Reason for this Report

1. To consider the City of Cardiff Council’s response to the Reforming Local Government White Paper issued by the Welsh Government.

Background

2. In April 2013, the Welsh Government announced the establishment of the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams (also known as the ‘Williams Commission’), to examine all aspects of governance and delivery in the devolved public sector in Wales. The Williams Commission published its report on 20th January 2014, which made 62 recommendations, including proposals for local government reorganisation in Wales through the merger of local authorities.

3. The Welsh Government published a White Paper, entitled ‘Devolution, Democracy and Delivery – Reforming Local Government’, on 8th July 2014. The White Paper sets out proposals for local government in Wales in the 21st Century and focuses mainly on future legislation to support the proposed merger of local authorities in Wales, which would reduce the number of councils from the existing 22 to a preferred number of 12, including the proposed merger of the City of Cardiff and Vale of Glamorgan Councils.

Issues

4. The Welsh Government has set out a number of specific consultation questions within the White Paper. The deadline for the submission of responses to the Welsh Government consultation on the White Paper is 1st October 2014. As a result, a draft submission in response to the specific questions was submitted to the Welsh Government, subject to formal approval by the Cabinet at the meeting on 9th October 2014. A copy is attached as Appendix A to this report. The Reforming Local Government White Paper was also considered by the Council’s Policy Review and Performance Scrutiny Committee on 2nd September 2014.
5. The White Paper does not ask any questions relating specifically to the question of whether local authorities agree with the merger proposals put forward by both the Williams Commission and the Welsh Government. Instead, on the basis that the proposed mergers will happen by 2020, local authorities are asked whether they are considering voluntary merger or not (Question 16: ‘Is your Authority considering submitting a proposal for voluntary merger?’).

6. The Welsh Government published its ‘Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger’ or the ‘prospectus’ for voluntary mergers on 18th September 2014.

7. The new Minister for Public Services, Leighton Andrews AM, has made 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."

8. 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 the City of Cardiff Council would seek a voluntary merger, or face a compulsory merger, with the Vale of Glamorgan Council:

   - Voluntary Merger between the City of Cardiff and Vale of Glamorgan Councils by 1st April 2018
   - Compulsory Merger between the City of Cardiff and Vale of Glamorgan Councils by 1st April 2020

9. 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.

**Voluntary Merger**

10. Those 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.

11. 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 authorities with the stability of an additional year to plan for transition and would require one less set of elections. Voluntary merger would also demonstrate the Capital City of Wales taking the lead in an area of national policy on behalf of local and central government. Early candidates for merger would also be provided with additional incentives, flexibilities and support from the Welsh Government.
12. 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.

13. 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 after the Provisional Local Government Settlement for 2015/16 is published in October 2014.

14. The Welsh Government would also consider providing practical support to those 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.

15. 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 the 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.

Greater devolution of powers and freedoms to new authorities

16. The City of Cardiff and the Vale of Glamorgan Councils could begin discussions with the Welsh Government on the devolution of greater powers, responsibilities and flexibilities to the new merged local authority two years in advance of other authorities. It should be noted that the nature of these powers have not been explicitly outlined within the ‘prospectus’.

17. 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.’
18. Merger could therefore lead to greater local discretion, particularly around finance and non-hypothecation of grants. It should be noted that the City of Cardiff Council is already larger than many of the new ‘post-merger’ authorities and so, by that rationale, must already be of sufficient scale to take on any new responsibilities.

Discussions with the Vale of Glamorgan Council

19. Following the publication of the Williams Commission report in January 2014, the Vale of Glamorgan Council passed a motion on 5th March 2014 which rejected the Williams Commission proposal for merger with Cardiff and supported the position that the Vale of Glamorgan Council is a viable and successful Authority, which should continue in its current form. Informal discussions that have taken place between the Leader and Chief Executive of the City of Cardiff Council with their counterparts from the Vale of Glamorgan Council have also confirmed the Vale of Glamorgan’s position.

20. The Vale of Glamorgan Council agreed its response to the White Paper at a meeting of the Council on 29th September 2014. The report to the meeting included recommendations to confirm the Vale of Glamorgan Council’s previous resolution to resist a forced merger with Cardiff City and County Council on the basis that it believes that the Vale of Glamorgan County Borough is a sustainable Council in its own right. It further urged the Welsh Government to allow the Vale of Glamorgan Council to continue as a stand-alone Council.

21. The report also recommended that, should this proposed position not be agreed by the Welsh Government or that indications from the Welsh Government confirm that it will not give such an undertaking, then delegated authority should be given to the Managing Director of the Vale of Glamorgan Council, in consultation with the Leader of the Council, to enter into pre-emptive negotiations for a voluntary merger with other Councils that share the same values and cultures as the Vale of Glamorgan Council.

22. Notwithstanding the Vale of Glamorgan Council’s stated opposition to the proposed merger with Cardiff, relationships between the two authorities are extensive with various examples of collaboration and shared service delivery moving ahead. Recent decisions to establish a joint Local Service Board and to confirm the creation of a shared regulatory service with Bridgend underline the momentum that currently exists.

23. However, compared with current collaboration initiatives, merger represents an altogether different proposition. A voluntary merger would, at the very least, require an alignment between the political leaderships of the two councils. In view of this, and the stated position of the new Minister on the inevitability of reorganisation, the Council could continue discussions about the potential development of an Expression of Interest in voluntary merger with the Vale of Glamorgan Council and other stakeholders.
Expression of Interest / Merger Issues to be considered


25. Expressions of interest will need to assess whether a proposal for voluntary merger could proceed within the timescale set out by the 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.

26. Further to this, the Welsh Government’s ‘prospectus’ for voluntary mergers outlines a number of factors to be considered:

- 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.

