

## Report of the Leader

Council 30 September 2014

### REFORMING LOCAL GOVERNMENT

<b>Purpose:</b>	The purpose of this report is to summarise the key proposals contained within the Welsh Government's White Paper – Reforming Local Government, issued on the 8 <sup>th</sup> of July 2014 and to outline the response of the Welsh Local Government Association.
<b>Policy Framework:</b>	None.
<b>Reason for Decision:</b>	To inform Council about the proposals within the White Paper – Reforming Local Government, in relation to the future shape of Local Government in Wales and the response of the WLGA.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation:</b>	It is recommended that:-  1) The proposals within this paper are noted and considered by Council.
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#### 1. A Summary of the Key Proposals

- 1.1 Welsh Government plan to review scrutiny and governance arrangements in order to ensure greater transparency and accountability.
- 1.2 Welsh Government will publish a paper on options to strengthen community governance in the Autumn of 2014.
- 1.3 The Well Being and Future Generations (Wales) Bill will put Local Service Boards (LSBs) on a statutory footing with a requirement to prepare a local Well Being plan.
- 1.4 The Partnership Council for Wales (PCfW) and the Public Service Leadership group, will be reviewed and reformed to provide leadership

and accountability for the implementation of the reforms to Local Government.

- 1.5 The Local Government (Wales) Measure, will be reviewed to assess if there is any scope to support service improvement and the relationship between self assessment and inspection is clear.
- 1.6 Welsh Government intend to publish a draft Bill in the Autumn of 2015 for consultation, which will set out the intentions for merging Authorities and a detailed Regulatory Impact Assessment.
- 1.7 Welsh Government support the Merger Option 1 presented by the Commission on Public Services Governance leading to 12 Local Authorities: the Isle of Anglesey & Gwynedd, Conwy & Denbighshire, Flintshire & Wrexham, Ceredigion & Pembrokeshire, Neath Port Talbot and Bridgend, Rhondda Cynon Taff & Merthyr, Cardiff & the Vale of Glamorgan, Blaenau Gwent, Caerphilly & Torfaen, Monmouthshire & Newport, Carmarthenshire, Powys and Swansea.
- 1.8 The timetable for Mergers is as follows;
  - In January 2015, Welsh Government will introduce a Bill which will provide the powers necessary to enable and facilitate a programme of work for the mergers. The new powers will enable the Local Democracy and Boundary Commission for Wales (LDBCW) to start work.
  - Subject to the first Bill being passed by the Assembly, it will receive Royal Assent in November 2015.
  - In the Autumn of 2015, Welsh Government will publish a second Bill for consultation which will establish the new Authorities.
  - After the Assembly Elections in May 2016, the second Bill will be introduced into the Assembly and subject to it being passed would receive Royal Assent in May 2017.
  - In May 2017, Local Government Elections (postponed from May 2016) to existing Local Authorities will take place. Councillors elected to Authorities to be merged will serve a term of 3 years. Councillors of continuing Authorities will serve a time of 5 years.
  - Elections to Town and Community Councils will take place on the same day in May 2017.
  - In May 2019, the first elections of the new Authorities, merged under the provisions of the second Bill would be held with Councillors elected for three years. The resulting Councils would exist as Shadow Authorities until Vesting Day on 1 April 2020, when they would assume full functions and the old Authorities abolished.

- In May 2022, full Local Government Elections for all Authorities would be held, for a proposed term of 5 years.

1.9 Alternatively, Local Authorities may wish to merge on a voluntary basis. Provision for Local Authorities will be contained within the first Bill in January 2015. The timetable for voluntary mergers is as follows;

- Local Authorities wishing to merge on a voluntary basis must submit expressions of interest by November 2014 and provide a full business case by 2015.
- There would be no elections in May 2017 to Authorities who wish to merge on a voluntary basis. Subordinate legislation would extend the terms of existing Councillors to May 2018.
- In October 2017, a shadow Authority and shadow Council for the merging Councils will be established.
- Vesting day for the new voluntarily merged Authorities would be the 1<sup>st</sup> April 2018 and the first elections to the new Authorities would be May 2018.

