



## COUNCIL – 18TH NOVEMBER 2014

**SUBJECT: WELSH GOVERNMENT INVITATION TO LOCAL AUTHORITIES TO SUBMIT PROPOSALS FOR VOLUNTARY MERGER**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise Members of the Welsh Government invitation to local authorities to submit proposals for voluntary merger, and to invite Members to agree whether or not to make such a submission.

### 2. SUMMARY

- 2.1 On the 18th September the Welsh Government (WG) published an invitation for local authorities to submit a proposal for voluntary merger. This was reported at Council on the 29th September and the Leader advised that a further report would follow. It is principally intended for authorities to submit proposals in accordance with the previously notified recommendations of the Williams Commission. In our case this would be for merger with Blaenau Gwent and Torfaen councils. However, there is scope for alternative proposals involving merger with other authorities to be submitted provided certain criteria and conditions are met.
- 2.2 The benefit of a voluntary merger would be that the new authority would come into being two years earlier than is envisaged for the 'forced' mergers, from 2018, and that any benefits (including any cost savings arising from the merger) would therefore accrue earlier.
- 2.3 Council resolved on the 29th September not to support the merger with Blaenau Gwent and Torfaen. It has been indicated publicly that Blaenau Gwent and Torfaen are considering a merger of those two authorities, but it is not clear if that would be supported by Welsh Government.
- 2.4 This authority has received an enquiry from Rhondda Cynon Taff County Borough Council as to whether there would be any interest in our pursuing a merger with that authority. They have written to all of their adjoining councils, including Merthyr, Cardiff, the Vale of Glamorgan and Bridgend. This letter seems to be intended to establish whether there would be any general interest in that option rather than indicating any express desire or policy by Rhondda Cynon Taff to do so at this stage.
- 2.5 The council has also received an approach from Merthyr Tydfil County Borough Council to open discussions towards a voluntary merger with that authority.
- 2.6 A decision is required as to whether this authority:-
- (i) Wishes to review its position regarding the Williams Review recommendation for merger with Blaenau Gwent and Torfaen and to seek, with those councils, to submit a proposal for voluntary merger;

- (ii) Would prefer to seek to develop a bid with one or more other councils for an alternative proposal;
- (iii) Would wish to pursue discussions with Rhondda Cynon Taff (and potentially others among their neighbouring authorities) for a merger, as per their letter;
- (iv) To agree to open discussions with Merthyr Tydfil County Borough Council regarding their offer to explore options for voluntary merger.
- (v) Reaffirm the policy of preferring to remain as a standalone authority and to not submit any proposal for voluntary merger.

### **3. LINKS TO STRATEGY**

- 3.1 This report sets out the issues raised in the offer issued by Welsh Government. The implications arising from any decision will have 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, Torfaen and Blaenau Gwent 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 On the 29th September Members received a report from Cabinet of their discussions, with a recommendation that the council resolve not to support the merger with Blaenau Gwent and Torfaen and that the residents of Caerphilly would be best served by Caerphilly CBC remaining as a standalone authority. This view was endorsed by Full Council at that meeting.
- 4.4 The main reasons debated at Cabinet and Council which led to this decision were that the business case for mergers was not proven. While some reduced costs were likely, these were likely to be small in relation to the scale of budget reductions being faced. Moreover, these budget savings (of up to £40 million by 2018 in our case) all have to be met before any benefits of merger would arise, and in the early years of such mergers the initial costs would outweigh the savings and make the budget situation even worse. Members were also concerned at the disparity between council tax levels, which might mean that Caerphilly CBC residents would face significant increases.
- 4.5 Finally, members also expressed concern at the lack of a natural 'community' on the proposed boundaries and that services and service delivery methods varied greatly between the authorities. Caerphilly has retained its council housing stock while others have not. Leisure and other services have been transferred to trust or other vehicles for delivery in other areas, but not in Caerphilly and, there was great concern over the disruption and cost of re-running job evaluation for the new combined workforce. Above all, many Members expressed the view that there is no evidence that residents would receive better services as a result of the mergers, and in view of this the upheaval and costs could not be justified.

#### **The Invitation For Voluntary Merger**

- 4.6 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.