27. Initially for each of the above factors, any Expression of Interest will need to identify, broadly, any enablers or obstacles to merger, including:

- How similar (or different) are each Authority’s arrangements now?
- What would be the extent and complexity of change, especially in priority areas?
- What would be the timescales for making such change having regard to the timescales laid out elsewhere in this paper?
- What would be the likely one-off and recurrent costs and benefits and how soon could savings be realised? Main costs may include staff, property, information technology, corporate, consultation and communication while savings may arise from asset and contract rationalisation shared support services, streamlined processes and staff numbers.
- Are there any significant obstacles to these processes? What proposals are there to address these?
- Will it be possible to build on existing collaboration or pooling arrangements?
- Will it be possible to rationalise structures, systems, processes and access channels, and/or adopt best practice

Alternative Arrangements

28. The Welsh Government would prefer proposals for early voluntary merger which concur with the proposals set out in the White Paper. However, the Welsh Government has indicated in the ‘prospectus’ 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.

29. If local authorities seek to make an exceptional 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. These are the key issues which the Williams Commission identified as being achievable through the alignment of public service administrative boundaries. They would also have to demonstrate the firm support of their public service partners for this proposal, and demonstrate their commitment by being part of the voluntary, early merger programme.

30. The Council could, of course, propose to the Welsh Government that the Capital City of Wales should be treated as a "stand-alone" local authority. Such a case would rest on the argument that Cardiff already possesses a size and scale commensurate with other Welsh local authorities in a post-merger scenario. Furthermore, Carmarthenshire, Swansea and Powys – local authorities smaller than Cardiff – are not subject to merger proposals.

31. In this connection, Caerphilly, Newport and Wrexham Councils have publically stated that they wish to stand alone – although it needs to be emphasised that their line of argument runs counter to the options set out in the White Paper.

32. The Welsh Local Government Association (WLGA) issued a discussion paper to its member authorities in July 2014 on the proposed creation of Combined Authorities in Wales as a response to local government reorganisation. Though the proposal did not gain the support of the WLGA Council, it was recognised that on a voluntary basis, they could yet form part of the city-region debate in South East Wales.

33. The core principle, as set out in the WLGA discussion paper, is that decisions should be taken at the most appropriate geographical level. The evidence from cities in the UK and internationally supports the case for transport planning and delivery; and economic development (i.e. skills; tourism; inward investment; marketing and branding; and major regeneration schemes) to be considered across at the metropolitan, or city-region level.

34. An important point is that the case for more effective city-region governance in the Cardiff Capital Region, potentially focusing on a Combined Authority that includes representation from local authorities,
stands on its own merits and should be pursued irrespective of the form and shape of local government in South East Wales.

Cardiff and the Vale of Glamorgan – A Relative Profile

35. Cardiff and the Vale of Glamorgan have, since July 2011, been considered as part of a co-terminus geographical footprint for regional collaboration in public services by the Welsh Government, which is also co-terminus with the Cardiff & Vale University Health Board. As separate geographical areas defined by local authority administrative boundaries, there are a number of key issues to consider when analysing the respective positions of the two local authorities:

Population

36. Cardiff is a local authority of 351,700 people, the capital city of Wales and the nation’s major urban centre. The Vale of Glamorgan is a predominantly rural authority in terms of geography (85% agricultural land) and has a resident population of 127,200 predominantly located in a small number of urban centres, including the town of Barry, which has a population of 54,673. A combined authority would have a resident population of almost 480,000 residents, making any new authority commensurate in scale with some of England and Scotland’s largest authorities.

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>1,092,300</td>
</tr>
<tr>
<td>Leeds</td>
<td>761,500</td>
</tr>
<tr>
<td>Glasgow City</td>
<td>596,600</td>
</tr>
<tr>
<td>Manchester</td>
<td>514,400</td>
</tr>
<tr>
<td>Edinburgh, City of</td>
<td>487,500</td>
</tr>
<tr>
<td>Cardiff &amp; Vale of Glamorgan</td>
<td>478,900</td>
</tr>
<tr>
<td>Liverpool</td>
<td>470,800</td>
</tr>
<tr>
<td>Bristol, City of</td>
<td>437,500</td>
</tr>
<tr>
<td>Cardiff</td>
<td>351,700</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>286,800</td>
</tr>
<tr>
<td>Derby</td>
<td>251,400</td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td>127,200</td>
</tr>
</tbody>
</table>

Annual Population Estimates 2013

37. On this basis, an authority of just under 500,000 people provides an opportunity to promote the “city-authority” as one of the largest in the UK by population. It also brings with it a scale recognised by urban
commentators that provides the critical mass needed for accelerated economic success.

**Population Growth**

38. Cardiff has experienced significant population growth and is projected to be one of the fastest growing UK cities over the next 20 years. The Vale of Glamorgan has experienced a fairly stable level of population growth, with projections suggesting that this trend will continue.

![Population Growth Graph](image)

**The Urban / Rural Dimension**

39. Census 2011 data provides figures on the number of people living in an urban and rural setting within each authority. It should be noted that almost 82% of the Vale of Glamorgan’s population is based in an area classified as “Urban City and Town” area, whilst only 8% live in an area classed as “rural village or dispersed”. This would suggest that, despite the perceived urban rural contrast in area topography, the populations of the two local authorities are concentrated in an urban setting.

<table>
<thead>
<tr>
<th></th>
<th>Urban city and town</th>
<th>Rural town and fringe</th>
<th>Rural village and dispersed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff</td>
<td>337,454</td>
<td>8,636</td>
<td>-</td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td>103,020</td>
<td>13,087</td>
<td>10,229</td>
</tr>
</tbody>
</table>

Census 2011

40. In practical terms, a merged authority would offer an enhanced rural and city centre offer, with commonality in terms of the high number of people living in urban areas.

**Levels of Disadvantage**

41. The Welsh Index of Multiple Deprivation highlights the issues relating to disadvantage across the two local authority areas. Cardiff has a far higher percentage of lower super output areas that are classed as being in the 10% most deprived in Wales.
42. It is also noticeable that the Vale of Glamorgan’s areas of more pronounced disadvantage are concentrated in the more urban areas, consistent with the pattern in Cardiff. Whilst Cardiff has a higher number of people suffering from disadvantage, an analysis suggests that there may be commonality of issues and opportunities for a joint approach in tackling disadvantage in an urban setting.