1.10 The first Bill will enable the Local Democracy and Boundary Commission for Wales (LDBCW) to make recommendations for Electoral arrangements for the proposed new Authorities.

1.11 The first Bill will also enable the Independent Remuneration Panel (IRP) to make recommendations in relation to payments made to Members of new Authorities and shadow Authorities.

1.12 Provision will also be made in the first Bill, to divert and distribute property or assets.

1.13 The first Bill will also make provisions for Local Authorities to establish Joint Transition Committees to ensure Local Authorities co-operate and work together in order to prepare for mergers.

1.14 The Welsh Government will establish a Staff Commission on staff matters related to the mergers. Initially it would be established on a non statutory basis, but provision will be made in the second Bill to place the Commission on a statutory basis.

1.15 Welsh Government estimate that the costs of the merger will be between £80 million to £100 million, with recurrent savings of between £60 to £80 million a year. However, the WLGA estimate that the costs of the merger would be between £200 to £400 million a year with recurrent savings of between £92 million and £100 million a year.

- 1.16 Welsh Government will review the Local Government finance system (including hypothecated funding) alongside the reforms to Local Government.
- 1.17 The largest source of Local Government funding comes from the Welsh Government through the RSG. The Welsh Government do not anticipate any increase in the overall council tax requirement – although there may be local impacts on council tax levels.

## **2. Introduction**

- 2.1 The White Paper - Reforming Local Government is the Welsh Government's response to the recommendations made by the Commission on Public Services Governance and Delivery – the Williams' Report and sets out the Welsh Government's proposals on the future structure and organisation of Local Authorities in Wales. The paper outlines the actions Welsh Government plan to take between now and the end of May 2016 to facilitate a programme of local Authority mergers.
- 2.2 The Commission on Public Service Governance and Delivery was established to review the governance and delivery of public services in Wales. The Commission was tasked to produce a report about the changes that are needed, not only in terms of structures, but also in terms public engagement and expectations in order to ensure Public Services are effective and sustainable in the future.

## **3. The Findings from the Commission on Public Service Governance and Delivery**

- 3.1 The Commission found that financial pressures on public services are severe and unsustainable. Even the most optimistic projections, indicate that levels of public expenditure will not return to 2011 levels until 2022.
- 3.2 The Commission also found 'inexplicable' variations in the performance of Local Authorities (even after taking the challenges of demography, deprivation and geography for different Local Authorities into account). The Commission suggested that too much effort is wasted on managing complex systems, rather than providing high quality services.
- 3.3 The Commission reported that many Local Authorities in Wales are too small to effectively address risks and pressures, and that governance arrangements are often unclear and scrutiny is under-valued and ineffective. The Commission recommended a reduction in the number of Local Authorities to between 10 and 12.
- 3.4 The Commission also reported that Community Council sector is in needed of reform and that the number and scale of Town and Community Councils in Wales were problematic in terms of their

accountability, representativeness and their ability to understand and articulate local needs.

- 3.5 Finally, the Commission reported that the large volume of performance data collected by the Public Sector was not being effectively used to deliver improved outcomes and recommended the development of a single set of national outcomes.

#### **4. The Future of Local Government – What Should We Expect of Local Authorities**

- 4.1 The Future Generations (Wales) Bill was launched on the 7<sup>th</sup> July 2014 and sets out a vision for a sustainable future for Wales. The Bill proposes a new legislative framework to agree a long term set of well being goals for Wales. The Bill aims to ensure that Local Authorities work together with other parts of the Public Sector in order to improve the lives of people now and in the future through the delivery of a shared set on long term goals to improve the social, economic and environmental well being. The Bill also aims to secure governance approaches of prevention and collaboration.
- 4.2 The White Paper states that evidence demonstrates that people want Local Authorities to provide services that are responsive to need, high performing, simple to access and use, resilient to cope with increased demand and able to adapt to new challenges through innovation. In addition, Welsh Government also suggests that Local Authorities should also be able to anticipate and manage demand, in order to prevent the escalation of need and to encourage local people to take greater responsibility for their own well being.
- 4.3 Welsh Government also suggest that people want to see and understand decisions made by Local Authorities about their services and that Local Authorities need to be open, making transparent decisions. In addition, they suggest that when things go wrong, people expect Local Authorities to take actions quickly to remedy the problem.

