision for meeting such costs given that the authority has to make budget savings of up to £30 million over the next two years to achieve a balanced budget. Meeting this further cost of reorganisation would be very difficult.
- 4.22 The prospectus does open the door to voluntary mergers on boundaries other than those proposed in the Williams review. Caerphilly CBC could, therefore, seek to reach agreement with one or more neighbouring authorities for an alternative to the proposed merger with Blaenau Gwent and Torfaen. Such proposals could only include the entirety of a local authority area, and not parts thereof. If proposals were put forward which crossed other partner organisation boundaries – such as Local Health Boards or Police force areas – then the authorities that promote such mergers would need to demonstrate the support of these partner bodies. Any alternative proposals should also not jeopardise the availability of European Financial Assistance to the new authority area.
- 4.23 Expressions of Interest have to be lodged with the Welsh Government by the 28th November. These expressions of interest have to give an outline of the 'vision' for the new authority, setting out ambitions for community leadership and improving services. The expression has to deal with capacity and accountability issues, any transition issues, opportunities for sharing services, an assessment of what support would be needed to help with the process and evidence of engagement with the public, local communities, community councils and partner organisations. The expression also needs to give consideration to the name of the new authority. This is obviously a considerable challenge to achieve in just two months, especially where three local authorities are involved.
- 4.24 Welsh Government aim to give a response by the 5th January 2015. If the merger were given the 'go-ahead' to move to the next stage then a full merger proposal would need to be put together for submission by the 30th June 2015.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no equality implications arising directly from this report. Equalities issues in relation to reforming local government will be included as part of future wider consultation and based on the Welsh Government's own equalities impact assessment at a national level.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications arising directly from this report, though the implications of the proposed merger of local authorities would be far reaching.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no personnel implications arising directly from this report, but the report does set out some of the significant implications that would follow from the merger of three local authorities.

8. CONSULTATIONS

- 8.1 Due to timescales the opportunity for consultation has been limited (consultees listed).

9. RECOMMENDATIONS

It is **recommended** that:-

- 9.1 Members confirm the recommendation of Cabinet, as expressed in their meeting of the 3rd September 2014, that Caerphilly County Borough Council does not support the idea of a merged authority covering Caerphilly, Blaenau Gwent and Torfaen, for the reasons outlined in this report.
- 9.2 Members note the invitation to submit bids for voluntary mergers.
- 9.3 Members note receipt of the WLGA discussion paper on options regarding regionalisation of some services.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To enable the authority to respond to the Welsh Government consultation on the Williams review, and the invitation to consider voluntary mergers.

Author: Chris Burns, Interim Chief Executive
Consultees: Corporate Management Team
Cabinet Members
Gail Williams, Interim Head of Legal Services & Monitoring Officer

Background Papers:

WG - Improving Public Services For People In Wales
WG - White Paper – Reforming Local Government
WG – Invitation to Principal Local Authorities to Submit Proposals for Voluntary Merger
WLGA – An Alternative Approach to the Williams Report (The Creation of Four Combined Authorities for Wales)