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>% LSOAs in most deprived 10% in Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff</td>
<td>15.8</td>
</tr>
<tr>
<td>Vale of Glamorgan</td>
<td>6.4</td>
</tr>
</tbody>
</table>

*Welsh Index of Multiple Deprivation Income Domains*

43. Mature arrangements currently in place within the local authority boundaries for dealing with strategic issues, and there are some burgeoning regional arrangements to consider strategic infrastructure and land use planning issues at the city region level.

44. In the context of local government reorganisation, Cardiff and the Vale of Glamorgan have the opportunity to more effectively link together planning, transportation, economic development and environmental considerations in relation to a new larger geographical area.

*Transport*

45. Transport is a significant consideration. Around 77,900 people commute into Cardiff and 17,400 commute into the Vale of Glamorgan on a daily basis. This means that around 100,000 people would commute into any joint authority on a daily basis. These figures contain substantial flows between Cardiff and the Vale of Glamorgan, with over 20,500 commuters travelling in to the city from the Vale each day, and approximately 4,600 commuting from the city to the Vale.
Land Use Planning

46. Each local authority must plan for growth, and the associated demands, through their respective Local Development Plan.

47. Cardiff’s Deposit Local Development Plan, covering the period 2006 to 2026, outlines how the city will accommodate and make provision for 41,100 new homes and 40,000 new jobs. Whilst 11,265 have been built between 2006 to 2013, and a further 10,323 are under construction or have planning permission, there are 19,512 sites with no current planning status.

48. The Vale of Glamorgan Deposit LDP for 2011-2026 is seeking to provide 9,950 new dwellings over 15 years, of which 2,694 will be affordable housing, demonstrating that there is a significant demand for additional housing in the Vale of Glamorgan.

Resource and Organisational Implications

Developing a Detailed Business Case

49. The Williams Commission provided a high order financial analysis of the cost of reorganisation. Whilst this work provides broad estimates, it should not be considered a detailed business case which is reflective of the specific costs faced by individual local authorities. As a basis for a business case the work done to date should therefore be considered as being a limited and ‘heavily qualified’ analysis of the costs of mergers.
50. The WLGA has also undertaken a body of work to consider the high level costs of reorganisation. It should be further noted that the Williams Commission did not fully accept the WLGA’s estimated costs (provided by Deloitte) of between £200 and £400 million with recurrent annual savings of between £92 and £100 million.

51. The Williams Commission noted that a “full and detailed costing is beyond our remit” but believes ‘...the upfront costs of merger could be closer to £80-£100m...with recurrent annual savings of perhaps £60-80m...we can estimate with some confidence that the payback period for these costs would probably be somewhere between 18 and 30 months.’ However, the Commission caveats these costs as ‘...necessarily very rough estimates...and we must qualify them heavily.’

52. Examples from across the UK point to some of the benefits as well as the costs. Cornwall, for example, made the transition to a unitary council by reorganising seven councils into a single unit with a population of 536,000 and 22,000 staff. The initial up front cost was £17.7 million around which there remains some lack of clarity; however, this is now seen to be delivering ongoing efficiency savings of around £15 million.

53. Recouping transition costs is therefore central to any reorganisation proposal. Any savings past the transition period are likely to emerge as a result of staff reductions, disposal of assets, common IT systems, reducing central overheads and enhanced procurement power. The caveat, of course, is that some these savings are likely to be achieved as part of measures to deal with the budget challenge over the next three years.

54. In sum, the absence of a full cost benefit analysis is significant, and the Council will need to consider options for the development of a full business case should it elect to submit an expression of interest for a voluntary merger. This work would need to be undertaken in the case of a compulsory merger, but the timescales would not be so critical.

55. In terms of a business case, the Welsh Government ‘prospectus’ for voluntary mergers notes that:

- Given the severe financial pressures being faced, it is unrealistic to expect the Welsh Government to provide large injections of cash to support a process of mergers.

- The object must be for Authorities to come forward with proposals to minimise the costs and maximise the early realisation of benefits. Nonetheless, they recognise there are often costs involved in transformation, and are committed to discussing the scope and nature of these during the preparation of the fully developed Merger Proposal, which must be submitted by 30th June 2015.

Organisational Integration

56. If the authority elects to pursue a voluntary or a compulsory merger, there are a number of practical considerations associated with the
process that are both complex in nature and bring with them resource implications. Some of the main considerations are outlined below:

- **HR and Workforce Issues**

  There are a number of HR and workforce considerations that would need to be addressed as part of any merger. These will include:

  - *Terms and Conditions:* Staff at Cardiff Council and the Vale of Glamorgan will be subject to different terms and conditions. Any merger would require the harmonisation of these conditions as well as the integration of pay-roll processes. The issue of terms and conditions is particularly relevant given the legal focus on equal pay. Much of this work would be resource intensive in staff time, as a range of key activities would need to take place. For instance, all posts in scope would have to be job evaluated; a process likely to be commensurate in terms of length and scale with the job evaluation/single status exercise recently undertaken by the Council. As there is no standard implementation of job evaluation in Wales albeit that most used the same base model, initial work would need to address the approach and future grading structure before the actual process could begin. Equally, key policy decisions would need to be made on issues such as the implementation of Living Wage.

  - *Pensions:* Pension arrangements for both councils are already administered by the Cardiff & Vale of Glamorgan Pension Fund, but the two councils have different liability profiles which would need to be considered by the Actuary.

  - *Staff Commission:* It is anticipated that a staff commission will be established at a national level as an independent body to support the transition process, with similar arrangements having been in place in the past. The Staff Commission could advise on matters arising from reorganisation such as the recruitment and transfer of staff and potentially any other issue relating such as standardised terms and conditions. The Minister for Public Services has confirmed that proposals for the establishment of a non-statutory public service staff commission to assist in the merger transition process will be brought forward later this year. The Minister also expects all local authorities that are proposing to proceed with voluntary merger to hold formal discussions with their recognised trade unions.