#### **5. Do Local Authorities meet these Expectations ?**

- 5.1 The White Paper asserts that performance across Local Authorities is variable and patchy and although Local Authorities are becoming more open and transparent, there are still examples of decisions being made without proper consultation. The Wales Audit Office concluded that many Council did not effectively engage when planning their budgets and may not be reflecting the needs, priorities and expectations of their communities<sup>1</sup>.

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<sup>1</sup> Meeting the Financial Challenges Facing Local Government in Wales, Wales Audit Office, January 2014.

- 5.2 Welsh Government suggest that Elected Members do not fully reflect the communities they serve. The majority of Councillors in Wales are aged 60 yrs or over, less than a third are women, and 99 in every 100 are is white.
- 5.3 Although Scrutiny is improving, the Commission and the Wales Audit Office found that more needs to be done in order to increase public accountability. Complaints about Local Authority services need to be dealt with more effectively and measures put in place to reduce the number of complaints.
- 5.4 In order to address these challenges, Welsh Government will set out the outcomes they would like to be achieved and support Local Authorities and other public sector organisations to deliver services which produce the desired outcomes. Welsh Government plan to remove excessive performance measurement, detailed planning requirements and financial restraints in order to improve performance focused on delivering these outcomes.

## **6. Moving Forward**

- 6.1 In order to move forward, Welsh Government suggests that we need a system of governance at a national and local level which puts us in the best possible position to deliver services which continually improve and strive for excellence, whose performance is visible and transparent to communities they serve.
- 6.2 This white paper sets out the necessary steps towards the merging of Local Authorities into larger, more sustainable organisations – however, this will only work if accompanied by a wider package of Local Government reform.

## **7. Reforming Local Government – Strengthening Democracy, Sustaining and Improving Services**

- 7.1 The essence of the reforms are based on establishing an effective relationship between service users and service providers, through stronger local democracy, more effective scrutiny and enabling Councillors to properly hold those responsible for services to account, on behalf of the communities they serve.

## **8. How do we make Local Government more accountable and transparent ? - Democracy and Scrutiny**

- 8.1 The White Paper suggests that Local Authorities need to lead the drive for improving the full range of their services working together for the wider well-being of their communities. Councillors need to see themselves as champions of people and communities with clear roles for decision making, holding each other to account and delivering services for the public they serve and represent. To ensure this can happen Welsh Government intends to fundamentally review the way in

which Local Authorities are constituted and build a new constitutional settlement for reformed Local Authorities in the future.

8.2 Scrutiny and governance arrangements will be reviewed in order to ensure greater transparency and accountability. Welsh Government plan to ensure that;

- all Local Authority jobs with a salary of £100,000 to be advertised publically,
- for decisions on senior pay to be made by full Council,
- adjustments to the pay of Chief Executive to be referred to the Independent Remuneration Panel (IRP),
- Local Authorities are helped to produce live broadcasting of full meetings of Council and Committees and make this mandatory requirement,
- they implement an Action Plan in response to the Report of the Expert Group on Diversity in Local Government and work towards priority targets, such as 40% of Councillors being female,
- they will reduce the complexity with audit, inspection and regulation and there is alignment between local scrutiny and public service audit and inspection regime. Auditors and inspectors who report to Local Authorities will be required to do so, directly to the appropriate scrutiny or audit committee.
- extend the scope of the Scrutiny Development Fund in order to develop the Commission's recommendations in this regard.

## **9. How can we give people a stronger voice in decisions effecting them - Community Governance**

9.1 The Commission identified that processes and practices in relation to 'the voice of the citizen' as sporadic, inconsistent and ineffective and that measures are needed to develop a strong and coherent voice.

