

Civic Centre, Castle Street,
Merthyr Tydfil CF47 8AN

Main Tel: 01685 725000 www.merthyr.gov.uk



FULL COUNCIL REPORT

Date Written	21 st October 2014
Report Author	Gary Thomas / Andrew Mogford
Service Area	Transformational Change
Exempt/Non Exempt	Non Exempt
Committee Date	5 th November 2014

To: Mayor, Ladies and Gentlemen

Reforming Local Government – Voluntary Merger Opportunities

PURPOSE OF THE REPORT:

To advise Council of Welsh Government's response to the Williams Commission Report (Commission on Public Service Governance and Delivery), provide appropriate information and recommend that discussions on merging with a neighbouring Local Authority commence.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 Council will be aware of the challenging times facing Local Government. The current financial climate is extremely testing and will lead to job cuts and service reduction. Furthermore it is predicted that public sector austerity will continue for several years to come. As a result Merthyr Tydfil County Borough Council has to make important strategic decisions regarding its future.
- 1.2 Welsh Government has recently published a white paper entitled 'Devolution, Democracy and Delivery – Reforming Local Government', which can be accessed via the background papers for this report. This white paper is part of Welsh Government's response to the Williams Commission Report (Commission on Public Service Governance and Delivery) and sets out proposals for the Future of Local Government in Wales. The Williams Review

of Local Government proposed that Merthyr Tydfil County Borough Council would merge with Rhondda Cynon Taf County Borough Council.

- 1.3 The white paper explains that Local Authorities have to choose between a voluntary merger with another Local Authority by April 2018, or face the prospect of a compulsory merger by April 2020. The paper sets out the case for reducing the number of Local Authorities with a preferred option being to reduce the number of Local Authorities in Wales to 12.
- 1.4 In addition to the white paper outlined above, Welsh Government have issued an invitation for Local Authorities to submit proposals for voluntary mergers by the 28th of November 2014 (please see background paper 'Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger'). This document considers key factors such as:
 - § Political and scrutiny structures and practices;
 - § Staff structures, including in particular senior management structures, and operational structures in priority areas;
 - § Financial and budget structures and processes, including Council Tax;
 - § Internal support systems and processes, including ICT systems;
 - § Assets and estates; and
 - § Service delivery policies and practices, including accessibility, eligibility and charging policies.
- 1.5 Submissions will be required to assess whether a proposal for voluntary merger could proceed within the timescales set out by Welsh Government. There would also be the need to identify and outline the main enablers and obstacles to merger, and deliver a vision for the potential new Authority.
- 1.6 Welsh Government would prefer proposals for early voluntary mergers that concur with the proposals set out in the white paper. However, the Welsh Government has indicated that it would be willing to consider alternatives which meet the following principles:
 - § Proposals consisting of mergers of existing, neighbouring Local Authorities to form the 'building blocks' of a new Authority. They will not entertain proposals for merging only parts of existing Local Authorities, or redrawing boundaries from scratch. They would, however, consider proposals from Authorities seeking to group together into larger configurations.
 - § Proposals must not jeopardise the Welsh Government's desire for coherence and the wider merger and reform programme by, for example, having the effect of leaving one Local Authority unable to merge.
- 1.7 If Local Authorities seek to make a case for a merger proposal straddling the boundaries of Health Boards or police forces, they must clearly and comprehensively demonstrate they will still be able to reduce complexity,

strengthen strategic and operational collaboration, and improve integration of front-line services.

2.0 TIMESCALES REGARDING MERGERS

- 2.1 In January 2015, the Welsh Government will introduce a first Bill that will enable preparatory work for a programme of mergers, but this would not contain specific merger options. It would include the powers to enable ministers to require the Local Democracy and Boundary Commission for Wales to start work on considering and making recommendations for electoral arrangements for proposed new Authorities.
- 2.2 In May 2017 there would be Local Government elections to existing Councils for a three year term (unless the Authority is unaffected by merger). In May 2019, there would be Local Government elections to the new Authorities, with councillors elected for a three year term. The resulting Councils will exist as 'shadow Authorities' until Vesting Day on 1 April 2020. In May 2022 full Local Government elections, for all Authorities, would be held, for a proposed term of five years.
- 2.3 However, if two or more Authorities wish to voluntarily merge then the process would be different. Authorities wishing to voluntarily merge would submit expressions of interest in November 2014 and fully developed cases for merger by June 2015. Authorities would then submit statements of confirmation of intent by November 2015. The Welsh Ministers will, by February 2016, develop the necessary subordinate legislation for approval.
- 2.4 There would be no elections in May 2017 to Authorities wishing to voluntarily merge. Instead their term will be extended to 2018. In October 2017, a shadow Authority and shadow Council for the merged Authority would be established, consisting of the full body of serving Councillors on the constituent Councils. Vesting Day for the new voluntarily merged Councils would be April 2018. First elections to the new Authority would be held in May 2018, based on new wards following an electoral review of the whole of the new Authority with new Councillors assuming responsibility four days after the elections. They would serve for four years until a full round of local elections take place in May 2022.
- 2.5 Local Authorities that wish to voluntarily merge must commit to merger whatever the outcome of the next Welsh Government elections in May 2016.