  - *Organisation structure:* Currently the two organisations operate with different senior management structures, with service delivery arrangements structured accordingly. These arrangements would have to be revisited in the context of any merger proposal and would be expected to result in early and significant cost savings.

- **Financial and budget issues**

  The City of Cardiff Council’s net revenue budget for 2014/15 is £585 million and the Vale of Glamorgan’s net revenue budget for 2014/15 is £214.3 million, which represents approximately 36.6%
of Cardiff’s net revenue budget. In terms of council tax, the Williams Commission report noted the variability in the average Band D council tax rates which would require levels in Cardiff to increase by 2.1% and in the Vale of Glamorgan to decrease by 5.3%. As identified by the Williams Commission, the differences in the levels of council tax could also be moderated through a central subsidy from the Welsh Government and this approach would be supported by the Council.

Some comparator figures evident from both Councils’ Statements of accounts for 2013/14 show: a variation in both relative and absolute accounts.

<table>
<thead>
<tr>
<th></th>
<th>City of Cardiff</th>
<th>Vale of Glamorgan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Fund Balance</td>
<td>11.41 £m</td>
<td>13.96 £m</td>
</tr>
<tr>
<td>Earmarked Reserves</td>
<td>30.60 £m</td>
<td>60.30 £m</td>
</tr>
<tr>
<td>Housing Revenue Account</td>
<td>8.12 £m</td>
<td>6.41 £m</td>
</tr>
<tr>
<td>Balance Sheet Asset Value</td>
<td>1,802,482 £m</td>
<td>585,470 £m</td>
</tr>
<tr>
<td>External Debt</td>
<td>473.30 £m</td>
<td>96.78 £m</td>
</tr>
<tr>
<td>Net Revenue Expenditure</td>
<td>593.01 £m</td>
<td>217.39 £m</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>105.50 £m</td>
<td>65.38 £m</td>
</tr>
<tr>
<td>Council tax collected</td>
<td>157.20 £m</td>
<td>68.39 £m</td>
</tr>
<tr>
<td>NDR received from National Pool</td>
<td>107.20 £m</td>
<td>38.80 £m</td>
</tr>
<tr>
<td>Band D Council Tax</td>
<td>£936.56 £m</td>
<td>£1206.33 £m</td>
</tr>
<tr>
<td>Council tax Collection Rate</td>
<td>96.34%</td>
<td>97.5%</td>
</tr>
</tbody>
</table>

**Costs**

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 (see paragraphs 50-51). 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 Cardiff. 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.

The latest published Medium Term Financial Plan forecasts for both councils show the following assumed Budget Requirement Gap to 2017/18:

City of Cardiff – up to £124 million by 2017/18
Vale of Glamorgan – up to £32 million by 2017/18

**Delivery Models**

The two 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.

- **Internal support systems and processes**
The issue of contracts and integration of systems and processes represents a key challenge. For instance, Cardiff and the Vale of Glamorgan currently use different corporate IT systems for internal business applications – a SAP-based system is used in Cardiff and an Oracle-based system is used by the Vale of Glamorgan Council. 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 across the two councils, 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, integrated and most are now supplied by external providers, rather than being in-house developed bespoke systems.

- **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.

- **Assets and property**
Both councils will need to consider the consolidation and potential disposal of assets and property as part of a merged authority. Currently, both councils have a range of operational premises, including main office locations for staff which may need to be rationalised as a consequence of a merger.

- **Elected Members and Community Representation**
The combined elected membership of the City of Cardiff (75) and Vale of Glamorgan Councils (47) would be 122 members. The Williams Commission assumed a maximum of 75 councillors for the proposed merged authority, which 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, with 29 existing electoral divisions in Cardiff and 23 in the Vale of Glamorgan. 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).

Change Management

57. 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.

Timescales

58. The current indicative timescales for the options for a voluntary and compulsory merger are summarised below. The proposed timetables are based on a number of assumptions set out by the Welsh Government in terms of the proposed legislative process to support the merger process and the number of electoral reviews that will need to be undertaken by the Local Democracy and Boundary Commission for Wales. There will also be a need for effective change management supported by joint transition committees as proposed in the White Paper and project management teams which utilises knowledge and expertise from both organisations.

A. NO CHANGE – For Councillors not subject to change (Carmarthenshire, Swansea and Powys) there will be a term of FIVE years for Councillors (subject to a boundary review at some point in that period).

- Elections in May 2017
- Elections in May 2022

B. EARLY ADOPTERS – For Councillors in authorities intending to undertake “early adoption” under the First Bill envisaged by the White Paper there will be a FOUR year term preceded by a six month Shadow Authority set up in October 2017. The shadow authority in this case will be of all existing councillors of the merging constituent authorities.

- Elections in May 2018
- Elections in May 2022

Note – this option works on the assumption that the First Bill will be passed in the Assembly for Royal Assent in November 2015
C. **MERGED COUNCILS** – For Councils subject to mergers under the Second Bill without seeking early adoption, there will be a maximum term of up to THREE years.

The *Shadow Authority* in this case will be subject to an *election* in May 2019 and sit for a year until Vesting Day in April 2020 when the old authority will be formally abolished.