9.2 The Welsh Government agree with recommendations made by the Commission in relation to the strengthening 'the voice of the citizen'. They will examine whether any Principal Authority Area in Wales would benefit from a review of their Communities and that the role of Town and Community Councils considered within the context of Larger Principal Authorities and the role of Ward Councillors. A further paper will be issued this Autumn, in order to consult stakeholders and communities on options to strengthen community governance.

## **10. Partnership and Collaboration**

10.1 The Commission recognised the importance of collaboration, because delivery challenges are rarely contained within organisational or geographical boundaries. Although the Welsh Government have invested in local collaboration, there is a need to increase the pace and make use all the opportunities available. The implementation of the programme for regional service delivery will fall under the same

governance arrangements as the main programme for Local Government mergers. The Welsh Government will also commission an evaluation of funding streams which support collaborative working, which will report at the end of 2015.

10.2 The reform of LSBs will form a key part of our Well Being and Future Generations (Wales Bill). The Bill will

- put LSBs on a statutory footing,
- require LSBs to prepare well being plans to identify local priorities, based on an analysis of need and engagement with the areas people and communities,
- produce plans that will outline the actions necessary to achieve the priorities, by whom and when,
- ensuring links with the wider framework of national well being goals and indicators set by the bill (sustainable development principles – long term thinking, integration, collaboration, prevention and citizen engagement,
- will ensure that the LSB is held to account.

## **11. National Partnership arrangements**

11.1 The White Paper proposes that the Partnership Council for Wales (PCfW) and the Public Service Leadership group need to be reviewed and reformed to reflect the new model of public services. PCfW should own their programme of work required to implement the reforms. They should provide political accountability and leadership for many of the elements of the new public service reform agenda, including Local Authority mergers.

## **12. How do we ensure Local Government performance is improving and continues to improve ?**

12.1 The White Paper states that complex arrangements for managing performance have distracted services from the central purpose of helping people. Performance reporting management has grown in an unmanaged way and more focus is needed. However, it is not only the best performance data and the analysis but on setting performance information and management within a context of clear strategic purpose, priorities and direction. The Well being of Future Generations (Wales) Bill will provide the framework for achieving clarity of purpose for the longer term. The Bill will establish a smaller set of national well-being goals and a process by which public service organisations will need to demonstrate how they have sought to achieve these goals. The Bill will also aim to develop principles and standards for performance management across the public sector in Wales.

12.2 Welsh Government want to see Local Authorities promoting wellbeing through preventative action and addressing issues related to



performance or governance, before they are identified by inspectors. Welsh Government will review the Local Government (Wales) Measure to see if there is scope to support service improvement and relationship between self assessment and inspection is clear.

- 12.3 Welsh Government also want to see Local Authorities provide information to their communities in an accessible and transparent way, a commitment to openness from Leaders and Senior Officers, but will also require a capable strategic function with analytical capacity and capability.
- 12.4 Welsh Government intend to put in place clear and shared outcomes, which focus more effectively on longer term improvements in people's well being. Welsh Government want to reduce the complexity of service led performance and want Local Authorities to make better use of qualitative information.
- 12.5 Welsh Government will review the way in which funding for Local Authority improvement is used – it will focus on prevention and longer term well being, in addition to service improvement and good governance.

### **13. Reforming Local Government**

- 13.1 Welsh Government accept the Commission's recommendation to reduce the number of Authorities through mergers. Although smaller organisations do not necessarily provide worse service, the Commission did find areas where small scale, creates risk to governance and delivery, a lack of resilience in smaller organisations and more difficulties in recruiting and retaining high calibre leaders.
- 13.2 The Commission also found that economies of scale exist in Local Authorities, and that larger Authorities are able to provide frontline services more efficiently because the costs per unit and corporate overheads are lower. Similarly, the Commission found that smaller authorities found it more difficult to innovate and provide flexible services, as smaller authorities tend to focus on providing day to day services in established ways.
- 13.3 The Commission suggested that talent in Wales was being spread too thinly with a large number of smaller organisations leading to greater competition for the best leaders, managers and professionals. Although some Local Authorities have collaborated to capitalise on the necessary capacity and expertise, significant management capacity is required for collaboration to be successful.
- 13.4 The Commission found that voluntary mergers had progressed only slowly in Wales and had not delivered the benefits hoped for. The Commission argued that Local Authorities must be big enough to

minimise the risks of small scale, but not so big as to become unmanageable, unrepresentative or distant from their communities.