3.0 KEY ISSUES

- 3.1 The Minister for Public Services, Leighton Andrews AM, has made his personal position clear that local government reorganisation in Wales will happen and, on 23rd September 2014, stated:

“Local government cannot continue to operate as it has done. Neither is the current configuration of 22 local authorities sustainable. There will be change, voluntary or not.”

- 3.2 The Minister clarified, at a meeting of the WLGA Council on 26th September 2014, his expectation that proposals for merger will reflect the proposals put forward in the White Paper, unless there are exceptional circumstances. That being the case, the expectation is that Merthyr Tydfil County Borough Council would seek a voluntary merger, or face a compulsory merger, with Rhondda Cynon Taf County Borough Council:
- Voluntary merger between Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils by 1st April 2018
 - Compulsory Merger between the Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils by 1st April 2020
- 3.3 In the light of these options, the Council needs to consider its direction of travel: support for voluntary merger by April 2018; making the case for an alternative based on exceptional circumstances; or a strategy of waiting for the initiation of legislation and the imposition of a mandatory merger process in April 2020. To date, whilst some political groups have submitted views to Welsh Government, the Council has not formed and stated a position.
- 3.4 *Change Management* - Any merger of such large organisations would generate challenges in terms of the management of change. The difficult issue of the wholesale integration of those issues set out above in order to create one functional organisation would represent a long term – but achievable – project, which would probably continue well beyond the establishment of the new Authority.
- 3.5 *Delivery Models* - Organisations will have and, over the next three years are likely to adopt, very different delivery models to those currently in operation, to respond to the financial challenges they face. Any merger will therefore be complicated by the range of different delivery models being taken forward, and these will need to be revisited at appropriate times.
- 3.6 *Internal support systems and processes* - The issue of contracts and integration of systems and processes represents a key challenge. Transition arrangements would require integration and harmonisation managed through a change management programme to provide minimal disruption to services. This is replicated in the myriad of other service applications in operation all of which will need separate consideration. The work in this area will be more complex than in past reorganisations as, over recent years, IT systems have become more complex.
- 3.7 *External contractual arrangements* - The external spending arrangements of both councils are subject to the same overall requirements of European Directives, the National Procurement Service and other current frameworks. In addition, each Council has its own local procurement rules which would need to be harmonised. Any significant contracts already in place would need to be considered in respect of novation clauses, while new arrangements should be subject to future-proofing to enable as easy a transition as possible.

- 3.8 *Assets and property* - Councils will need to consider the consolidation and potential disposal of assets and property as part of a merged authority. By way of example, there can be only one headquarters – so where is it?
- 3.9 *Elected Members and Community Representation* - Numbers of Councillors and areas represented will change and would be subject to an electoral review to be undertaken by the Local Democracy and Boundary Commission for Wales (LDBCW). The number of electoral divisions would also vary. These issues would need to be factored in to any transition arrangements, with the work and timescales of the LDBCW being a key consideration. Much of this rests on the presumption that the LDBCW will complete its work in a timely fashion by the required election dates. The Commission would need legislative certainty to do this since under its current remit it has no power to review non-existent Authorities. If there are any “early adopters”, this means that the Commission can only start its work when (and if) the First Bill receives Royal Assent in November 2015. It is then assumed that they will have to wait for Welsh Ministers to develop the necessary subordinate legislation to proceed further which is envisaged to be in place in February 2016 (again assuming no slippage).
- 3.10 *Legal Issues* - There are no immediate legal implications arising from the recommendations in the report. In the event that discussions about the potential submission of an Expression of Interest in voluntary merger are productive then the recommendations recognise that a further report will be required. It will also be necessary in respect of any submission to develop an appropriate inter authority agreement/memorandum between the relevant bodies to manage commitments, responsibilities and resource requirements to ensure the submission is suitably supported and can be implemented if approved. As recognised elsewhere in the report any merger will require considerable work to be undertaken in relation to employment, contract, property and other assets and liabilities matters.

4.0 THE VOLUNTARY MERGER OPTION

- 4.1 Those Local Authorities which agree to voluntary merger would merge two years ahead of the compulsory or enforced merger of authorities. In the view of Welsh Government, this would enable the benefits of scale and efficiencies to be realised earlier.
- 4.2 A decision to proceed with a voluntary merger would assist in providing greater certainty to employees about the future timescale and process for merger, provide Local Authorities with the stability of an additional year to plan for transition and would require one less set of elections. Early candidates for merger may also be provided with additional incentives, flexibilities and support from the Welsh Government.
- 4.3 The Williams Commission recommended that early candidates for voluntary merger be incentivised and this has been reflected in the Welsh Government ‘prospectus’ that was published on 18th September 2014. This sets out the

process and requirements for voluntary merger and, in turn, what support will be made available from the Welsh Government.