- **Elections in May 2017**
  (Existing Boundaries and Existing Councils)

- **Shadow Elections in May 2019**
  (New Boundaries and New Councils)

**Timetable:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 November 2014</td>
<td>Deadline for submission of Expressions of Interest in voluntary merger</td>
</tr>
<tr>
<td>January 2015</td>
<td>Welsh Government will introduce a first Bill that will enable preparatory work for a programme of mergers. This will 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.</td>
</tr>
<tr>
<td>30 June 2015</td>
<td>Deadline for submission of fully developed Merger Proposal – with full cost benefit analysis and impact assessment – if an Expression of Interest in voluntary merger is to be pursued.</td>
</tr>
<tr>
<td>February 2016</td>
<td>The Welsh Ministers will develop the necessary subordinate legislation for approval by the Assembly.</td>
</tr>
<tr>
<td>May 2016</td>
<td>National Assembly for Wales elections</td>
</tr>
<tr>
<td>May 2017</td>
<td>Local government elections to existing councils for a three year term (unless the authority is unaffected by merger, for the authorities it would be a 5 year term). There would be no elections in May 2017 to authorities wishing to voluntarily merge. Instead, their term will be extended to 2018.</td>
</tr>
<tr>
<td>October 2017</td>
<td>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.</td>
</tr>
<tr>
<td>April 2018</td>
<td>Vesting Day for the new voluntarily merged councils would be 1st April 2018.</td>
</tr>
</tbody>
</table>
May 2018  Elections to the new merged authorities would be held in May 2018, based on new wards following an electoral review. Councillors would serve for four years until a full round of local elections take place in May 2022.

May 2019  Local government elections to the new authorities (based on compulsory mergers), with councillors elected for a three year term.

April 2020  The resulting councils will exist as ‘shadow authorities’ until Vesting Day on 1st April 2020.

May 2022  In May 2022 full local government elections, for all authorities, would be held, for a proposed term of five years

Reason for Recommendations

59. To approve the City of Cardiff Council’s submission in response to the Welsh Government consultation on the Reforming Local Government White Paper.

Financial Implications

60. There are no financial implications arising from this report. Should an expression of interest for voluntary merger be progressed then significant financial analysis work will be required firstly to feed into the initial application and then to the business case which will need to be submitted in June 2015. Although the WG’s “Prospectus for Voluntary Mergers” set out potential ways in which Councils would be supported in following this process the fine details are not clear and so any such financial flexibilities and incentives would need to be clarified before final decisions in respect of a voluntary merger are taken in November 2014.

Legal Implications

61. There are however no immediate legal implications arising from the recommendations in the report.

62. 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.

63. 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 including amongst other things:
• Due diligence to investigate, establish and share relevant information;
• Management of activities during the transition period to include controls over merging authorities entering into significant new contracts, sales of assets or incurring liabilities without some form of notification/approval;
• Management of legacy issues and transfers of contracts and assets including arrangements with suppliers/service providers in terms of transition to new arrangements (such as novation and extension of existing contracts to cover the whole of the merged administrative boundary, early termination of contracts and/or managed/phased exit from legacy arrangements to enable commencement of single procurement for services/supplies for the merged authority);
• Management of the whole range of employment transitions involved in a reorganisation;
• Establishing the new constitution, governance arrangements, policies and strategies;
• Dealings with properties, surrenders, assignments, transfer and amendments of registrations;
• Dealing with any corporate vehicles including any transfers of shares or resignations/ renewals of membership;
• Review and variation of nominations to other bodies.

57. Whilst legislation will undoubtedly provide a framework within which the above matters will be managed it is inevitable that there will be a need for legal protocols between the merging authorities; management, negotiation and procurement of contracts and other legal transaction documentation as well as advice on various legal issues, responsibilities and entitlements.

RECOMMENDATIONS

Cabinet is recommended to:

1. approve the submission (Appendix A) to the Welsh Government in response to the specific consultation questions set out in the Reforming Local Government White Paper;

2. delegate authority to the Leader of the Council and Chief Executive to:
   ▪ progress discussions about the potential development of an expression of interest in voluntary merger, including with the Vale of Glamorgan Council and other stakeholders;
   ▪ discuss with the Welsh Government the potential for the development of an alternative proposal based on exceptional circumstances; and
   ▪ seek an assurance from the Welsh Government that Cardiff will not be disadvantaged in terms of any freedoms and flexibilities that may be available to other local authorities.
3. subject to the outcome of these discussions, bring forward a report for consideration by the Council at its meeting on 27th November 2014.

PAUL ORDERS
Chief Executive
7 October 2014

The following appendix is attached:

Appendix A: Reforming Local Government White Paper – Consultation Response by the City of Cardiff Council

The following background papers have been taken into account:

Report of the Commission in Public Service Governance and Delivery (‘Williams Commission’)

Devolution, Democracy and Delivery White Paper – Reforming Local Government

Invitation to Principal Local Authorities in Wales to submit Proposals for voluntary merger

WLGA Discussion Paper – The Creation of Four Combined Authorities for Wales?

WLGA Discussion Paper on Combined Authorities – Frequently Asked Questions
http://www.wlga.gov.uk/wlga-corporate-publications/combined-authorities-frequently-asked-questions/
**The future of Local Government – what should we expect of Local Authorities?**

<table>
<thead>
<tr>
<th>Q1</th>
<th>How can Local Authorities engage more effectively with their communities, about the challenges of sustaining services as they are currently delivered and the need for change?</th>
</tr>
</thead>
</table>

The City of Cardiff Council is committed to becoming a co-operative council and to developing new ways of working which enable us to work more closely and in an equal partnership with the city’s residents and other partners in the future. The Council has launched the Cardiff Debate, which is a 3-year programme of events and consultation on the future of local public services in the city. The Council’s Organisational Development Programme, which was agreed in May 2014, also includes specific commitments to engage with residents and communities in the design and delivery of services and to improve the co-production of services.

The Council consulted and engaged extensively with residents and communities as part of the 2014/15 budget process, which was recognised by the former Welsh Government Minister for Local Government and Government Business in her speech to the WLGA Annual Conference in June 2014.

The Council recognises the importance of developing a better understanding and management of future growth and demand pressures in order to use limited financial resources in a more effective and targeted way. The use of business intelligence data about the socio-economic profile of communities and who is using local services and in what ways, as well as sharing data with public service partners, is fundamental not only to engaging effectively with residents and communities, but also to the future design and delivery of local services.
Q2

What more could the Welsh Government do to assist Authorities with this dialogue to improve their performance in the delivery of priority services?