- 13.5 The Commission identified several criteria for re-form of Local Authorities including; a shared heritage and culture, particularly language, levels of deprivation, population density, council tax levels, patterns of commuting and economic growth. In addition, the Commission sought to make recommendations for mergers based within the boundaries of larger organisations such as Local Health Boards and Police Forces and qualification criteria for EU funding.

## **14. The Future Shape of Local Government**

- 14.1 Welsh Government do not think there is enough time to develop, plan and legislate for a full programme of mergers before the next National Assembly mergers in May 2016. However, the Welsh Government do intend to publish a draft bill in the Autumn of 2015 for consultation, which will set out our intentions for the merging of the Authorities and a detailed Regulatory Impact Assessment. The Welsh Government which takes office in May 2016 will then be in apposition to make early decisions about how it wishes to proceed.
- 14.2 The Commission undertook an extensive research and evidence gathering exercise on public service delivery structures and identified 4 possible options for merging authorities, leading to between 10 and 12 Local Authority areas (12 being the minimum extent of mergers necessarily to address problems of scale). Of the four options presented by the Commission, the Welsh Government consider that the first option leading to 12 Local Authorities is the preferred option ;

Commission on Public Service Governance and Delivery:  
Mergers Option 1

- Isle of Anglesey and Gwynedd
- Conwy and Denbighshire
- Flintshire and Wrexham
- Ceredigion and Pembrokeshire
- Neath Port Talbot and Bridgend
- Rhondda Cynon Taff and Merthyr Tydfil
- Cardiff and the Vale of Glamorgan
- Blaenau Gwent, Caerphilly and Torfaen
- Monmouthshire and Newport
- Carmarthenshire
- Powys
- Swansea

- 14.3 Proposals for draft legislation establishing the new merged authorities will be subject of formal consultation at the appropriate time. However,

the Commission, Local Authorities and the evidence for change has compelled the Welsh Government to develop the programme of mergers at a pace and Local Authorities will be encouraged to merge on a voluntary basis.

## **15. What are the Timescale for the Mergers ?**

- 15.1 In January 2015, Welsh Government will introduce a Bill which will provide the powers necessary to enable and facilitate preparatory work for a programme of mergers. The proposed new powers would, amongst other things, enable the Welsh Ministers to require the Local Democracy and Boundary Commission for Wales to start work.
- 15.2 It is anticipated, subject to the first Bill being passed by the Assembly, it would receive Royal Assent in November 2015.
- 15.3 In Autumn 2015, Welsh Government will publish a second Bill for consultation. The second Bill in due course will establish the new Authorities to be created through merger.
- 15.4 Shortly after May 2016 elections to the Assembly, Welsh Government will introduce the second Bill into the Assembly and subject to Assembly consideration, envisage the Bill would receive Royal Assent in Summer 2017.
- 15.5 In May 2017, Local Government Elections (postponed from May 2016) to existing Local Authorities would take place. Councillors elected to Authorities to be merged will serve a term of 3 years. Councillors of continuing Authorities will serve a time of 5 years.
- 15.6 Elections to Town and Community Councils will take place on the same day in May 2017
- 15.7 In May 2019, the first elections of the new Authorities, merged under the provisions of the second Bill would be held with Councillors elected for three years. The resulting Councils would exist as Shadow Authorities until Vesting Day on 1 April 2020 when they would assume full functions and the old Authorities abolished.
- 15.8 In May 2022, full Local Government Elections for all Authorities would be held, for a proposed term of 5 years.