- 4.7 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.
- 4.8 However, where councils agree voluntary merger, and if supported by Welsh Government, there would be no election in 2017 and our council term would be extended by 12 months. Elections to the new authority would be held 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 effect 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.
- 4.9 One of the suggested advantages of voluntary merger is that the savings arising from merger can be realised two years early. However, Members may wish to bear in mind that there are no firm details yet as to what savings would actually accrue.
- 4.10 Any savings which arise 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 suggested 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, other costs – such as the cost of repeating a job evaluation exercise for the new authority – are believed to be in addition to these estimates.
- 4.11 There will be targeted support from Welsh Government for authorities who 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 £40 million over the next three years to achieve a balanced budget, meeting this further cost of reorganisation would be very difficult.
- 4.12 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 who 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.
- 4.13 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 a short time, especially where three local authorities are involved.

- 4.14 Welsh Government aim to give a response by the 5th January 2015. If the merger is 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.
- 4.15 Subsequently, the council has received two formal approaches for discussions.
- 4.16 Rhondda Cynon Taf council have written to all of their neighbouring authorities to ask whether there would be interest in pursuing voluntary merger discussions. Merger with Rhondda Cynon Taf council would create a very large authority that would be one of the largest in Wales.
- 4.17 It is understood that this is a general enquiry from Rhondda Cynon Taf to identify whether there would be any interest, rather than an expression on their behalf that they necessarily wish to go down this road.
- 4.18 Merthyr Tydfil County Borough Council resolved at a meeting of their Full Council on the 5th November 2014 that a merger with Caerphilly County Borough Council would be their preferred option. They have since written to this authority seeking discussions on that proposal.
- 4.19 This option would require several conditions to be met. Because it would depart from the proposals in the Williams Review it would be an exception to the plans already set out by Welsh Government. It would create a new authority which crossed Health Board and Police boundaries and the two authorities would be expected to consult with and demonstrate the support of those, and other key partners in submitting a proposal for merger. Numerous current organisational and service arrangements would need to be reviewed, including the fact that the two authorities are part of separate sub regional education consortia.
- 4.20 Many of the factors facing Members when considering the initial proposal to merge with Blaenau Gwent and Torfaen equally apply in the case of a merger with Merthyr Tydfil County Borough. Council tax levels are higher in Merthyr; some types of service provision, including retention of the housing stock, have followed very different paths in the two areas; and challenges around harmonisation of pay scales and terms and conditions for staff would present a challenge and, potentially, additional costs.
- 4.21 One benefit of this particular proposal might be that the new authority would be co-terminous in terms of electoral boundaries for the Merthyr and Rhymney Parliamentary and Assembly constituency.

## **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 substantial. The main body of the report draws attention to potential future cost savings arising from mergers as well as to the short-term costs which would be involved.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications arising directly from this report, but the task of merging the workforce across several authorities, harmonising terms and conditions and so on would be a highly complex task.

## **8. CONSULTATIONS**

- 8.1 This matter has previously been discussed at Council. No discussions have been held with neighbouring local authorities or other stakeholders at this stage.

## **9. RECOMMENDATIONS**

- 9.1 It is recommended that members consider whether:-
- (i) To review the council's position regarding the Williams Review recommendation for merger with Blaenau Gwent and Torfaen and to seek, with those councils, to submit a proposal for voluntary merger;
  - (ii) To seek to develop a bid with one or more other councils for an alternative proposal;
  - (iii) To pursue discussions with Rhondda Cynon Taff (and potentially others among their neighbouring authorities) for a merger, as per their letter;
  - (iv) To agree to open discussions with Merthyr Tydfil County Borough Council regarding their offer to explore options for voluntary merger.
  - (v) To reaffirm the policy of preferring to remain as a standalone authority and to not submit any proposal for voluntary merger.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To allow for a response within the deadline given of 28 November 2014.

Author: Chris Burns, Interim Chief Executive  
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### Background Papers:

WG - Improving Public Services For People In Wales

WG - White Paper – Reforming Local Government

WLGA – An Alternative Approach To The Williams Report (The Creation Of Four Combined Authorities For Wales)

Welsh Government Prospectus On Voluntary Mergers, 18th September 2014

Correspondence Received From Rhondda Cynon Taf County Borough Council dated 17th October 2014

Correspondence Received From Merthyr Tydfil County Borough Council dated 6th November 2014