The City of Cardiff Council believes that there is a need to clarify and codify the powers, roles and responsibilities of local, national and any future regional government in Wales. Similarly, the Welsh Government should set clear national priorities and strategic outcomes for public services and which services are considered to be ‘priority services’. However, in this context, there is also a need for the Welsh Government to help manage public expectations about the future provision of statutory and discretionary public services in Wales as a result of the current constraints on public finances.

Q3

What specific suggestions do you have for reducing and simplifying administration which would free up time and resources to deliver and improve services?

The City of Cardiff Council would support the need to agree a limited number of strategic outcomes with local delivery partners and how they are delivered. If local authorities are delivering against national outcomes, then they should be given freedom and flexibility in return through an approach based on the principle of earned autonomy. The Council would also support the end of hypothecated funding from the Welsh Government through specific grants and the related reduction in associated grant administration requirements.

Reforming Local Government – Strengthening democracy, sustaining and improving services

Q4

What specific changes should be made to the way in which Local Authorities are currently constituted to ensure openness, transparency and clarity of accountability?

The City of Cardiff Council has made clear its commitment to becoming a ‘co-operative council’ based on the values which include openness, transparency and accountability in its engagement with partners, residents and communities. Similar values and behaviours could form the basis of future public service values to be developed within Wales as recommended by the Commission on Public Service Governance and Delivery.

The Council would support the need for reduced complexity within public services and local government specifically in order to provide greater clarity around decision making processes, which would, in turn, assist public understanding and engagement in local democracy and decision making.

The Welsh Government proposal to introduce a mandatory requirement to webcast meetings will potentially have further cost implications for local authorities, over and above the financial support which has been provided to date by the Welsh Government. The Council believes that the extent of webcasting of meetings should be determined locally or a minimum level of coverage should be prescribed by the Welsh Government. There is also a need to avoid significant investment in webcasting equipment by existing local...
authorities, which will be surplus to requirements subsequently due to future proposed mergers.

**Q5** How should the scrutiny support programme be shaped to support improvements in the effectiveness of scrutiny?

The City of Cardiff Council supports the continued use of the Scrutiny Development Fund to promote best practice and support scrutiny skills development within Wales. The Commission on Public Service Governance and Delivery recommended the increased visibility of the outputs and outcomes from local government scrutiny and the Council recognises the need for these to be measured in terms of demonstrable quality and value in influencing decision making and policy development, rather than simply in terms of the quantity of reports or issues considered.

**Q6** In what other ways should scrutiny be strengthened to drive service improvement?

The City of Cardiff Council supports improved scrutiny of local authority performance management data, which should be supported by specific skills development for scrutiny committee members.

### Scrutiny and Governance – Fire and Rescue Authorities

**Q7** How might governance and scrutiny of strategic service and financial decisions be best secured?

The report of the Commission on Public Service Governance and Delivery (para 2.61) stated that “Fire and Rescue Authorities (FRAs) cannot both manage services and scrutinise their delivery”. As a result, the City of Cardiff Council would support the introduction of a revised constitutional model for Fire & Rescue Authorities, with scrutiny of an enhanced role for the Chief Fire Officer being undertaken using a model similar to that used currently by Police & Crime Panels, which draws on representation from local authorities within the administrative boundaries of the Fire & Rescue Service.

### Community Governance

**Q8** What suggestions do you have to ensure communities have an effective voice in the decision making process of the new Authorities?

The City of Cardiff Council would wish to reaffirm the primary democratic role of elected councillors as community leaders. Local councillors have played an important role in the successful neighbourhood partnership and management model that has been implemented in Cardiff, which has enabled greater consultation and engagement with local communities on the design and delivery of services. Mergers could mean that decision making within larger authorities is more distanced from local communities. As a result, there is a need to consider the greater use of formal Area Committees with devolved
functions within new merged and enlarged Principal Authorities. The Council awaits further information from the Welsh Government as part of the White Paper to be published in Autumn 2014 on strengthening community governance in Wales.

Q9 What sort of consultation, engagement and feedback processes should the new Authorities have with communities?

The City of Cardiff Council believes that this should be a matter for local determination by new Authorities, subject to any guidance or identified examples of best practice provided by the Welsh Government. The Council supports the principle of co-production based on consultation and engagement with partners and communities in the design and delivery of public services.

National Partnership arrangements

Q10 How can we best engage with Local Government to take forward a programme of Local Government reform?

The City of Cardiff Council believes that the WLGA should continue to act as the main representative body to lead engagement and liaison between the Welsh Government and local government. The Council also supports the reform of existing Partnership Council membership or the establishment of a specific new local government forum to debate matters relating to the proposed mergers, which would involve the Leader of all councils which are subject to merger in order to remove any implication that there is a lead partner or to exclude any local authority from Welsh Government-led discussions relating to mergers. Likewise, this arrangement should be replicated within the Public Service Leadership Group or equivalent body established to support the merger process in order to ensure the representation by the Chief Executive/Managing Director of all councils which are subject to merger.

How do we ensure Local Government performance is improving and continues to improve? – Improving Performance

Q11 How can we help and encourage Local Authorities to be more proactive in identifying and responding to delivery or governance issues?