## **16. Voluntary Mergers**

- 16.1 Welsh Government agree that the mergers should be encouraged on a voluntary basis. This will be facilitated by specific legislative provision in the first bill.
- 16.2 A possible timetable for Authorities who wish to merge voluntarily;

- the first Bill in Jan 2015 would include a power for the Welsh Minister to merge Authorities who wish to do so voluntarily
  - Authorities wishing to do this must submit expressions of interest by Nov 2014 and fully developed cases by 2015
  - There would be no elections in May 2017 to Authorities merging voluntarily – instead subordinate legislation would extend terms of exiting Councillors to May 2018
  - In October 2017, a shadow Authority and shadow council for the merging Authorities would be established
  - Vesting day for the new voluntarily merged Authorities would be 1 April 2018. First elections to the new authorities would be held in May 2018
  - Elections and terms for Community and Town Councils in Authorities would merge voluntarily.
- 16.3 Welsh Government will consider providing additional support to those who propose to merge voluntarily and continuing Authorities to act as pilots and pathfinders for the constitutional and service transformation. They will also consider support for early adopters who are willing to act as 'model' authorities developing innovative approaches to scrutiny and public engagement.
- 16.4 The Welsh Government will issue a 'prospectus' for voluntary mergers which will set out what we expect from Authorities who wish to merge voluntarily and how we can help

## **17. Facilitating and Incentivising Voluntary Mergers**

- 17.1 The Commission recommends incentivisation of early candidates for voluntary merger. The Welsh Government will set out some non legislative mechanism as incentives. In order to give legal effect to voluntary mergers, the first Bill will include powers to enable Welsh Mergers to merge two or more Authorities.

## **18. Local Authority electoral wards**

- 18.1 The Local Democracy and Boundary Commission for Wales (LDBCW) will have a crucial role in considering and making recommendations for electoral arrangements for Local Authorities. Existing legislation does not allow the LDBCW to start work on reviewing a new Authority until it has been formally established. Welsh Government intends to make provision within the first Bill to start work as soon as it can be confirmed of the intention to establish a new Authority
- 18.2 The first Bill will enable the LDBCW to make recommendations for Electoral arrangements for the proposed new Authorities for voluntary merger

## **19. Remuneration of Elected Members**

- 19.1 The Independent Remuneration Panel (IRP) can only make determination in respect of payments to members of established Authorities. Welsh Government intends to make provision to enable the IRP to start work early in relation to the payments made to Members of new Local Authorities and shadow Authorities.
- 19.2 The IRP will also be able to set the maximum proportion of payments to be made of shadow Authorities who are also members of existing Authorities, in order to ensure such members are not being paid twice for doing the same job.

## **20. Disposal of Property and Assets**

- 20.1 Provision to enable asset related savings will be made in the first Bill in order for Welsh Ministers to provide assistance to new Authorities on these issues. However, as current proposals for mergers are for existing Authorities it is not anticipated that there will be any requirement for diverting and distributing property or assets.

## **21. Collaboration, co-operation and preparation in advance of mergers**

- 21.1 Welsh Government will make provision in the first Bill for Local Authorities to establish Joint Transition Committees to ensure they co-operate and work together for the preparation of the merger. The power would enable Welsh Ministers to specific certain tasks such as scope out existing delivery arrangements, workforce structures, assets.
- 21.2 Welsh Government will also make provision within the first Bill, to prevent activities by current Authorities which might bring financial or reputational damage to any new authority.

## **22. Staffing Matters**

- 22.1 Welsh Government intend to establish a Staff Commission to advise Welsh Minister on staff matters related to the proposed Local Government mergers. Initially the Staff Commission will be established on a non statutory basis, however, Welsh Government intend to put the Commission on a statutory footing as part of the second Bill.

## **23. Financial Considerations – the Costs and Benefits of merging Local Authorities**

- 23.1 The findings from the Commission report that inaction is not an option because of severe and unsustainable pressure on public services over the next 10 years. Severe financial pressures mean that it is not

realistic to expect Welsh Government to provide large injections of cash to meet the cost of mergers.