- 4.4 Whilst it is not clear exactly what form these additional resources will take, they may include additional funding to support the merger process, including supporting the harmonisation of terms and conditions, and tackling equal pay and pension arrangements. The Minister for Public Services has confirmed that he will announce more details about the funds that will be made available by the Welsh Government to incentivise voluntary mergers shortly.
- 4.5 Welsh Government will also consider providing practical support to those Local Authorities which agree to voluntary merger and who are prepared to act as model Authorities to develop innovative approaches to scrutiny and public engagement, increased democratic participation and greater diversity of representation.
- 4.6 In this respect, voluntary merger would increase the ability of the Council to shape the terms of reorganisation, including the possibilities of drawing down financial support to facilitate the merger process and negotiating with Welsh Government financial flexibilities to respond more effectively to the severe financial pressures that are projected to impact on the Council in the medium term.
- 4.7 The Williams Commission has argued the case for reducing the complexity faced by Local Government, for simpler funding arrangements focused on achieving outcomes, and for greater freedom and flexibility. The Welsh Government agreed with the Commission's findings in this area, and has argued that there is scope to go further, as stated in paragraph 97 of the White Paper:

“Just as we seek greater powers through devolution of responsibilities from the UK Government, our ambition is to pass powers and responsibilities to Local Authorities wherever appropriate. However, this requires Authorities of sufficient scale to be able effectively and sustainably to take on these additional responsibilities.”

5.0 OPTIONS GOING FORWARD

- 5.1 It is important to note that any consideration by the Council to merge with a neighbouring Local Authority must be in best interest of service delivery to the Citizens of Merthyr Tydfil.
- 5.2 Having considered the foregoing information, if the recommendations of this report are approved by Council, the preferred way forward would be to:
 - Open discussions with Caerphilly County Borough Council regarding a voluntary merger.

5.3 The following points should be noted:

- Caerphilly County Borough Council share Corporate Priorities with Merthyr Tydfil County Borough Council.
- This option aligns with the Parliamentary footprint.
- There is synergy with plans regarding health care provision e.g. Prince Charles Hospital future provision, Critical Care provision.
- Rhondda Cynon Taf County Borough Council Cabinet approved the recommendation (Thursday 2nd October 2014) that the Leader of Rhondda Cynon Taf Council and the Chief Executive make contact with neighbouring Local Authorities to explore the potential of a voluntary merger.
- Caerphilly County Borough Council recommended, at a Special Council held on the 29th September 2014, that the Council does not support the idea of a merged Authority covering Caerphilly, Blaenau Gwent and Torfean.

6.0 FINANCIAL IMPLICATION(S)

- 6.1 There are no financial impacts as a result of this report, save the officer time to explore potential opportunities to merge with a neighbouring Local Authority.
- 6.2 All Councils in Wales are going to have to work hard to maintain solvency over the next few years. Spending decisions and priorities will be different. Aggregate External Finance received from Wales Government will be different as will Council Tax levels and levels of debt exposure. These differences take little work to identify, they are in published end of year accounts, but they will require significant effort to equalise / harmonise / rationalise. Joining Councils is not an 'even' activity. There will be some bumps and poor alignment to contend with.
- 6.3 As stated above; the Williams Commission report provided limited and 'heavily qualified' analysis of the costs of mergers. Currently, estimates range from £80 million to £400 million. Analysis on the length of the return period and the achievable cashable savings also vary. In short, there is currently no detailed financial analysis for Local Government in Wales for proposed mergers, certainly not reflecting issues unique to Merthyr Tydfil. In addition, it is difficult to extrapolate budget, staffing and cost figures at a time when councils have had to make – and will continue to do make – significant financial savings over the next 3 years.

7.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY

7.1 The Single Integrated Plan and Sustainability Impact Assessment has been completed and the proposals positively impact on all aspects of the Corporate Plan and Single Integrated Plan. No negative impacts have been identified.

8.0 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment (EqIA) screening form has been prepared for the purpose of this report. It has been found that a full report is not required at this time. The screening form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link. Please note that as proposals are developed the screening form will be re-evaluated.

9.0 RECOMMENDATION(S) that

9.1 The content of this report be noted.

9.2 The content of the white paper 'Devolution, Democracy and Delivery – Reforming Local Government' (which can be accessed via the background papers for this report) be noted.

9.3 An 'exceptional arrangement' merger is explored with Caerphilly County Borough Council as the preferred option and discussions commence with Caerphilly County Borough Council regarding this.

9.4 Should discussions with Caerphilly County Borough Council fail the right is reserved to enter into discussions with other neighbouring Local Authorities.

9.5 If Council determines to explore merger or if Council is compelled by Welsh Government at a future date to merge, that delegated authority is given to the Leader of the Council and Chief Executive to engage with counterparts in initial discussions about merger.

GARETH CHAPMAN
CHIEF EXECUTIVE

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Equality Impact Assessment	October 2014	
Sustainability Impact Assessment	October 2014	
'Devolution, Democracy and Delivery – Reforming Local Government'	July 2014	
'Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger'	September 2014	

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.