The City of Cardiff Council believes that national strategic outcomes should be set by the Welsh Government and local authorities should agree with the Welsh Government how they will deliver those outcomes. The Welsh Government also needs to be more joined up and to agree a more limited number of national strategic priorities and outcomes. If local authorities perform well then they should be given flexibility. If not, then they should be subject to intervention led by the WLGA or other penalties. There is also a need to consider whether the Wales Audit Office should develop a more supportive role, rather than just a compliance role. If not, then this role could be filled by enhancing the current improvement role of the WLGA, supported by funding from the Welsh Government.
<table>
<thead>
<tr>
<th>Q12</th>
<th>What should be the principles and standards for performance management and performance reporting across Local Authorities, and the broader public sector?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The City of Cardiff Council believes that a more focused approach to performance management is required with a clear and limited number of national outcomes and indicators that enable consistency. These should be aligned with city outcomes and indicators in Cardiff.</td>
</tr>
<tr>
<td></td>
<td>Local authorities should be subject to performance appraisal, including the views of citizens, and make information regarding that appraisal available publicly in order to improve ownership and accountability for performance. There is also a need for local authorities to move away from reporting metrics to an evaluation of what was delivered (outcomes). Local authorities should also undertake an analysis &amp; evaluation of end-to-end customer service.</td>
</tr>
<tr>
<td></td>
<td>There is a need for an urgent review of performance reporting in terms of how the current Welsh Government programmes relate to each other and also how they link with wider reporting requirements placed on core partners (i.e. local authority outcome agreements).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q13</th>
<th>In what ways could we more effectively use the money we invest in supporting Local Authority improvement?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Welsh Government should utilise resources to support performance improvement more effectively through the reduction of bureaucracy linked to performance reporting. This should include a review the role of the Wales Audit Office and a reduction in the reliance of its role in local authority improvement. There is also a need for more direct engagement between the Welsh Government Ministers and civil servants regarding issues and concerns, which will assist in improving the partnership approach between the ‘government’ and the ‘local government’ family.</td>
</tr>
<tr>
<td></td>
<td>There should be greater alignment and co-ordination of funding and support from the Welsh Government which can in turn provide greater alignment and consistency of performance reporting. For example, Welsh Government programmes such as Families First, Communities First and Flying Start have different outcomes which they are measured against, along with different reporting frameworks and mechanisms, thereby causing duplication and placing additional burdens on local partners.</td>
</tr>
</tbody>
</table>
### The future shape of Local Government

**Q14** Do you have specific suggestions for powers and responsibilities which could be considered for devolution to the new Authorities?

The Council believes that the Local Government Finance System is no longer adequate. The current system does not provide the required budgetary flexibility to address the unprecedented financial challenges or unlock the growth potential of local areas. The Council would therefore advocate a fundamental review of local government funding arrangements along the lines of the Independent Commission on Local Government Finance recently launched in England.

The current financial arrangements also fail to adequately recognise the unique pressures faced by the capital city. This, it should be noted, is in the context of Cardiff facing significant levels of growth and associated demand pressures.

The Council would therefore call for a number of issues raised as part of the independent inquiry by Michael Lyons in 2007, *Place-shaping: a shared ambition for the future of local government*, which was commissioned by the UK Government and examined the future role, function and funding of local government, to be revisited, focusing on greater flexibility for local authorities and improving incentives for local authorities to promote economic prosperity and growth. This is a position supported by the RSA Growth Commission, which has identified a number of areas that could form a devolution package. Previous bodies of work have looked at reforms to local government finance; however the challenges are now much more critical which means that this work should be considered as a matter of urgency.

### Facilitating and incentivising voluntary merger

**Q15** Does anything else need to be covered in a power to achieve a voluntary merger?

As part of the process for voluntary merger, the Welsh Government should be more explicit about what financial support and incentives will be offered to those authorities that submit expressions of interest in voluntary merger as this has not been outlined in any detail as part of the ‘prospectus’ for voluntary mergers that was published on 18 September 2014. Further detail and assurance is needed around the financial support for authorities and the scope of any additional powers to incentivise merger.

The proposed legislation for voluntary mergers should also include provision for local consultation on the proposed name (or any proposed changes to the name) of the new merged authority.
Q16  Is your Authority considering submitting a proposal for voluntary merger?

If the Welsh Government adopts as policy the proposals for merger as set out in the White Paper then the Council would consider submitting a proposal for voluntary merger, subject to further discussion with the Vale of Glamorgan Council and also with the Welsh Government around incentives and support.

As laid out in the prospectus document (“Invitation to Principal Local Authorities in Wales to submit proposals for voluntary merger”), an Expression of Interest for voluntary merger would require the agreement of both Councils. Should this agreement not be achieved and should Cardiff be left in a position where voluntary merger is not possible, then the Council contends that it should not be put in a disadvantageous position in either financial, or policy terms (including the timing of elections).

The White Paper makes the case that local authorities of greater scale and capacity are needed to address the risks and pressures facing local public services. Given that Cardiff is already greater in scale (in population) than all post-merger authorities, and given the important role the city plays in driving the Welsh economy, the Council would therefore argue strongly that it should be provided with any additional freedoms and flexibilities available to ‘continuing’ and voluntary merger authorities, whether or not a voluntary merger is agreed.

Local Authority electoral wards

Q17  Is there anything else we need to do in order to ensure LDBCW is able to effectively consider and make recommendations for electoral arrangements in the proposed Authorities?

The City of Cardiff Council supports the provision to enable the LDBCW to commence work in advance of direction by Welsh Ministers following legislation. This may require additional resources to be provided by the Welsh Government in order to support the work of the LDBCW. In addition, the LDBCW should seek to commit to reducing the average 18 month process for electoral reviews, whilst ensuring that any proposals should be subject to full and robust consultation with local authorities and local communities.

The proposed legislation should also seek to clarify when Swansea, Powys and Carmarthenshire will be subject to electoral reviews – will these be the first electoral reviews to be undertaken by the Commission in advance of the local council elections in May 2017? Otherwise, the ‘continuing’ authorities will be subject to a 5-year delay in the implementation of any new electoral arrangements.
### Remuneration of Elected Members

**Q18** Is there anything else we need to do in order to ensure the IRP is able to effectively consider and make recommendations for payments to councillors in the proposed merged Authorities and any preceding shadow authorities?

The City of Cardiff Council would support the principle set out in the White Paper that councillors elected to both existing and new/shadow authorities should not be paid twice for undertaking what is essentially the same role.

### Disposal of property and assets

**Q19** Do you agree the proposed power for the Welsh Ministers will be sufficient for disposal of property and assets? If you do not agree the proposed power will be sufficient, what specific problems do you envisage?

The City of Cardiff Council would support a similar requirement to that used previously in Section 51 of the Local Government (Wales) Act 1994, which would require any local authority subject to merger to seek the written consent of either the successor shadow authority or the Welsh Ministers, as appropriate, to the disposal of any land or building with a proposed increased value threshold of £1 million.