- 23.2 The WLGA estimated the costs of the mergers to be between £200 to £400 million, with recurrent annual savings of £92 million and £100 million. The commission believe that the WLGA have over-estimated the costs and potential savings, and the White Paper suggests the cost may be between £80 million and £100 million, with recurrent savings of £60-£80 million a year.
- 23.3 A draft Regulatory impact assessment to assess the potential costs and benefits as far as reasonably practical will accompany the draft Bill in the Autumn.
- 23.4 The White Paper states that costs should be put into context. Local Government in Wales spend £8 billion every year and the WLGA's upper costs only equate to 0.5%<sup>2</sup> of this annual expenditure (even in the WLGA's upper estimate for the costs - £400 million and recurrent savings were the lowest estimate £92 million) – this still suggests direct payback within 25 years.

## **24. Local Government Funding - how local services are funded in the future**

- 24.1 Local Government in Wales spends over £8 billion a year in delivering services. Spending comes from a variety of sources including Welsh Government grants, other grants, council tax, non domestic rates incomes, fees and charging and borrowing. Welsh Government will seek to review the Local Government finance system
- 24.2 Welsh Government will explore the scope to develop stronger links and between funding, performance and the delivery of strategic outcomes identified through the well-being of Future Generations(Wales) Bill. It will also seek to simplify arrangements where practical and ensuring funding and budgeting arrangements are more inclusive and transparent

## **25. Local Government Funding – Council Tax**

- 25.1 Welsh Government suggest that whilst there may be local impacts on council tax levels, there should be no need for the overall council tax requirement to increase as a result of the mergers. Moreover, mergers should deliver efficiencies where possible.

## **26. Local Government Funding – Welsh Government Support**

- 26.1 The greatest proportion of exiting funding to Local Authorities is provided by the Welsh Government through the RSG which is

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<sup>2</sup> This is an incorrect estimate. The actual proportion is 5%

distributed using a needs based formula. A programme of mergers will require the development of a new basis for distributing this funding to take into account the social and economic characteristics of all Welsh Authorities.

- 26.2 The Welsh Government will review hypothecated funding as part of a wider review into the finance system for Local Government.

## **27. Response by the Welsh Local Government Association**

- 27.1 The Welsh Local Government Association estimate that the costs of merger Local Authorities could be up to four times higher than the costs estimated by Welsh Government (up to £400 million) and that simple mergers and boundary re-organisation will not ensure that Local Authority services are resilient or sustainable. Moreover, they suggest that during a time of massive cuts, huge sums of money would be spent on the complex architecture of a full blown re-organisation.

- 27.1 The Welsh Local Government Association have proposed an alternative model based on the Combined Authority models in England. They suggest that it would be more effective to legislate to ensure the consistent delivery of regional services, rather than legislating to achieve fewer Local Authorities. They suggest that there are already definable regions of Wales which are larger than the Local Authorities recommended by the Commission and are suitable geographies for undertaking a range of public services;

- North Wales
- Mid and Central Wales
- South West Wales
- South East Wales

- 27.2 The WLGA suggest that the presence of two City Region Boards in the South West and South East could assist the approach and that 'Combined Authorities' could be the engine which fuels the city region approach. They identify a number of functions which could operate on a regional basis including; transport, planning, economic development, tourism, school improvement, commissioning health and social care services, waste process and the provision of IT procurement, pay roll, pensions and other back office services.

- 27.3 Attached to this report is a copy of the speech made by the Auditor General to the WLGA Annual Conference on 19 June 2014. The Auditor General comments on the need for public service reform and the affordability of reorganisation.

## **28. Conclusion**

- 27.1 This report provides a summary of the main points in the white Paper and in the paper from the WLGA on an alternative approach.

- 27.2 The Welsh Government have invited comments on the White Paper by 1st October 2014.
- 27.3 The Council will need to consider its response to this debate, including the potential implications, if the Welsh Government's proposals are enacted, of Swansea remaining as a stand-alone council on current boundaries.
- 27.4 Regardless of the eventual outcome, the Council's current approach is to continue with the programme of change and transformation through the Policy Commitments and *Sustainable Swansea – fit for the future*. Our local service and financial challenges are such that we cannot allow the debate about local government reorganisation to become a distraction.