**Q20** What sort of assistance or guidance might Local Authorities need?

The City of Cardiff Council believes that the Welsh Government needs to provide clear and timely written guidance and criteria to local authorities in support of any future legislation relating to the disposal of property and assets without constraining local decision making.

### Collaboration, cooperation and preparation in advance of mergers

**Q21** Is there anything else which should be specified for joint transition committees to do in preparing for a merger of their authorities?

The City of Cardiff Council would argue that there needs to be a clear plan for future mergers which sets out what needs to be done, by whom and by when. Likewise, there continues to be a need for more accurate cost calculations of the proposed mergers due to the differing cost estimates which have been put forward to date by the WLGA and the Commission for Public Service Governance and Delivery.

The joint transition committees need to link and align interests, objectives and actions as early as possible when preparing for mergers. For example, it will be important for the existing/shadow authorities to agree the strategic vision and financial strategy of the new merged authority and then develop the political, management and decision making structures to support the new merged authority. There will also be a need to align decisions in respect of alternative service delivery models. A robust communication plan will be
required before, during and after the merger process with residents, customers and staff.

The joint transition committees should be tasked with establishing merger protocols for joint working and information sharing. For example, the joint transition committees should ensure that financial management information is shared and understood in terms of the balance sheet, including contingent liabilities so that this can be planned into the medium term response to risk and reserves. Early consideration will also need to be given to contractual matters and practicalities such as IT systems, location/type of accommodation, the impact of voluntary severance and the harmonisation, wherever possible, of workforce terms & conditions and contractual end dates.

It may also be appropriate for the Welsh Government to be represented on the joint transition committees in a facilitator or observer role.

Q22 What other powers might the Welsh Ministers require to prevent harmful damaging behaviour?

Local authorities need to be given sufficient discretion to use the resources that are available to them. This is particularly the case currently as councils have to make significant decisions to ensure that they can realign themselves to a lower resource base over the medium term. For example, a council’s build up and use of earmarked reserves is based on the risks associated with the organisation and councils should therefore have discretion to use these strategically or to mitigate operational risks as they see fit. This applies to all resources that the council deploys.

A key question is: how would the terms ‘prejudicial’ or ‘harmful’ be defined within the current climate? Who is to judge or decide on this? All authorities need to reduce their asset base as services are redefined and to consider alternative service provision.

If the powers for Welsh Ministers were too wide ranging, it might discourage service providers from entering into long term contracts with councils, thereby putting at risk where savings need to be found by moving to new models of delivery or dis-investing in assets. Instead, councils should be judged on their ability to work strategically across those council areas affected by mergers and a framework could be put in place to ensure that decisions made were in the best interests of the successor authority (e.g. issues impacting across the boundary could be considered on an adopt or justify basis).

As detailed above, the aim would be to encourage behaviour which allows councils to work together whilst not restricting their ability to manage, over the medium term, the challenging financial circumstances that they face. Areas which could perhaps be included in any guidance would be to ensure that the condition of assets continues to be managed and ensuring that additional unsupported borrowing is considered across councils.
Staffing matters

Q23 What should be the role and responsibilities of the Staff Commission?

The commitment to establish a Staff Commission is supported in order to ensure that local government employees are treated consistently and fairly. Staff Commission should have a clear understanding of the implications of mergers for the workforce and be able to advise accordingly. There is a need for significant input from trade unions and should be responsible for producing equality proofed national employment frameworks, which provide a common basis for agreement on a national job evaluation exercise and related salary grades, as well as a consistent approach to the implementation of the Living Wage in Wales. It will be important to provide practical guidance and a clear framework within which councils will operate. There will also be a need to respond quickly and consistently to unforeseen issues which may arise.

Q24 Is anything else needed to prepare the way for merging Local Authorities?

The City of Cardiff Council would emphasise the importance of developing a common national voluntary severance scheme, which is applicable across all authorities subject to merger. The capitalisation of costs identified specifically as relating to mergers (e.g. voluntary severance) would also be of specific benefit to all councils.

The transfer of staff through the use of Staff Transfer Orders needs to be managed effectively and could potentially include slotting & matching for some posts in order to enable the new authority to move quickly and, therefore, reduce the numbers of staff on prior consideration. There is also a need to agree clear procedures for recruitment and slotting & matching to posts. A review of employee pay grades and terms & conditions will also be required as they will differ between councils subject to merger (e.g. different job evaluation systems used previously). This needs to be supported by a transition plan and timescales for the harmonisation of terms & conditions.

Local Government Funding – Council Tax

Q25 What would be the most equitable approach to raising revenues for local services?

The City of Cardiff Council would urge the Welsh Government to utilise local government to deliver performance on national outcomes, which would be supported by financial freedoms and flexibilities. The Council believes that there should be greater discretion for local authorities in terms of revenue raising powers at the local level, including opportunities for the localisation of business rates and the introduction of Tax Increment Financing. Clarity is also required on the future of the business rates schemes, whether a localisation scheme will be operated at a council level and what the details of any such scheme would be. The Council would also argue for reform of the Revenue Support Grant in order to reflect Cardiff’s additional responsibilities as a capital city and the related resource requirements, including growth pressures within the city-region.
The Council would support the development of a transition scheme in order to limit council tax increases and assist council tax equalisation following the proposed mergers. The council tax base could change significantly as a result of merger and this will inject significant risk into the Council’s funding sources and, potentially, have a significant impact on residents. The Welsh Government should also consider transitional funding schemes and opportunities for capitalisation directions in order to manage merger costs.

The Council is concerned that the proposed mergers would be aligned with a significant reduction in Welsh Government funding leading to spending being set at levels significantly below need, as currently identified in the Standard Spending Assessment (SSA). As a result, in order to mitigate the impact of the effect of future mergers, the Welsh Government should, wherever possible, seek to bring hypothecated Specific Grants back into the Revenue Support Grant formula and provide greater financial certainty through the provision of 3-year budgets.

**Other issues**

| Q26 | We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them: |

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here: